Research report

Attitudes to pensions: The 2009 survey

by Elizabeth Clery, Alun Humphrey and Tom Bourne

DWP Department for Work and Pensions

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Attitudes to pensions: The 2009 survey

Elizabeth Clery, Alun Humphrey and Tom Bourne

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Glossary

'A' Day	This is the term used to refer to the introduction of changes to the regulation and tax treatment of pensions that took place in April 2006.
British Social Attitudes (BSA)	BSA is an annual survey of the attitudes and values of adults in Great Britain. It is undertaken by the National Centre for Social Research, funded by a range of Government departments and grant-giving bodies and has been undertaken most years since 1983.
Defined benefit (DB)/ salary-related schemes	Employer pension schemes specifying the benefits that are paid on retirement, e.g. a fraction of salary for each year of service.
Defined contribution (DC)/ money purchase schemes	Employer pension schemes where the amount of pension is determined by contributions paid into the scheme and investment returns.
Default retirement age (DRA)	The Employment Equality (Age) Regulations which came into force in October 2006 provide for a default retirement age of 65 that employers can rely on if they wish. The regulation makes earlier retirement ages unlawful, unless employers are able to justify them, and introduced a right for individuals to request postponement of retirement beyond the age of 65.
Employer pensions	These are any pension schemes which are run or arranged by an employer. This could be a current or past employer and the individual and/or the employer may or may not contribute. Employer pensions include occupational or company schemes and group personal pensions and stakeholder pensions arranged by an employer and any other personal pension to which an employer contributes.
Individual Savings Account (ISA)	ISAs are accounts which can be used to hold many types of savings and investment products including cash, life insurance and stocks and shares. The returns earned in an ISA are tax-free.
National Insurance (NI)	The national system of benefits paid in specific situations, such as retirement, based on compulsory contributions.
National Employment Savings Trust (NEST)	NEST is a UK pension scheme that will be launched in 2011 on a limited basis with full introduction by 2016. It is planned to be a low-cost saving vehicle aimed particularly at employees on low to moderate incomes who currently have no access to a workplace pensions scheme.

Personal pension	A private pension arrangement between an individual and an insurance company, building society or bank.
Private pension	Any non-state pension including employer, personal and stakeholder pensions.
State Pension age (SPA)	The age at which a person can claim their State Pension.

Summary

Introduction

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

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

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

Key findings

Attitudes towards saving and saving for retirement

The majority of respondents are positively disposed towards saving.

- Sixty-nine per cent of respondents agree that they make sure they have money saved for a rainy day and 41 per cent disagree that they would rather have a good standard of living today rather than save for retirement.
- However, 22 per cent disagree that they try to save for a rainy day and 30 per cent prioritise a good standard of living today over saving for retirement.
- Younger respondents are less positively inclined toward saving than their older counterparts.
- Overall, respondents tend to be risk averse, with around two-thirds (68 per cent) agreeing 'It is better to play safe with your savings, even if investing in higher risk investments could make you more money'.
- Only, a minority (ten per cent) agree it is not worth saving for retirement because they may not live that long and 18 per cent agree retirement is so far off it is not worth worrying about what they will live on.
- Around half (51 per cent) of respondents agree that they cannot afford to put money aside for retirement at the moment.

Resources for retirement: Pensions information

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

- Half of the respondents had contacted at least one source for information about planning for retirement and two-thirds (67 per cent) had received information from at least one source with the most frequently mentioned sources being a financial adviser, an employer and a pension provider.
- In person (on one's own or with a partner) is considered an acceptable mode of receiving information about planning for retirement by the majority (70 per cent) of respondents.
- Not unexpectedly, older respondents are more likely to have contacted an information source than younger ones: 61 per cent of those aged 55-64 had done so compared with 22 per cent of those aged 18-24. Younger respondents' preference was to receive information from their friends and family.
- The likelihood of having contacted an information provider varied in relation to respondents' attitudes to saving for retirement: from 19 per cent among those who agree that it was not worth saving for retirement to 58 per cent of those who disagree.

Resources for retirement: Knowledge of pensions

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

- One-third of respondents (36 per cent) feel they have a good or reasonable knowledge of pension issues in general. Men and older respondents are much more likely to think this.
- There is a poor knowledge amongst respondents overall of the taxation system and how this pertains to pensions. Knowledge in this area has, however, increased in the last three years.
- Respondents are most likely to be aware of how much they are contributing to an employer or personal pension but less likely to know how much their employer might be contributing (30 per cent of those with an employer pension were unsure how much their employer was contributing).
- There is considerable uncertainty among respondents about the age at which they will be able to claim their State Pension. Few respondents are aware of the age (to the nearest year) at which they would be able to start receiving their State Pension, given the planned incremental rise in male and female State Pension age (SPA). Only 30 per cent of men and 17 per cent of women are aware of the correct age. Individuals are likely to expect to receive the State Pension before they will be eligible to do so[1].

[1] The research took place before a Department for Work and Pensions (DWP)-funded communications campaign was developed, which sought to educate the public about the impending changes to SPA.

Resources for retirement: Pensions provision and other financial assets

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

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

Expectations for retirement: Income

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

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

Expectations for retirement: Age, duration and working beyond SPA

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

- We calculated that one-fifth of respondents expect their retirement to last 11-15 or 16-30 years (based on their assumptions about retirement age and life expectancy). Those who are least worried about their retirement income are in fact those who expect this period to last the longest.
- Expected retirement ages are gradually increasing. However, 64 per cent specify an age of retirement that is earlier than their estimated SPA (calculated on the basis of the planned increase of male and female SPA to 68 by 2046), compared to 39 per cent in 2006. This suggests that expectations regarding retirement age are strongly linked to the traditional SPA (65 for men and 60 for women).
- There is considerable interest in extended working – 41 per cent of those aged 50 years or more indicate they would like to continue working in the same job after 65[2], and this tendency is particularly pronounced among men. However, there is clearly a gulf between aspirations and expectations – just ten per cent of those aged 50 years and over specify a precise planned retirement age of more than 65, suggesting extended working is something they were actually intending to do (rather than simply aspiring to).
- Fifty-six per cent of respondents are aware that their employer currently allows extended working beyond 65. Awareness of rules around extended working may provide some explanation as to why expressed enthusiasm for this type of work may not be matched by actual intentions.

Attitudes to pensions

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

- Thirty-eight per cent of respondents think pensions are boring and 71 per cent consider them to be so complicated that it is difficult to understand the best thing to do. These figures have declined by three percentage points since 2006 which suggests that, if attitudes are shifting, this may be happening very slowly. Nevertheless, the proportion who feel they know enough about pensions to decide with confidence how to save for retirement remains unchanged at 23 per cent.
- Just under half (47 per cent) view pensions as the most secure way of saving for retirement, a decline from the 63 per cent in 2006 who thought this.
- Seventy-nine per cent believe the idea pensions savings cannot be accessed until retirement makes pensions a good way of saving for retirement. However, those in the lowest socio-economic groups who are likely to have the fewest resources for retirement are the least likely to agree with this view.

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

- Employer pensions are the financial product most frequently identified as being the best way to save for retirement as they make the most of your money; 16 per cent think this, compared to nine per cent in 2006. This change is likely to be attributable to a decline in confidence in investing in property.
- Attitudes to financial companies, banks and building societies as potential pension providers have become much more negative. The proportion of respondents who believe that banks and building societies will act with competence has declined by eight percentage points and with care by 18 percentage points since 2006.

Pensions reform and the role of the Government

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

- Fifty-six per cent believe that it is mainly up to individuals to ensure that they have enough to live on in retirement, while 38 per cent believe that the Government should be responsible. Those with higher economic resources were more likely to argue for individual responsibility.
- Forty-two per cent agree and the same proportion disagree that topping up the incomes of low-income pensioners, through schemes such as Pension Credit, discourages them from saving – an almost identical distribution of attitudes to those observed in 2006.
- Eighty-six per cent of respondents would consider working after SPA, if this meant a better standard of living. In general, age was not viewed as a key factor which should determine when an individual stops working – with health, individual circumstances and one's ability to do the job being more widely regarded as important factors.
- Thirty-two per cent thought that the Basic State Pension (BSP) should increase in line with prices, an increase from the 26 per cent in 2006 who thought this.
- Although 42 per cent of the self-employed claim that they would enrol in a personal account, due to be introduced in 2012, just eight per cent were definite that they would do so.

1 Introduction

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

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

A total of 1,654 adults aged 18-69 years took part in the survey in autumn 2009.

This chapter provides background information to the survey including the relevant policy and research context. It outlines the methods of sampling and data collection used and explains why the data collected can be considered representative of the Great Britain population.

1.1 Background and objectives

The Department for Work and Pensions (DWP) commissioned the National Centre for Social Research (NatCen) to carry out a survey of attitudes to financial planning for retirement and pensions in Great Britain. The main aim of the survey was to explore people's attitudes towards pensions and their expectations for retirement, both financial and non-financial, as well as establishing their views on associated topics such as saving, risk and financial decision-making. The 2009 survey sought to build upon its 2006 predecessor – to identify continuity and change in these different areas, but also to explore areas of emerging interest.

The principal aim of the survey was to collect a broad range of attitudinal data.

Supplementary aims were to:

- explore the extent of people's knowledge about pensions, with a focus on how the State Pension (and its components) and private pensions work, including the respondents' knowledge of their own situations (for example, about future retirement income and likely life expectancy);
- establish how knowledge of these areas relates to attitudes; and
- gain an understanding around people's behaviour in relation to their pension provision, savings and other potential financial resources for retirement.

The survey also collected data around socio-economic and demographic measures to allow analysis by respondent characteristics, and to explore differences in attitudes, behaviour and knowledge within the population aged 18-69 as a whole.

1.2 Pensions policy and research context

Pensions and financial planning for retirement remain high on the policy agenda in Britain and subsequently have received considerable attention from researchers – both through the analysis of existing administrative data and in the collection and analysis of new survey data[3]. In the following sections, we review the policy context in which the 2006 survey was undertaken, the developments that have occurred since, and those that are likely to take place in the future. This is an essential backdrop against which to understand and interpret the results of the 2009 survey and against which to understand any evidence of continuity and change since 2006.

1.2.1 Long-term trends and the situation in 2006

For many decades, the population of Great Britain has been ageing, both as a result of trends in fertility and continuing increases in longevity. The most recent data on this topic indicates a life expectancy of 77.4 years for a male born today and 81.6 years for an equivalent woman – in both instances representing an increase of around four years from figures collected 15 years ago (Office for National Statistics (ONS), 2009). The comparable mortality rates for a man and woman aged 65 are 82.4 years and 85 years – meaning that a man and woman retiring at that age would expect to have 17.4 years and 20.0 years respectively in retirement, compared to 14.2 and 17.9 years for those aged 65 in 1981-1983[4]. If the age at which people retire remains constant, at any given time, an increasing proportion of the population will be in retirement and – for the individual – the anticipated length of retirement (and thus, the potential significance of this life-stage) will increase.

Ultimately, this means that, to fund an individual's retirement, a higher level of pension provision by the State and/or a greater level of personal provision by the individual is needed. Recent changes to the UK pensions system have sought to ensure that individuals are better equipped to support themselves financially in retirement and that the Government is better able to facilitate this. In addition, changes have sought to address a long-term decline in saving for later life and to promote such saving amongst those yet to retire.

An overview of the challenges facing the pensions system in the UK was provided by the independent Pensions Commission, who noted in *Pensions: Challenges and Choices* that the UK had '*the most complex pension system in the world*'. In 2005 the DWP published a set of six *Principles for Reform*. Three reports from the Pensions Commission were published – the latter two, which were by far the more detailed, in November 2005 and in April 2006, shortly before the launch of the *2006 Attitudes to Pensions survey* (Clery *et al.*, 2007).

At the time of the 2006 survey, the wide range of tax regimes affecting pensions were changed on A-day, in April 2006, where a series of eight sets of rules for different pension types were reduced to a single simplified set, including (notably) a lifetime limit on the size of individuals' retirement funds and higher annual limits on pension contributions. The 2009 survey assessed the extent to which the public understood this new set of rules; in 2006, it was found that understanding of the tax rules prior to A-Day across the public was relatively poor (Clery *et al.*, 2007).

1.2.2 Changes in pensions policy since 2006

Since the time of the 2006 survey, a number of the reforms outlined in the Pensions Commission reports have come into effect. A White Paper based on the Pensions Commission's recommendations was published in May 2006 (DWP, 2006) and the Pensions Act 2007 and the

[3] In addition to the two Attitudes to Pensions surveys (2006 and 2009) the British Social Attitudes (BSA) survey has recently included a particular focus on attitudes to retirement, pensions and extended working (for example, McKay, 2010) and surveys have been commissioned examining specific aspects of policy that are likely to be subject to change (e.g. Bourne *et al.*, 2010).

[4] These figures reflect a period rather than a cohort measure of life expectancy.

Pensions Act 2008 put into law the reforms set out in the White Paper. Reforms have taken place (and further reforms are being discussed and planned) in relation to three key areas – the State Pension, workplace pensions and the extension of working life.

1.2.3 State Pension reform

State Pension reform has focused on three key areas – the raising of the State Pension age (SPA), the uprating of the State Pension and changes in relation to eligibility rules for the Basic State Pension (BSP).

In July 2007 The Pensions Act legislated for the reforms to the State Pension system set out in the earlier White Paper (DWP, 2006). These reforms included changes to the SPA for men and women over the period 2010 to 2046 in terms of equalising the pension age and also gradually increasing the pension age to 68. The Government subsequently announced, in June 2010, a review on the timing of the increase in SPA to 66 and issued a call for evidence from external stakeholders to help inform the review and the subsequent decision. The deadline for receipt of evidence was early August 2010 with the Government's response due to be published later in the autumn, setting out the Government's decision, with the Bill to implement the decision introduced early in 2011. The 2009 survey explores how aware individuals are of these changes, as set out in 2009, and the impact of this awareness upon their own expectations with regard to SPA and retirement.

The Government will introduce, in April 2011, legislation that restores the earnings uprating of the BSP. Additionally, it will provide a 'triple guarantee' that even when the earnings link is restored, the BSP will increase by the highest of earnings, prices or 2.5 per cent. This is because the Government believes that having a generous underpin for uprating the BSP will help provide a more solid foundation for pensioners from the State. The 2006 survey measured people's preferences as to whether the BSP should be linked to earnings or prices, finding considerable support for the former option, which was not Government policy in 2006; the 2009 survey again examines people's preferences on this issue.

The 2007 Pensions Act also legislated for reducing the number of qualifying years needed to receive a full BSP from, generally, 39 years for women and 44 years for men to 30 years for both men and women.

1.2.4 Workplace pension reform

The Pensions Act 2008 put in place plans to ensure that from 2012 all eligible workers, who are not already in a good quality workplace scheme, will be automatically enrolled into a qualifying workplace pension scheme. Automatic enrolment means instead of choosing whether to join a workplace pension scheme provided by their employer, all eligible workers will have to actively decide not to join, if for any reason they feel this is not a suitable form of personal saving for their situation. The Government is committed to introducing automatic enrolment in order to address the long-term challenge of pension under-saving and announced in June 2010 an independent review on the best way to make automatic enrolment work. The review will report in autumn 2010.

It is planned to introduce a new, simple, low cost saving vehicle (National Employment Savings Trust (NEST)) aimed particularly at employees on low to moderate incomes who currently have no access to a workplace pension scheme. The review on the best way to make automatic enrolment work will also consider NEST and in particular, if it is the right intervention to support pension savings amongst low to moderate earners.

The 2006 survey measured support for automatic enrolment and more recent survey research has examined the attitudes and behaviour of employees who would be eligible for the NEST scheme (Bourne *et al.*, 2010). To complement this study, the 2009 survey specifically explored the likely behaviour of the self-employed in relation to this scheme.

1.2.5 Extending working life and the default retirement age

The Government would like to reappraise older people's role in society, recognising that the idea that people have a pre-determined date beyond which they can no longer continue to work is wrong and poor economics. It wants to make it easier for people to work flexible or part-time hours if they choose to work beyond retirement age and to encourage a shift away from the notion that one works full-time until a specific retirement age and then stops entirely. To help with this, the Government published in July 2010, a consultation paper outlining its views to phase out the Default Retirement Age (DRA) from April 2011 with complete removal from October 2011. The consultation ends in October 2010 and the Government response will be published in late autumn 2010.

Awareness and attitudes towards extended working is one of the key new topics that is examined in detail in the 2009 survey and has also received considerable attention from other recent research, such as the British Social Attitudes (BSA) survey which has measured respondents' perceptions, expectations and attitudes in relation to their own, and others', likely extended working beyond age 65 (McKay, 2010). Generally, the picture painted in terms of attitudes to extended working has been a positive one, although individual intentions appear to be quite varied – and it will be interesting to ascertain how data from the *Attitudes to Pensions 2009* survey helps to shed light on these trends.

1.2.6 The economic situation in 2009

In addition to the changes to pensions policy outlined above, the 2009 survey was conducted in an entirely different economic climate to the 2006 survey. The financial climate in Britain has changed dramatically since 2006 in a way that was not anticipated when the first survey took place.

In 2006, saving into a private pension was widely regarded and reported as being a less secure route for saving for retirement than it had been in previous years, although 2006 was the first year in which this survey series began to collect robust attitudinal data on this matter. Many firms had closed their salary-related occupational schemes to new members and other forms of provision (such as stakeholder pensions) often provided less generous employer contributions for those taking advantage of them. Mis-selling of personal pensions and endowment policies prior to 2006 also acted to reduce public trust in private provision of pensions. The *Attitudes to Pensions 2006* survey highlighted varying degrees of public trust in the different organisations that can provide private pensions and their characteristics (albeit the extent to which they are caring or competent) as pensions providers.

By the time of the fieldwork for the 2009 survey, the financial and economic situation in Britain in general had become far more insecure, with the UK in recession from the second quarter of 2008 (a situation that it was not to leave until the final quarter of 2009, in the middle of the fieldwork period for the 2009 survey). Confidence in financial institutions was badly undermined by the nationalisation of Northern Rock in February 2008 and the collapse of Lehman Brothers in September that year, which triggered wider fears about the stability of the global financial system. In such a climate it was anticipated that there would be heightened public concern about financial products and prospects in general, not just those relating to retirement, which for many would be some way off.

The long-term decline in employer-sponsored defined benefit (DB) pension schemes and the accompanying shift to defined contribution (DC) pensions meant that the effects on individual pension wealth of falling asset prices were far more transparent for individuals. Sharp declines in house prices and other financial asset prices throughout 2008 and 2009 had the potential to reduce the extent to which people could rely on other assets such as housing and investments to provide an income in retirement; the situation was particularly acute for those nearing retirement in 2008/09. The 2009 survey explored how these developments have impacted on the expectations and concerns of those yet to retire.

To summarise, there has been considerable change in pensions policy in recent years and in the surrounding context in which pensions and financial planning operates. Throughout the report, we will seek to explore how far these changes are understood and supported by the public and to what extent they explain continuity and change in attitudes and behaviour in relation to pensions and financial planning between 2006 and 2009.

1.3 Methodology

Chapter 10 of this report and the full technical report (Clery *et al*., 2010) provide details of the survey methodology, including sampling and weighting approaches. In this section we highlight the key details. In general, to enable meaningful time series analysis, the 2009 survey sought to replicate where possible the methodological approaches employed in the design and implementation of the 2006 survey.

1.3.1 Sample

The survey sample was drawn from the Postcode Address File (PAF). The PAF contains information of all postal addresses in Great Britain and is the sampling frame commonly used in general population surveys. The sample was stratified by Government Office Region (GOR), the percentage of households in owner-occupation and the percentage of the eligible population aged 18-69 who were aged 60-69.

A total of 5,250 postal addresses were selected and issued to interviewers. The aim was to identify, where possible, an adult aged 18-69 years at each address. The interviewer screened the dwelling unit members by age and, where there was more than one member of the dwelling unit who was 18-69, selected one individual using strict random selection procedures.

1.3.2 Questionnaire development

The structure of the questionnaire was revised between 2006 and 2009, in order to take account of policy developments so new questions were added and some questions were revised. Where an item from the 2006 survey has been amended this is referenced and attention is drawn to any potential implications on the robustness of time series analysis. The small number of new questions added were designed to explore current topics of interest such as extended working or to measure public knowledge and awareness of new policy initiatives, such as the planned increase in SPA. The new questions went through an iterative process of question design and were tested in a questionnaire pilot in June 2009, with further modifications being undertaken as necessary. As mentioned earlier, the survey as a whole was originally designed with repetition in mind, and this was borne in mind with the design of new questions and ordering of the final Computer-Assisted Personal Interviewing (CAPI) questionnaire.

1.3.3 Survey fieldwork

The fieldwork for the survey took place between mid September and the end of November 2009.

An advance letter explaining the purpose of the survey was sent to all selected addresses. Following a random individual selection where there was more than one eligible adult available, the selected respondent was interviewed using Computer-Assisted Personal Interviewing (CAPI). Respondents who took part were given a £5 high-street voucher to thank them for their participation. Interviews took, on average, 45 minutes to complete, with respondents being asked the survey questions in a number of different ways. These included: a) having a number of options read out to them to choose from; b) having options presented on showcards; and c) providing spontaneous unprompted answers. Additionally, not all respondents were required to answer all the questions, with some questions being asked only of specific sub-groups of the population (for example, those who are retired).

Overall, the response rate achieved was 48 per cent, compared to 57 per cent in 2006[5]. The total achieved sample size was 1,654. Comparisons of the achieved sample with those obtained through comparable surveys (presented in detail in Chapter 11) suggest that the lower than anticipated response rate has not led to the presence of undue bias in the data.

1.3.4 Weighting

The survey dataset has been weighted to ensure that it is representative of adults aged between 18-69 years in Great Britain in mid-2009. The weighting approach used in 2006 was replicated, to enable effective time series analysis. Three stages of weighting were applied: first, the data were weighted to take account of the fact that not everyone at an address had the same chance of being asked to participate. The next stage was to adjust for non-response, because some groups (such as those living in London) are more likely to refuse to be interviewed. Finally, calibration weighting was applied, to ensure that the weighted sample is representative of the population as a whole in respect of age, sex and region. Further details of the weighting are provided in Chapter 10. Chapter 11 discusses the weighting approach and its effect on subgroup numbers.

1.3.5 A note on 'retired' respondents

Around one-tenth of the respondents were retired. In some places within this report, the attitudes of this group are compared to those of respondents yet to retire, to ascertain how closely assumptions and expectations regarding retirement reflect the actual experiences of retirees. It is important to note that the retired subgroup is not representative of the retired population in Great Britain as a whole. As only those aged 18-69 took part in the survey, analysis of retirees' attitudes essentially offers a snapshot of the views and experiences of those in the initial stages of retirement (who, by definition, are more likely than average to have retired early).

There are a variety of ways in which retirement can be defined. The word 'retired' when used to refer to the respondents generally means that the respondent themselves described their current activity as 'retired from paid work'. In a few circumstances a slightly different definition is appropriate, though this only affects a handful of respondents[6]. Conversely, describing a sub-group of the sample as 'not defined as retired' simply means all those respondents who do not fall into our 'retired' category.

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5 Further details on the changes to response categories are presented in Chapter 10. In the main, the decline in response is likely to relate to an increase in the 'refusal' categories – likely to result, to a considerable degree in changes in the advance letter sent to respondents in advance of the interviewer's visit, which emphasised the voluntary nature of participation in the survey.

6 For example, when asking 'non-retired' respondents about future work intentions it was more appropriate to use a slightly broader definition, adding to this group a handful of people who did not describe themselves as retired, but who were, to all intents and purposes, retired (for example, women over SPA (60) who were not doing any paid work and who described themselves as 'looking after the home and family'). This only affects a handful of people (there is a difference of one percentage point between them across the sample: 11 per cent described themselves as retired from paid work, whereas 12 per cent of the sample were 'retired' according to the second definition). Similarly, in our analysis it has sometimes been appropriate to reduce the 'retired' group slightly, removing a handful of people who described themselves as 'retired from paid work', but who were actually doing some paid work at the time of the interview. Again, the actual differences are tiny – both groups are 11 per cent of our sample.

1.4 The report

The report is divided into a number of chapters.

Chapter 2 examines respondents' attitudes to saving in general and saving for retirement in particular and considers how far and in what ways these attitudes relate to, or are distinct from, one another.

Chapters 3, 4 and 5 examine three potential resources for planning for retirement: information, knowledge and financial resources in the form of pensions and other assets. In each chapter, the aim is to explore what proportions and sections of the population have access to the different resources and how the availability of the resources relates to each other. Are those who have received information on pensions more likely to be knowledgeable about this topic? Are those who have a good knowledge of pensions more likely to have taken out pensions provision?

Chapters 6 and 7 focus more specifically on expectations for retirement and examine expectations for retirement income and expectations relating to age of retirement, its duration and extended working respectively. Throughout, there is a focus on the links between available resources for retirement and individual expectations.

Chapter 8 then examines public attitudes to pensions in detail, covering personal and general attitudes to pensions, views on how pensions should work in practice and trust and confidence in various pension providers.

Chapter 9 focuses on attitudes to the Government's role and pensions reform, examining public attitudes and likely responses to specific initiatives such as extended working and automatic enrolment. This chapter will seek to determine how in tune the Government's reform programme is with the needs, aspirations and expectations of the public as a whole.

Finally, Chapters 10 and 11 focus on the survey methodology, with Chapter 10 summarising the technical details of the survey. Chapter 11 has two related purposes – to present an overview of the measures that have been used as key analytical variables throughout the report and to explore the extent to which the achieved sample is comparable to those obtained by similar nationally representative studies.

1.4.1 Reporting conventions

This is a descriptive report, rather than a sourcebook of all findings from the survey, and the rationale for choosing which analyses to present takes that into account. The approach – in addition to covering all survey topics at a descriptive level – has been to focus on change over time and to explore sub-group breakdowns on newly included topics in some detail. Where detailed sub-group analysis was included in the report on the 2006 survey, this has only been presented in detail where it seems particularly relevant to the questions of interest, or where there has been change over time in the attitudes of particular sub-groups on individual measures.

In the main, the findings report and discuss differences between groups defined by a particular characteristic (such as age or sex) or changes over time on a particular measure when the reported differences are statistically significant (at the 95 per cent level). In a very small number of instances, when questions are routed to small sub-groups of the survey population, differences are reported of a considerable magnitude which do not attain the required level of statistical significance, due to the small sample sizes involved. In these cases, an explicit statement is included that the differences are not statistically significant. For most analyses, such a statement will not be included, and it can be assumed that the reported difference is statistically significant. The statistical tests used only allow us to identify significant differences for a variable as a whole, rather than for specific sub-groups. For example, a passage which describes differences between 18-24 year olds and 25-34 year olds might indicate that age is significantly related to the topic in question, but the particular statement about 18-24 year olds and 25-34 year olds itself will not have been tested for statistical significance.

Multivariate analysis in the form of logistic regression is reported in a number of places throughout the report. Whilst the chapter text includes a brief description of the analysis undertaken and a list of the independent variables that emerged as significant predictors of the independent variable of interest, further detailed information, including co-efficients, standard errors and precise significance levels, is presented in the appendices to the relevant chapters.

2 Attitudes toward saving and saving for retirement

- The majority of respondents are positively disposed toward saving; 69 per cent agree that they make sure they have money saved for a rainy day and 41 per cent disagree that they would rather have a good standard of living today rather than saving for retirement.
- Nonetheless, a substantial minority took the opposite view: 22 per cent disagree that they try to save for a rainy day and 30 per cent prioritise a good standard of living today over saving for retirement.
- Younger respondents were less positively inclined toward saving than their older counterparts.
- Overall, respondents tend to be risk averse, with around two-thirds (68 per cent) agreeing 'It is better to play safe with your savings, even if investing in higher risk investments could make you more money'.
- Across the sample as a whole, just ten per cent agree it is not worth saving for retirement because they may not live that long and 18 per cent agree retirement is so far off it is not worth worrying about what they will live on.
- Perhaps more importantly, around half (51 per cent) of respondents agree that they cannot afford to put money aside for retirement at the moment.
- In relation to making important financial decisions, 30 per cent felt they would have a clear idea, around half (53 per cent) felt they would have some idea but a significant minority (18 per cent) admitted they would have no idea of what to do.

2.1 Introduction

This chapter looks at people's attitudes toward savings in general and more specifically toward saving for retirement. Section 2.2 covers attitudes to saving in general and Section 2.3 looks at attitudes toward risk. Section 2.4, analyses people's views on making important financial decisions. The final section focuses specifically on attitudes toward saving for retirement.

2.2 Attitudes toward saving

Respondents were presented with a showcard with a series of four statements designed to measure their attitudes to saving and were asked to indicate the extent to which they agreed or disagreed with each of the statements. The range of statements was worded such that they encompassed both positive and negative views about saving in order to encourage respondents to consider their personal responses. Two of the statements express sentiments that are 'pro' saving whilst the other two favour current spending (and thus, can be regarded as 'anti' saving). It was intended that the balance of statements would not unduly encourage respondents to view either type of behaviour with regard to saving as particularly acceptable.

On balance, respondents hold positive views in relation to saving. The majority (69 per cent) agree that they make sure they have money saved for a rainy day[7] and around two-fifths would not prioritise current living standards over saving for retirement (41 per cent disagree that they would rather have a good standard of living today rather than saving for retirement, as shown in Table 2.1[8]). Nonetheless, it is clear that a substantial minority are not so positively disposed toward saving. Twenty-two per cent disagree that they try to save for a rainy day, 30 per cent prioritise a good standard of living today over saving for retirement and 37 per cent admit that they sometimes buy things despite not being able to afford them. This could also reflect current financial hardship as much as a negative opinion of saving per se. The fourth question, focusing on one of the potential factors that might shape attitudes to saving – the extent to which one was encouraged to save when they were young – also yields a mixed response: almost seven-tenths agree that they were encouraged to do this, whilst for around one-third this was not the case.

Attitudes have been very stable over time, with these measures showing little change since 2006. These findings are in line with the British Social Attitudes (BSA) survey which has included questions on attitudes to saving since 2001, that also highlights little evidence of a long-term change in views[9]. Findings from the BSA survey report that the majority of respondents support long-term saving rather than short-term spending. In 2001, 19 per cent agreed that 'young people should spend their money while they are young and worry about saving for retirement when they are older', while 66 per cent thought 'young people should start saving for their retirement as soon as they can even if they have to cut back on other things'. By 2005, these two viewpoints were supported by 18 per cent and 70 per cent of the public respectively, indicating a lack of change over time[10].

Table 2.1 General attitudes towards saving

	I make sure I have money saved for a rainy day	**I would rather have a good standard of living today, than save for retirement**	**When I was growing up I was always encouraged to save money**	**I sometimes buy things even though I can't always afford them**
	%	**%**	**%**	**%**
Agree strongly	14	3	13	5
Agree	54	27	56	32
Neither agree nor disagree	9	28	7	4
Disagree	20	40	20	46
Disagree strongly	2	2	12	13
Base	*1,654*	*1,458+*	*1,654*	*1,654*

Base: All respondents.

+: All respondents not defined as retired.

7 This is different to the figure that can be calculated by summing the relevant percentages in the tables, due to rounding.

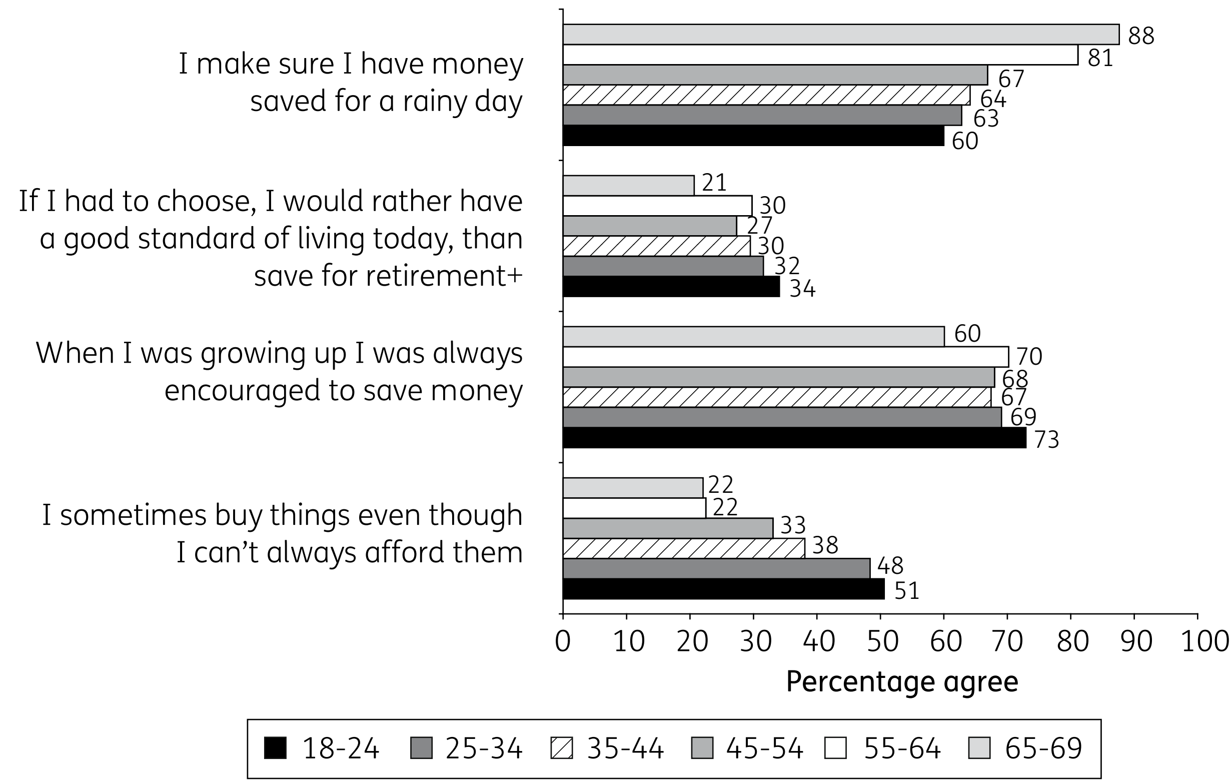
8 Ibid.

9 Further information on the BSA survey and links to the annual BSA report can be found at http://www.natcen.ac.uk/series/british-social-attitudes

10 This finding is based on analysis of a data extracted from a number of different BSA survey data-sets, which can be found at http://www.data-archive.ac.uk

Figure 2.1 shows the proportions among different age groups who agree with each of the four statements that were presented on showcards to respondents. This demonstrates that older people are more favourably disposed toward saving. The proportion agreeing that they try to have money saved for a rainy day is lowest (at 60 per cent) among those aged 18-24. It then increases steadily, reaching 88 per cent of those aged 65-69. Younger respondents are also much more likely to report to sometimes buying things they cannot afford (51 per cent of 18-24 year-olds, compared with just 22 per cent of those aged 65-69). Responses to the other two statements varied less by age. The two distinct attitudes of younger respondents – to be more likely to 'spend now' and less likely to 'save for later' – coincide with the findings of a recent Department for Work and Pensions (DWP) literature review. It identified 'myopia' as one of the key behavioural factors that limits individuals' saving for retirement, particularly among the young. Myopia was defined as involving a 'spend now focus', with individuals being reluctant to lose currently-available funds, in order to receive an uncertain reward to meet uncertain needs in the future (Wicks and Horack, 2009). This is reflected in the disinclination of our younger respondents to try to have money saved for a rainy day.

Figure 2.1 Attitudes to saving, by age

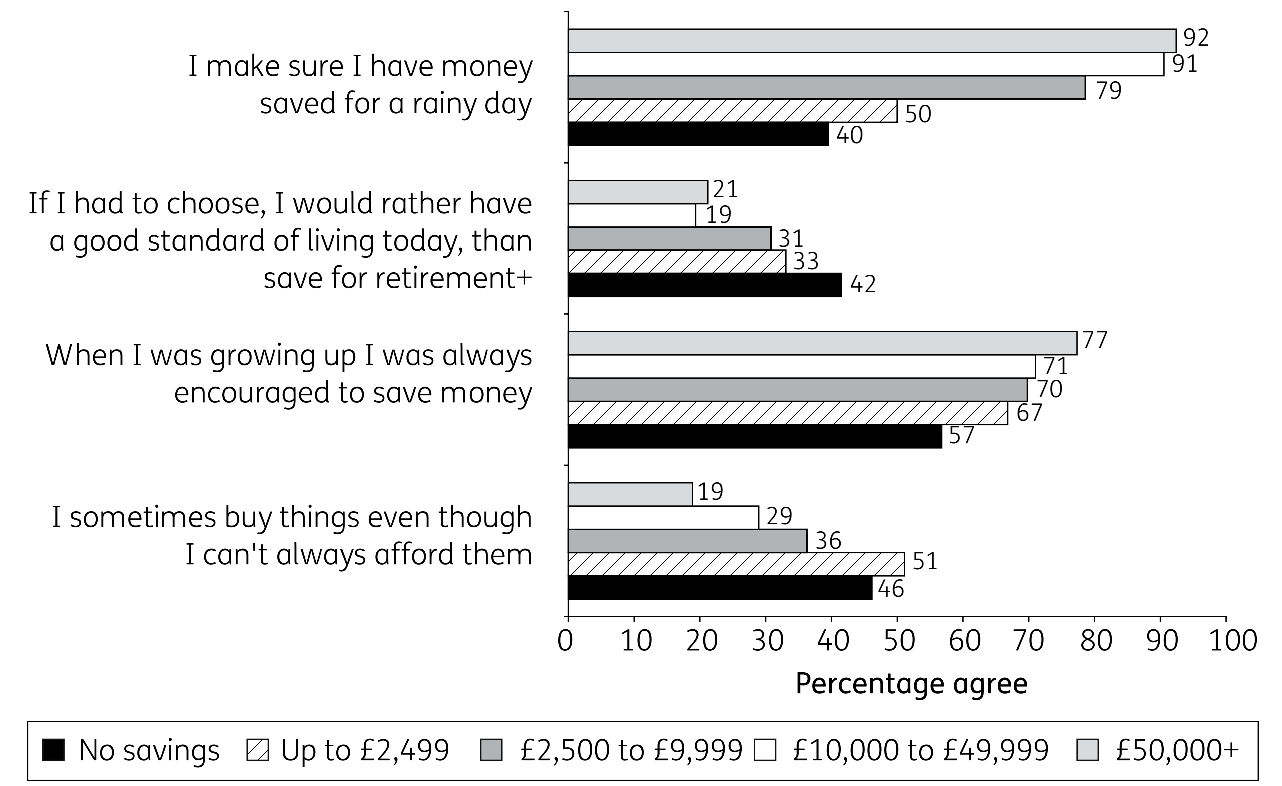


Base: All respondents.
+: All respondents not defined as retired.

The observed differences between age groups may, to some extent, actually reflect differing levels of savings; attitudes toward saving vary widely dependent on actual savings levels, as is shown in Figure 2.2. Amongst those without any savings, just 40 per cent agree that they try to save for a rainy day whereas almost all (92 per cent) of those with savings in excess of £50,000 hold this view. Those with the highest levels of savings are much less inclined to prioritise a good standard of living today over saving for retirement (21 per cent compared with twice as many of those without any savings) and less likely to admit they sometimes buy things they cannot afford. In other words, those who are most likely to need to save for retirement in terms of actual levels of financial resources, given the absence of current savings, are the least likely to be inclined to do so and much more likely to prioritise current spending. It may be that this group has lower expectations for their levels of finance in retirement and anticipate that the State Pension will meet their financial expectations.

It is not possible to establish the direction in which the relationship between attitudes to saving and the individual's current level of savings operates. It is probable that those more inclined toward saving are more likely to do so, resulting in higher levels of savings. However, it might also be the case that those with greater savings are more likely to experience first hand, and thus recognise, the potential benefits this brings (for instance, lower levels of worry about funding their retirement, as demonstrated in Chapter 6), in turn making them more positively disposed toward saving. There is some evidence for the former hypothesis – namely that the proportion agreeing that they were encouraged to save when they were growing up increases with higher levels of savings, as demonstrated in Figure 2.2. This early formulation of attitudes – likely to be at a time before they had any chance to accrue any savings themselves – may have had some influence over their behaviour later in life.

Figure 2.2 Attitudes to saving, by level of savings



Base: All respondents.
+: All respondents not defined as retired.

2.3 Attitudes toward risk

To gain a wider understanding on issues that may affect people's savings behaviour a question was included on people's attitudes toward financial risk. Overall, as shown in Table 2.2 respondents tend to be risk averse, with around two-thirds (68 per cent) agreeing that 'It is better to play safe with your savings, even if investing in higher risk investments could make you more money'. Eighteen per cent took the opposite view. This view varied little between those with different levels of pension knowledge[11], described in greater detail in Chapter 4.

Table 2.2 Attitudes to 'playing safe' compared to taking risks with savings, by level of pensions knowledge

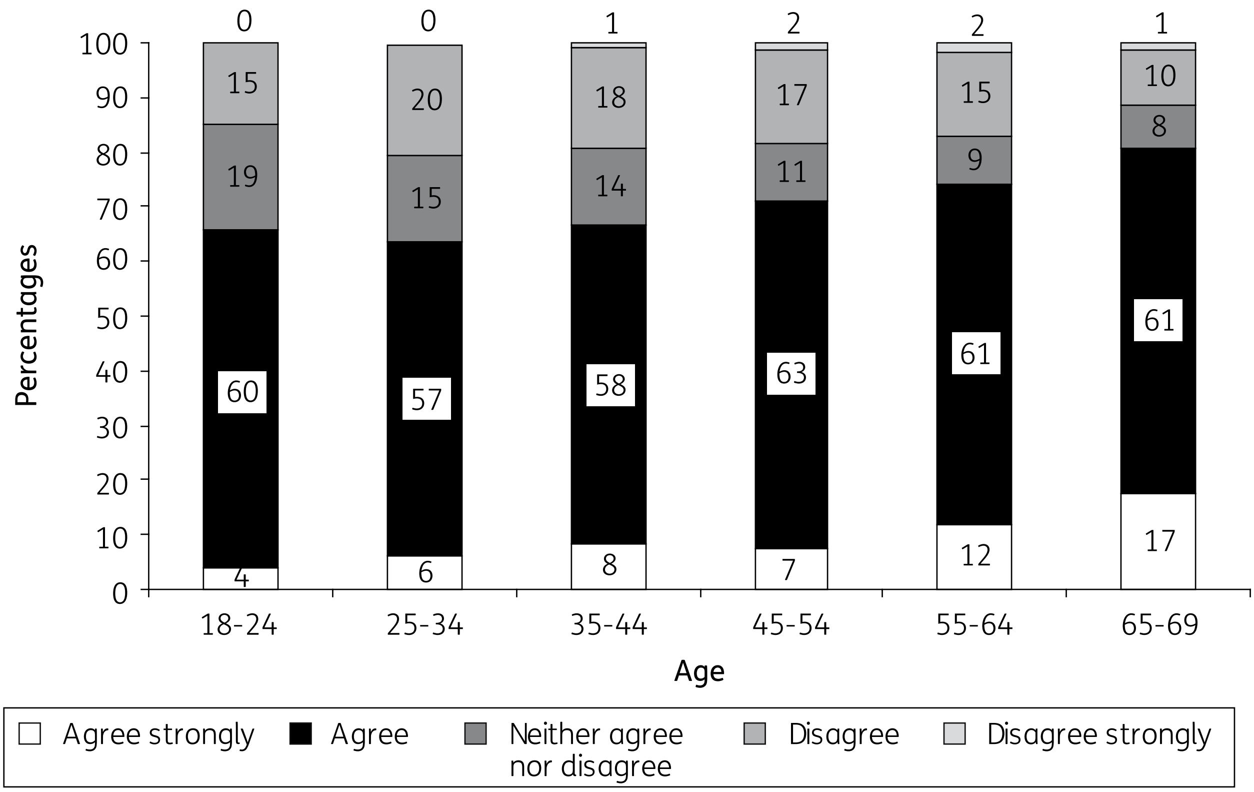
Better to play safe with your savings, even if investing in higher risk investments could make you more money	Low pensions knowledge: (<8 out of 18 on quiz)	Medium pensions knowledge (9-12 on quiz)	Higher pensions knowledge (13+ on quiz)	Total
Agree strongly	6	8	11	8
Agree	54	64	61	60
Neither agree nor disagree	17	10	12	13
Disagree	19	16	15	17
Disagree strongly	1	1	2	1
Don't know	2	1	0	1
Base	*499*	*715*	*440*	*1,654*

Base: All respondents.

As is shown in Figure 2.3, older respondents were slightly more risk averse, the proportion agreeing that it is better to play safe steadily increases with age.

11 Knowledge of pensions was measured through a true/false quiz, where respondents were presented with 18 statements and were each awarded a score, indicating how many of the items they answered correctly (by identifying them as true or false). For the purpose of analysis, these scores have been divided into three broad groups, representing low, medium and high levels of pensions knowledge.

Figure 2.3 Agreement with view that it's better to play safe with your savings, by age

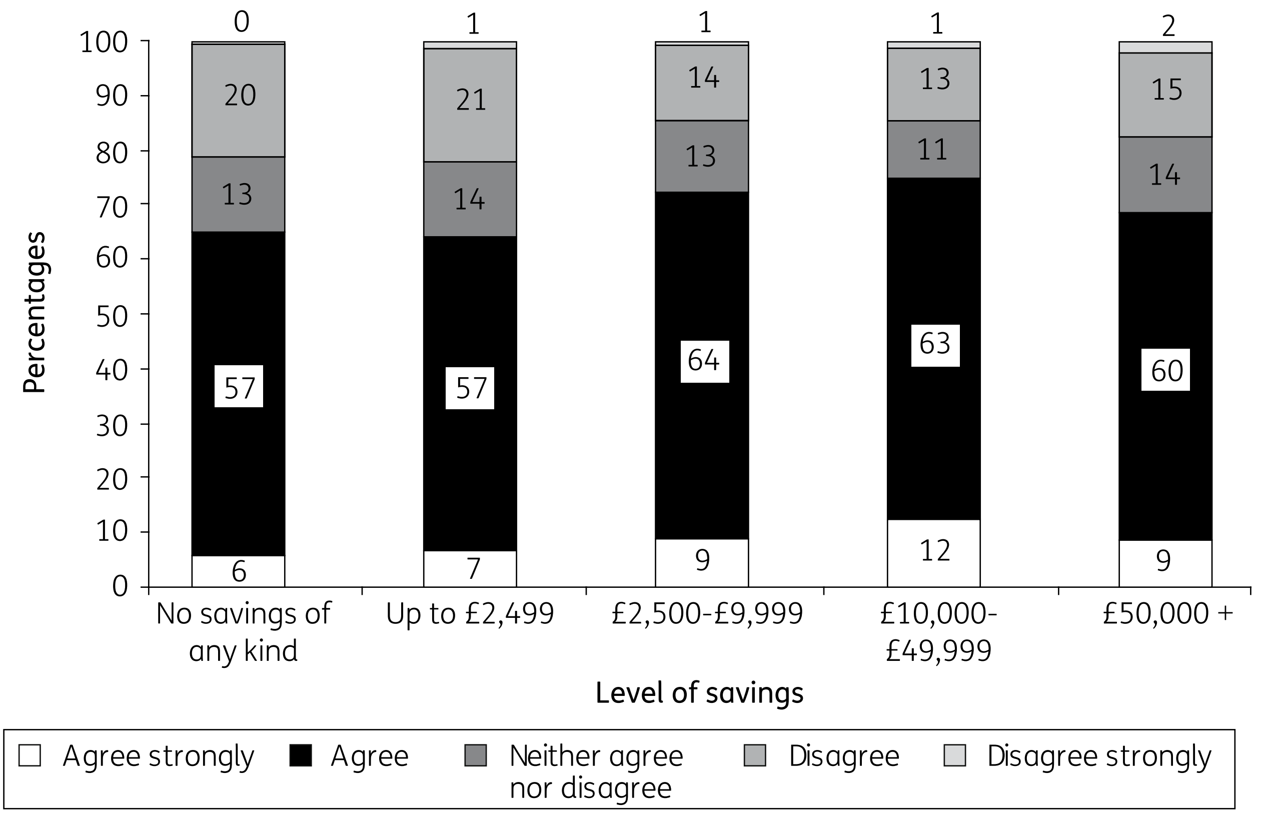


Base: All respondents.

There is a potential link between people's attitude to financial risk and their level of wealth, which could be linked in either direction. Specifically, the findings might indicate those who are less risk averse reap the benefits of such an approach in the form of higher returns or for those with greater financial resources to be more willing to take financial risks, as they could more easily afford to lose some of their funds. However, neither of these assumptions are borne out in the survey analysis. As is shown in Figure 2.4, there are only small differences in the attitudes to risk of those with different levels of savings. Interestingly, those with higher levels of savings are, if anything, more likely to agree that it is better to 'play safe'. Further multivariate analysis, detailed in Section 2.7, indicated that there are no clear differences in the attitudes to risk of those with different levels of savings, even when age (which itself is associated with levels of savings) is controlled for. While it is not necessarily surprising that the majority of respondents are risk averse.

It is interesting that, despite the economic downturn of 2008 and 2009 and the subsequent changes to the financial markets, attitudes to risk have been remarkably resilient, showing little change in response from 2006.

Figure 2.4 Agreement with view that it's better to play safe with your savings, by level of savings



Base: All respondents.

2.4 Attitudes toward saving for retirement

2.4.1 Time-related reasons for not saving for retirement

This section focuses specifically on attitudes toward saving in relation to retirement. Overall, most respondents rejected the notion that retirement was too far off to worry about. Four-fifths (79 per cent) disagree with the view that it is not worth saving for retirement because they may not live that long and 71 per cent disagree with the idea that retirement is so far off it is not worth worrying about what they will live on. Only a small minority agree with these statements (ten per cent and 18 per cent respectively).

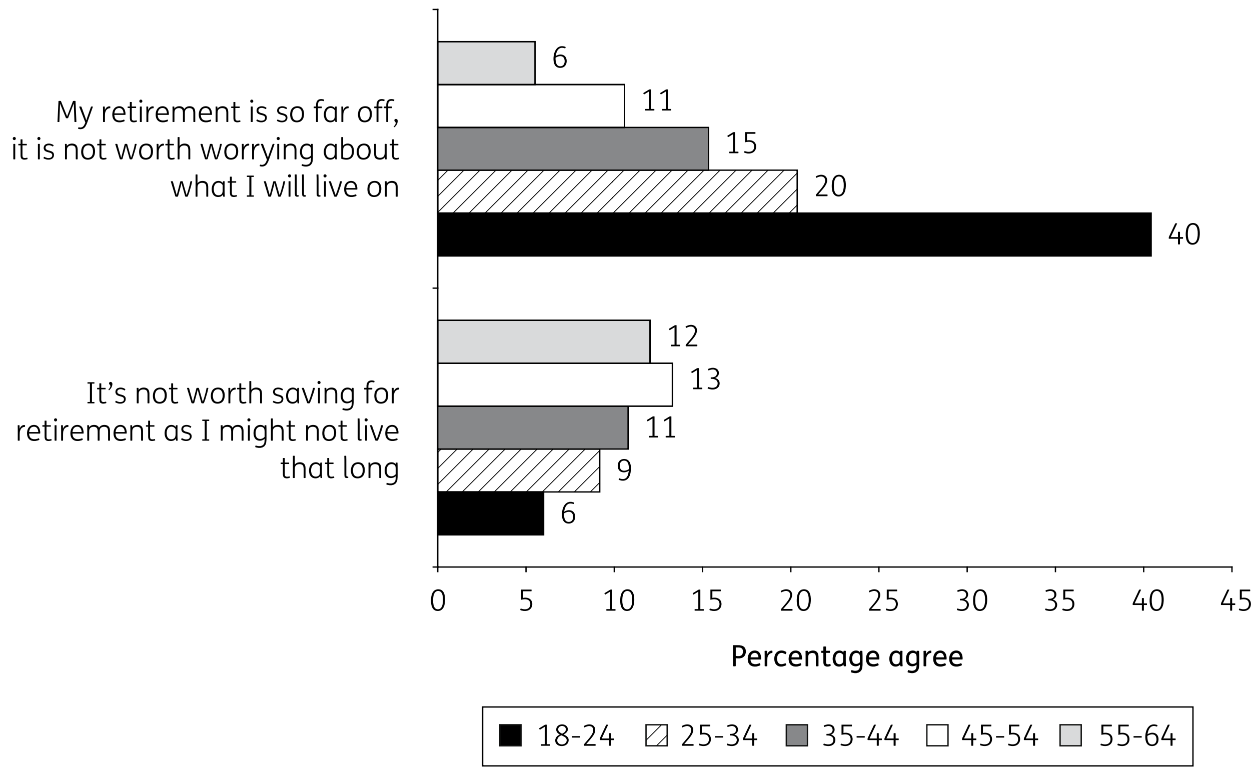
Table 2.3 Time-related reasons for not saving for retirement

	Agree %	Neither agree nor disagree %	Disagree %	*Base* %
It's not worth saving for retirement as I might not live that long	10	10	79	*1,422*
My retirement is so far off it is not worth worrying about what I will live on	18	10	71	*1,422*

Base: All respondents not defined as retired.

The view that retirement is too far off to worry about is much more prevalent among younger respondents as you may expect. In particular, those in the youngest age group stand out from the rest, with those aged 18-24 more than twice as likely as any other group to take this view (Figure 2.5). These figures are similar to those obtained in a survey of 50 year old participants in the National Child Development Study (NCDS), which also found that only a very small number of respondents (eight per cent of those aged 50) thought that retirement was so far off that is was not worth worrying about what they would live on (Brown, 2010)[12]. However, age had little bearing on whether people felt they might not live long enough for it to be worth saving for retirement.

Figure 2.5 Attitudes to saving for retirement, by age



Base: All respondent not defined as retired.

Respondents in the following sub-groups were all more likely than others defined by the same socio-demographic characteristic to agree that retirement was too far off to worry about:

- those in lower supervisory, semi-routine and routine occupational groups (23 per cent);
- those with low pensions knowledge, who attained a low score on a pensions knowledge test, detailed in Chapter 4 (24 per cent);
- those with household income below £12,000 per annum (28 per cent);
- those with no savings (32 per cent);
- those without current or past pension provision (35 per cent).

12 However, it should be noted that the data is not directly comparable as the question asked of NCDS participants used a six-point, rather than a five-point, scale.

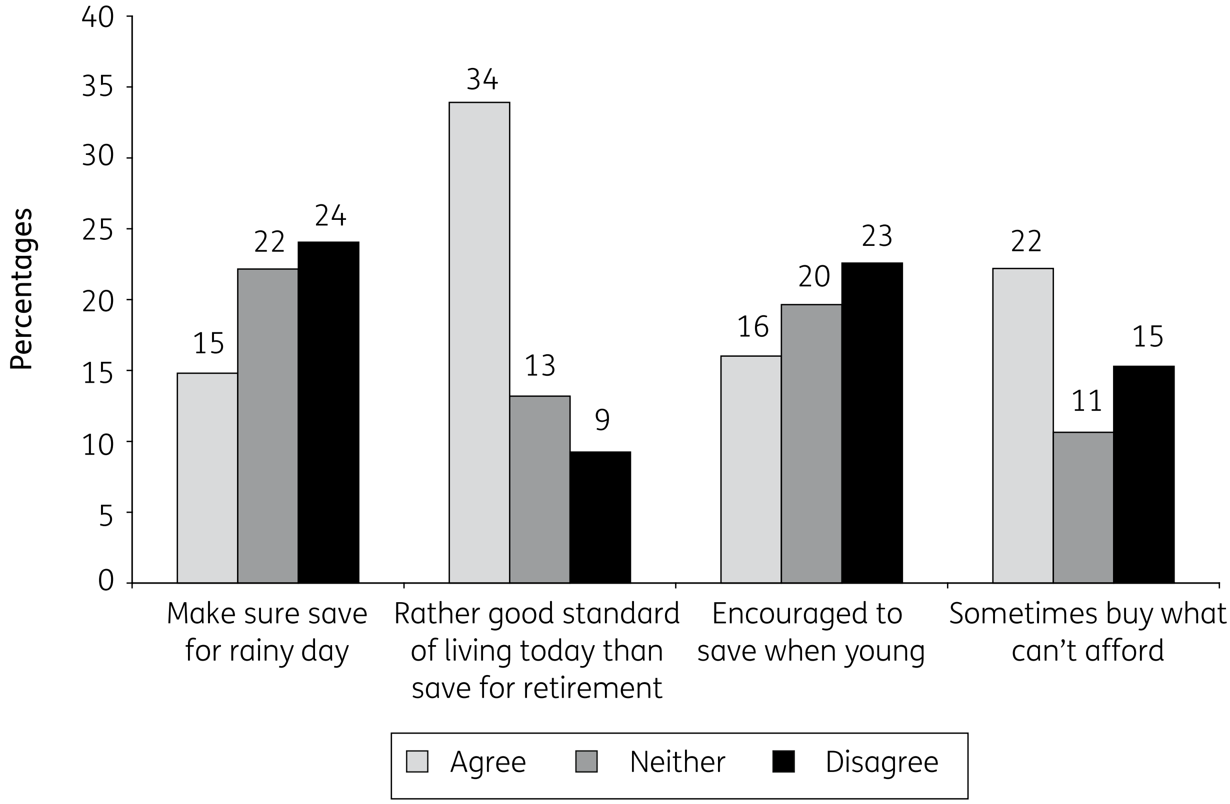
Individuals in the above mentioned sub-groups tend to be from the younger age groups, and it seems likely that many of the characteristics noted above are linked with attitudes to retirement being too far off because of this link. Interestingly, when multivariate analysis was undertaken, presented in detail in Section 2.7, only respondents' current or past pension provision and level of savings remained significant predictors of agreement with the view that retirement was too far off to worry about.

Respondents who self-report that they are sick or disabled[13] were more likely to agree that it is not worth saving for retirement as they might not live that long (26 per cent). In Chapter 7, we calculate the expected number of years which individuals' assumptions about personal life expectancy and retirement age suggest that they can expect to spend in retirement. It is interesting to note that there are no major differences in levels of agreement with the view that it is not worth saving for retirement as one might not live that long, between those who expected to spend only a few or more than 20 years in retirement.

Figure 2.6 shows how the proportion who felt that their retirement was too far off to worry about what they might live on varied dependent on attitudes to saving in general. Those who prioritise a good standard of living today over saving for retirement are more likely to agree that retirement is too far off. This suggests that for some people a short-term focus overrides concern for retirement. Although there are associations between attitudes to planning specifically for retirement and attitudes to saving, it is perhaps surprising that these are not stronger. For example, the proportion who agree that retirement is too far off to worry about only varies between 15 per cent and 24 per cent dependent on whether respondents tried to keep money saved for a rainy day.

13 A respondent was defined as sick or disabled if they responded in the positive to the following question: 'Do you have any long-standing physical or mental impairment, illness, or disability? By 'long-standing' I mean anything that has troubled you over a period of at least 12 months or that is likely to affect you over a period of at least 12 months'.

Figure 2.6 Attitudes to saving, by agreement with view that retirement is so far off it is not worth worrying about what one will live on



Base: All respondents not defined as retired.

2.4.2 Ability to save for retirement

A more significant barrier to saving for retirement was people's financial ability to do so. As is shown in Table 2.4, around half (51 per cent) of respondents agree that they cannot afford to put money aside for retirement and 15 per cent strongly agree that this is the case. These proportions were similar to those reported in the 2006 survey.

Table 2.4 Ability to save for retirement

	Agree strongly %	Agree %	Neither agree nor disagree %	Disagree %	Disagree strongly %	Agree (total) %	Disagree (total) %	*Base* %
Can't afford to put money aside for retirement at the moment	15	36	9	36	4	51	40	*1,422*

Base: All respondents not defined as retired.

This view is more common among those who are sick or disabled (85 per cent); economically inactive in some other way (71 per cent) or with lower income (81 per cent of those with gross household income of less than £12,000). In practice, these three characteristics are known to frequently co-exist (as those who are economically inactive will have less means of obtaining a high household income for example), clearly reflecting the fact that an individual's actual financial resources or ability to acquire such resources (through paid work, for example) are likely to have a strong impact on one's self-perceived ability to save.

There is also evidence that the ability to save for retirement in turn impacts on pension behaviour. Amongst those who agree that they cannot afford to save for retirement, 70 per cent are not currently contributing to a pension.

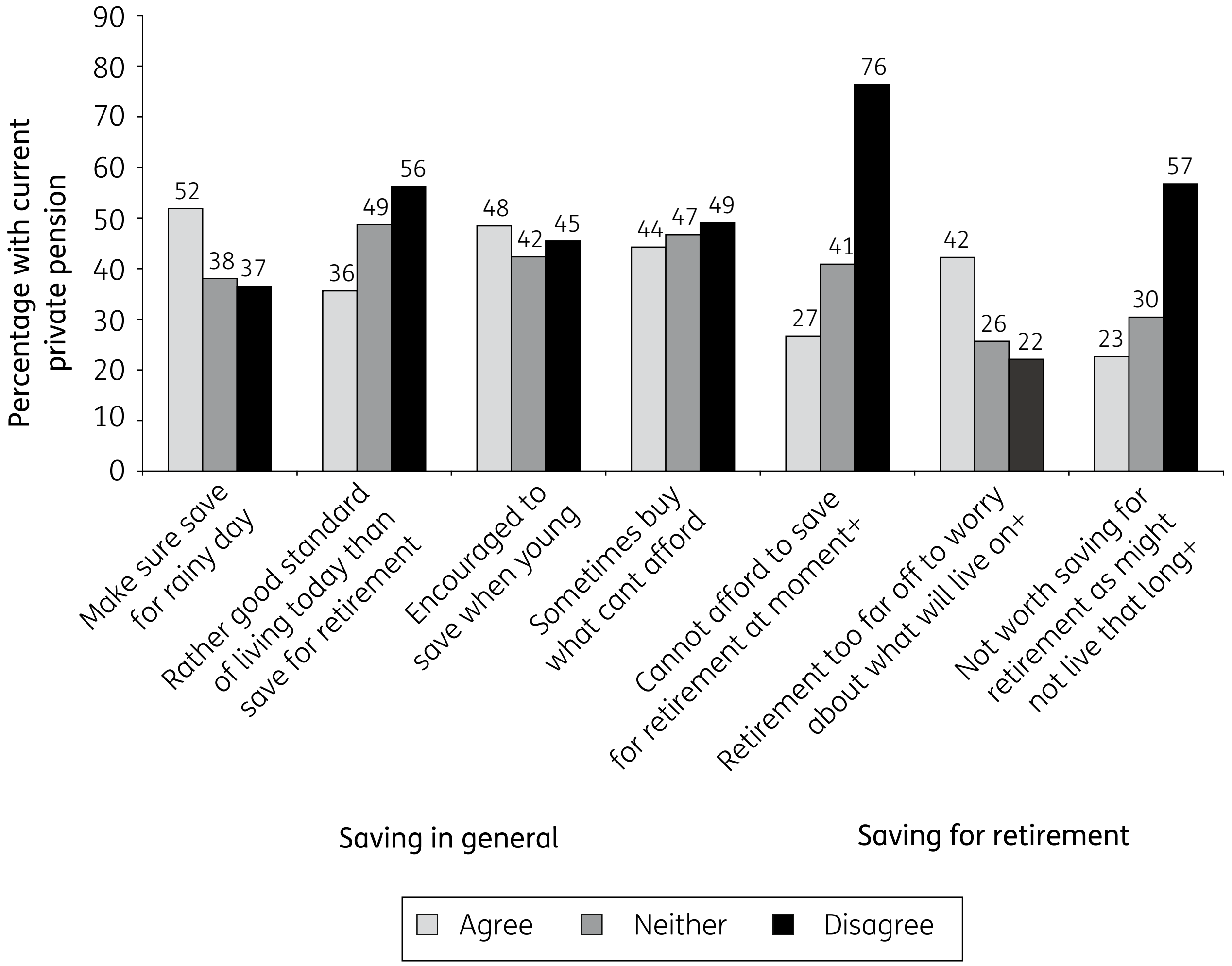
There were clear associations between ability to save for retirement and attitudes to saving in general. The proportion who agree that they cannot afford to save for retirement is higher among those who disagree that they try to save for a rainy day (at 69 per cent) and among those who prioritise a good standard of living today over saving for retirement (66 per cent).

Figure 2.7 brings the analysis in this chapter together by comparing people's current pension status with their attitudes to saving in general and saving for retirement in particular. It shows how the proportion of respondents who are contributing toward a pension varies by their responses to the attitudinal questions: among those who agree with the statement about making sure they save for a rainy day, 52 per cent are currently contributing to a pension. This falls to 37 per cent among those who disagree with that statement.

It is clear that attitudes to saving for retirement in particular have a stronger association with whether people contribute to a pension than do attitudes to saving in general. There appear to be bigger differences in pension contribution between those agreeing or disagreeing with the three retirement-related attitudes questions on the right-hand side of the chart, than the more general savings questions on the left-hand side. Furthermore, the strongest relationship of all was with the question on ability to save for retirement. Among those who agreed that they could not afford to save for retirement, just 27 per cent are currently contributing to a pension. This compares with just 76 per cent of those who disagreed with the statement. This suggests that the financial ability to save for retirement – or perhaps importantly perceptions of financial ability – has a bigger bearing on pensions behaviour than attitudes to saving.

Interestingly, looking specifically at the group that said they could not afford to save for retirement but who are contributing to a pension, is an interesting group as these responses seem to contradict one another. The 27 per cent of respondents that make up this group break down into 16 per cent who are in an employer pension scheme who presumably cannot access these contributions and 11 per cent who are in a personal pension scheme. It seems probable that at least some of this group did not consider membership of these schemes as constituting 'saving for retirement' – perhaps interpreting this as solely relating to saving through a bank or building society. Alternatively, it may be that members of this group were contributing to pensions, but felt that they genuinely could not afford to do so, and were making cuts in other areas as a result.

Figure 2.7 Whether currently contributing to a pension, by attitudes to saving for retirement



Base: All respondents.
+: All respondents not defined as retired.

2.5 Views about making important financial decisions

A question was included which was designed to establish respondents' own assessment of their feelings, and in particular their confidence, in making important financial decisions, such as taking out a mortgage, loan or pension. When considering the responses provided, it should be borne in mind that a respondent might over- or under-estimate their own ability to know how to make important financial decisions, which could be reflected in unrealistic confidence levels. Overall, 30 per cent felt they would have a clear idea of what to do, around half (53 per cent) felt they would have some idea but a significant minority (18 per cent) admitted they would have no idea.

Men were more likely to claim they had a clear idea (37 per cent, compared with 23 per cent of women). Younger respondents displayed less confidence in their ability to make important financial decisions; just 16 per cent of those aged 18-24 would have a clear idea. This proportion increases with age to 43 per cent among those aged 65-69. It is of course possible that increased confidence in one's ability to make such decisions comes with experience of doing so and younger respondents are likely to have less experience of making them. This is borne out by the fact, discussed in

Chapter 5 that the proportion of respondents with any private pension provision increases significantly with age.

Table 2.5 Feelings about making important financial decisions, by gender and age

Feelings about making financial decisions	Male %	Female %	18-24 %	25-34 %	35-44 %	45-54 %	55-64 %	65-69 %	Total %
Would have clear idea	37	23	16	19	29	36	38	43	30
Would have some idea	50	55	51	64	57	49	46	41	53
Would have no idea	13	22	33	16	14	15	16	16	18
Don't know	*	*	0	*	0	*	*	0	*
Base	*759*	*895*	*155*	*271*	*378*	*342*	*371*	*136*	*1,654*

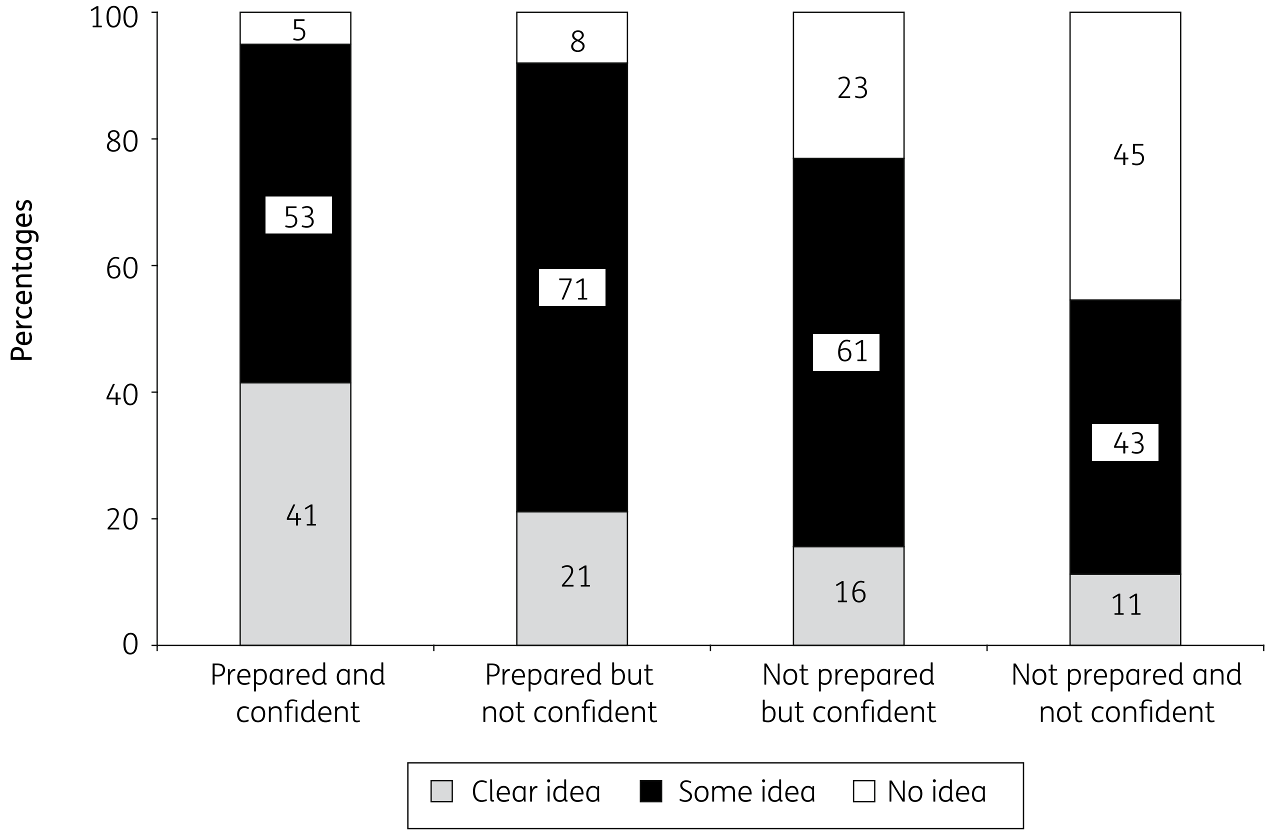
Base: All respondents.

The 2009 survey included a new set of questions to measure non-retired respondents' confidence about and financial preparedness for retirement. These behavioural traits are of particular interest as previous research commissioned by the DWP[14] revealed that they are considered to be important in people's decisions around planning and saving for later life. Four new questions were included in the survey which enabled the respondents to be grouped together, as shown in Figure 2.8, according to their confidence and financial preparedness for retirement.

Figure 2.8 highlights the results broken down by four key groupings measuring preparedness and confidence in planning for retirement, included for the first time on the 2009 survey (the methodology for developing these groupings is explained in detail in Chapter 11). It clearly shows that those who are prepared and confident about their planning for retirement are also more confident in general about financial decisions. Just five per cent of this group feel they would have no idea about making important financial decisions compared with 45 per cent of those who are neither prepared nor confident.

[14] Thomas, A. *et al.* (2009) *Individuals' attitudes and behaviours around planning and saving for later life*. DWP Working Paper 72. Summary available from: http://research.dwp.gov.uk/asd/asd5/summ2009-2010/individual_attitudes_summary.pdf. Full report available from: http://research.dwp.gov.uk/asd/asd5/WP72.pdf

Figure 2.8 Feelings about making important financial decisions, by key groups (measuring preparedness and confidence about retirement)



Base: All respondents.

Table 2.6 Feelings about making important financial decisions, 2006 and 2009

Feelings about making financial decisions	**2006** %	**2009** %
Would have clear idea	34	30
Would have some idea	52	53
Would have no idea	13	18
Don't know	*	*
Base	*1,950*	*1,654*

* means less that 0.5% but more than zero.
Base: All respondents.

2.6 Conclusion

In general, the majority of respondents are positively disposed toward saving and reject the notion that retirement is too distant to worry about. However, the importance of financial constraints is demonstrated by the fact that around half of respondents agree that they cannot afford to put money aside for retirement at the moment (although around a quarter of these were in fact saving for retirement through contributing to a pension). Indeed, perceptions of financial ability to save for retirement appear to have a greater impact on current pension provision than do attitudes to saving for retirement.

2.7 Appendix

The following table shows the results of the logistic regression analysis of attitudes to the statement 'It is better to play it safe with your savings even if investing in higher risk investments could make you more money', which was referenced in the text of this chapter. Positive co-efficients indicate that a group is more likely than the reference category (shown in brackets) to agree that it is better to play it safe with your savings, whilst a negative co-efficient indicates that the group is less likely to agree with this view.

Table 2.7 Regression of attitudes to 'It is better to play it safe with your savings even if investing in higher risk investments could make you more money'

	Co-efficient	Standard error	p value
Age group (55-64)			
18-24	-0.255	0.254	0.318
25-34	-0.333	0.186	0.077
35-44	-0.312	0.182	0.090
45-54	-0.142	0.162	0.383
Level of saving (£50,000+)			
No savings of any kind	-0.153	0.223	0.495
Up to £2,499	-0.135	0.221	0.542
£2,500 to £9,999	0.249	0.228	0.277
£10,000 to £49,999	0.276	0.250	0.273
Base: 1,368			

*=significant at 95% level **=significant at 99% level.

Base: All respondents.

The following table shows the results of the logistic regression analysis of attitudes to the statement 'My retirement is so far off it is not worth worrying about what I will live on', which was referenced in the text of this chapter. Positive co-efficients indicate that a group is more likely than the reference category (shown in brackets) to agree with this statement, whilst a negative co-efficient indicates that the group is less likely to agree.

Table 2.8 Regression of attitudes to 'My retirement is so far off it is not worth worrying about what I will live on'

	Co-efficient	Standard error	p value
Age group (55-64)			
18-24	1.184*	0.538	.030
25-34	0.838	0.451	.066
35-44	0.760	0.424	.076
45-54	0.451	0.467	.338
Socio-economic classification (Routine occupations)			
Managerial and professional	-0.306	0.281	.278
Intermediate occupations	-0.473	0.316	.138
Test score (High)			
Low (less than 7)	0.114	0.421	.788
Mid (7 to 9)	0.194	0.388	.618
Current and past pension status (No current or past pension)			
In current or past workplace pension	-0.978**	0.262	.000
In current or past non-work pension	-1.754**	0.444	.000
Gross annual household income (£44,000+)			
Less than £12,000	0.255	0.316	.421
£12,000 to £25,999	-0.330	0.282	.245
£26,000 to £43,999	-0.121	0.244	.619
Level of saving (£50,000+)			
No savings of any kind	1.666*	0.670	.015
Up to £2,499	1.015	0.654	.124
£2,500 to £9,999	0.800	0.696	.253
£10,000 to £49,999	0.898	0.644	.167
Base: 1,011			

*=significant at 95% level **=significant at 99% level

Base: All respondents not yet retired.

3 Resources for retirement: pensions information

- Half (50 per cent) of the sample had contacted at least one source for information about planning for retirement and two-thirds (67 per cent) had received information from at least one source.
- The most frequently mentioned sources of information were a financial adviser, an employer and a pension provider.
- In person (on one's own or with a partner) was considered an acceptable mode of receiving information about planning for retirement by the majority (70 per cent) of respondents.
- As we would expect, older respondents were more likely to have contacted an information source than younger ones; 61 per cent of those aged 55-64 had done so compared with 22 per cent of those aged 18-24. Younger respondents preferred to receive information from their friends and family.
- Those who were prepared for their retirement were more likely to have contacted an information source.
- The likelihood of having contacted an information provider also varied in relation to respondents' attitudes to saving for retirement; from 19 per cent among those who agreed that it was not worth saving for retirement to 58 per cent of those who disagreed.

3.1 Introduction

This chapter examines how respondents seek information to improve their knowledge and awareness of issues relating to planning for retirement. The first section covers the different sources used for receiving information, preferences between them and perceptions of trust and accuracy, as well as different modes of receiving information. The latter section breaks this analysis down into different sub-groups.

3.1.1 Sources contacted

This section presents data on the different sources respondents have contacted for information on planning for retirement[15], as well as the sources from which they have received information, without necessarily contacting them (i.e. unsolicited information). Respondents were presented with a showcard with a list of potential sources of information. It is important to point out that there is a clear distinction between these two categories. The first represents sources that respondents have proactively contacted themselves. As such, their recall of (and possibly their engagement with) information from such sources is likely to be better than for unsolicited information. It is also worth noting that respondents' recall of the receipt of information is likely to be affected by the time elapsed since the contact occurred. In addition, those who have actively sought information may have differing attitudes towards planning for retirement, that have prompted them to seek information, which may in turn affect the way they engage with unsolicited information.

15 Reflecting the current interests of the Department for Work and Pensions (DWP), questions in the 2009 survey focused on 'information' whereas in 2006 the questions asked more broadly about 'information and advice'.

The responses to these two separate questions are shown in Table 3.1. Overall, half of the respondents had contacted at least one of the listed sources for information on planning for retirement. However, a greater proportion (67 per cent) had received information from at least one of the listed sources without necessarily making contact.

Twenty-two per cent had contacted a financial adviser for information on planning for retirement. A similar proportion (21 per cent) had contacted an employer (though a slightly higher proportion (27 per cent) had received information from an employer). The other more frequently mentioned source of information was pension providers themselves. Not surprisingly, those individuals with current pension provision were much more likely to have received information from a pension provider; 30 per cent of those with an employer pension had received information without making contact, compared to 26 per cent of those without an employer pension (but with a personal pension) and six per cent of those with no current pension provision. This suggests that, in most cases, the unsolicited information received related to an existing pension, rather than simply cold-calling.

Table 3.1 Sources of information on planning for retirement, by way in which information received

	Proportion contacting source for information	Proportion receiving information from source (without necessarily making contact)
	%	%
At least one source	50	67
No source	50	33
Source of information		
Financial adviser	22	17
Employer	21	27
Pension provider	16	17
Friends/family/colleagues	9	11
Bank/Building society	8	10
DWP/DSS/The Pension Service	8	12
Accountant	4	3
Insurance company	4	4
Internet generally	4	6
The media (newspapers, TV, radio)	3	10
HM Revenue & Customs	3	4
Sources cited by less than three per cent of respondents[1]	3	6
Don't know	*	*
Base	*1,654*	*1,654*

Base: All respondents.

Respondents could mention more than one source.

1 These were trade union, the Government generally – no specific department, Citizen's Advice Bureau and Help the Aged, Age Concern (which has now merged with Help the Aged to become Aged UK) or a similar organisation, or some other source.

3.2 Preferred information sources

In addition to finding out about the information sources which had been contacted and which had provided information, respondents were asked to identify what their preferred sources of information were. Specifically, respondents were asked:

> *Now thinking about the future, which of these would be your* first choice *for information on planning for retirement?*

Although people's preferences for information sources followed a similar pattern to the different sources which they had actively contacted, there were some notable differences. Given a choice, 21 per cent of those who had not yet retired said their first choice for information on planning for retirement would be a financial adviser. Compared with the proportion who had contacted their employer (21 per cent), a slightly smaller proportion (14 per cent) named their employer as their first choice. This perhaps reflects the fact that people may contact their employers for specific information on their particular pension scheme but might not necessarily consider this the best source for information about planning for retirement more generally. It might also be that there is an expectation that financial advisers charge for their advice, which would mean that whilst they might be the theoretical first choice for information on planning for retirement for an individual, this preference might not translate into where the individual seeks information in practice.

Other popular choices included a pensions provider (11 per cent) and the DWP/DSS/Pension Service[16], selected by ten per cent. A similar proportion opted for the more informal source of friends and family and a bank or building society (nine per cent each).

Table 3.2 First choice source for information on planning for retirement

Source of information	First choice source for information %
Financial adviser	21
Employer	14
Pension provider	11
DWP/DSS/The Pension Service	10
Friends/family/colleagues	9
Bank/Building society	9
Internet generally	7
Sources cited by less than five per cent of respondents[1]	11
None of these	6
Don't know	2
Base	*1,422*

Base: All respondents not yet retired.

[1] Respondents were presented with a number of other answer options. These have been summed where less than five per cent of respondents cited these sources. The other answer options were Citizen's Advice Bureau, an accountant, the media, an insurance company, HM Revenue & Customs/Inland Revenue, a trade union, the Government generally – no specific department and Help the Aged, Age Concern or a similar organisation or another source.

[16] These names are now out of date but were the names in existence at the time of fieldwork. Such information is now provided by the Pensions, Disability and Carers Service, an executive branch of DWP.

3.2.1 Acceptable modes of information provision

An individual might have preferences regarding the modes, as well as the sources, of information on planning for retirement. Respondents to the 2009 survey were asked which of a list of modes of information would be an acceptable way to receive information on planning for retirement.

Table 3.3 shows the acceptability of various modes of receiving information. One-fifth of respondents (20 per cent) indicated that all of the modes listed would be acceptable to them. The average (mean) number of the six modes of information that were acceptable to an individual was 2.3.

Half of the respondents reported that face-to-face contact in person (on their own or with a partner) would be acceptable; as a further 20 per cent would find all of the listed modes acceptable, in total, 70 per cent would find this method acceptable. In reality, it would not be feasible to provide information to all those who required it using this method, as alternatives such as online or through paper documents such as a leaflet are inevitably more cost-efficient and can reach a wider number of people. Moving on to consider these alternative methods, slightly more than half overall (51 per cent) regarded a letter or leaflet as acceptable, while slightly less (42 per cent) viewed email or online contact as acceptable. The latter finding is pertinent to DWP policy development as a number of communications strategies currently use digital methods as their preferred delivery channel – yet it appears that when presented with an option, around half of those yet to retire do not regard these as acceptable. Later in the chapter, further analysis is presented which identifies whether there are particular groups to whom certain modes are more or less acceptable. Among those who would not find email or online acceptable, 69 per cent would find in person, with their partner or on their own an acceptable method.

Table 3.3 Acceptable modes for receiving information

	Acceptable modes for receiving information	
	Proportions selecting answer	Proportion identifying mode as acceptable (directly or indirectly)
Mode for receiving information	**%**	**%**
In person: on own/with partner, friend or relative	50	70
In a letter or leaflet	31	51
By email or online (through the internet)	22	42
By telephone	16	36
In person: with a group of people (for example, with colleagues at workplace)	11	31
All of these ways would be acceptable	20	-
Base	*1,083*	*1,083*

Base: All respondents not yet retired.

Respondents could mention more than one mode.

3.2.2 Trust and accuracy

Two new questions were included in the 2009 survey to measure perceptions of trust and accuracy of various sources of information on planning for retirement. Respondents were asked to name the source they most trusted and the one they were most confident would provide accurate information. The results are summarised in Table 3.4. Financial advisers were seen as the most trusted source by 17 per cent of respondents. Other trusted sources included the DWP/DSS/Pensions Service (13 per cent), an employer (11 per cent) and friends and family (ten per cent).

Perceptions of accuracy and trust were very similar with the majority of respondents tending to select the same source in response to the two questions. This is not surprising as theoretically an information source that is trusted would be one that would be expected to provide accurate information (or at least to endeavour to do so).

However, differences do exist between accuracy and trust between some sources. The results highlight that there were exceptions to this which were the DWP/PDSS/Pensions Service, which was more likely to be seen as accurate (17 per cent) than trusted (13 per cent) and friends or family, which was more likely to be trusted (ten per cent) than seen as accurate (six per cent). The latter difference might result from the fact that respondents would not expect their family and friends to know as much about planning for retirement as some of the other sources, whilst it is not clear what is underpinning the slight difference in perceptions of trust and accuracy in information provided by DWP, DSS and The Pension Service.

Table 3.4 Perceptions of trusted and accurate sources for planning for retirement

Source of information	Trusted source %	Accurate source %
Financial adviser	17	18
DWP/DSS/The Pension Service	13	17
Employer	11	10
Friends/family/colleagues	10	6
Pension provider	8	10
Citizen’s Advice Bureau	7	7
Bank/Building society	6	5
Sources cited by less than five per cent[1] of respondents	17	19
None of these	8	6
Don’t know	2	3
Base	*1,654*	*1,654*

Base: All respondents.

[1] Respondents were presented with a number of other answer options. These have been summed where less than five per cent of respondents cited these sources. The other answer options were an accountant, the media, an insurance company, HM Revenue & Customs/Inland Revenue, a trade union, the Government generally – no specific department and Help the Aged, Age Concern or a similar organisation, the media or the internet (generally) or another source.

3.3 Sub-group differences

3.3.1 Gender and age

The extent to which men and women and respondents in different age groups had contacted and received information on planning for retirement and the degree to which they trusted the different sources of information, in some cases varied significantly.

As shown in Table 3.5, men were slightly more likely than women to have contacted a source for information about planning for retirement (53 per cent compared with 47 per cent among women). In terms of the specific sources of information contacted, men were more likely to contact a financial adviser or pension provider than women. Women were slightly more likely to trust friends and family
(12 per cent compared to eight per cent for men) and the DWP/DSS/Pension Service (16 per cent compared to 11 per cent).

Table 3.5 Information on pensions and planning for retirement, by sex

	Men	**Women**
	%	**%**
Contacted at least one source for information	53	47
Received information from at least one source (without necessary making contact)	69	64
Base	*795*	*895*
Acceptable modes for receiving information		
In person: on own/with partner, friend or relative	54	46
In a letter or leaflet	27	34
By email or online (through the internet)	22	22
In person: with a group of people (for example with colleagues at workplace)	12	10
By telephone	17	16
All of these ways	19	20
Base+	*499*	*584*

Base: All respondents.
+: All respondents not yet retired.
Respondents could mention more than one source and more than one mode.

As you would expect, the analysis shows that, the closer to retirement age, the greater the likelihood that respondents had contacted a source for information on planning for retirement. This peaked at 61 per cent of 55-64 year olds. Although the youngest were least likely to contact an information source, it is nonetheless the case that around a fifth (22 per cent) of those aged 18-24 had done so. This is particularly interesting when considering the importance of planning for retirement as early as possible. For these youngest respondents, this contact was mainly due to contact with employers or their friends and family.

Table 3.6 Information on planning for retirement, by age

	18-24 %	25-34 %	35-44 %	45-54 %	55-64 %	65-69 %	Total %
Contacted at least one source for information	22	43	59	56	61	56	50
Received information from at least one source (without necessary making contact)	46	64	74	71	72	67	67
Base	*155*	*271*	*378*	*342*	*371*	*136*	*1,654*

Base: All respondents.

Table 3.7 shows the average number of sources contacted by those who had contacted at least one source. It therefore provides an indication of the intensity of contact being made. Table 3.6 demonstrated that older respondents were more likely to have contacted at least one source. It is evident that amongst those who had made contact, the level of contact also increased with age. Among those who had contacted a source, those aged 18-34 had contacted 1.8 different sources compared with 2.3 sources for those in the oldest age group.

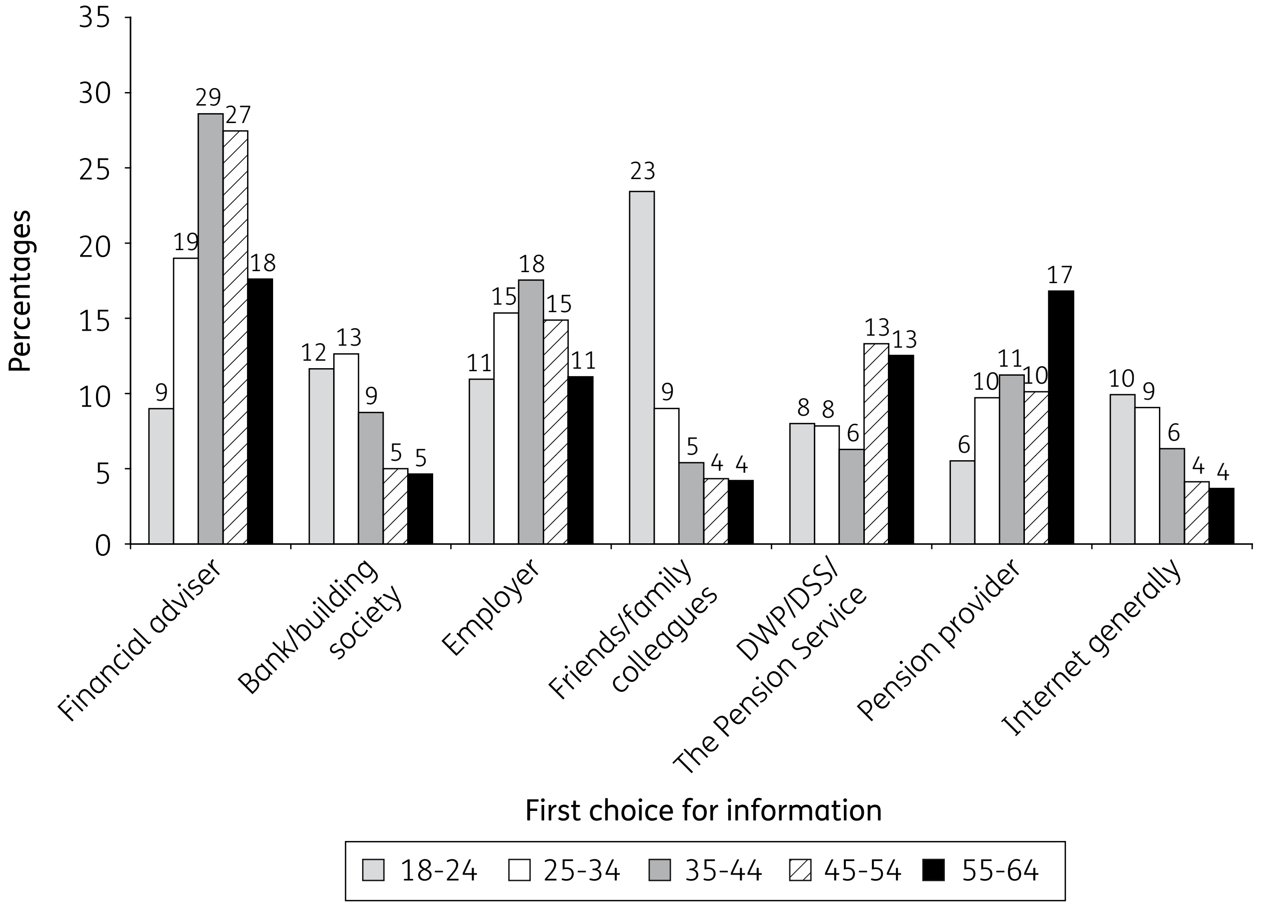
Table 3.7 Number of sources contacted, by age

	18-34	35-54	55-69	Total
Mean number of sources contacted	1.8	2.1	2.3	2.1
Base	*143*	*415*	*294*	*853*

Base: All who had contacted at least one source of information on planning for retirement.

Figure 3.1 shows respondents' preferences for information source by age group. The figure highlights that younger respondents were more likely to prefer a more informal approach to information than older respondents. They were more likely to mention their friends and family than other age groups, perhaps indicating that retirement planning is more tentative or general for younger people. Those aged 35-54 were most likely to prefer a financial adviser and those aged 55-64 were the most likely group to select a pension provider.

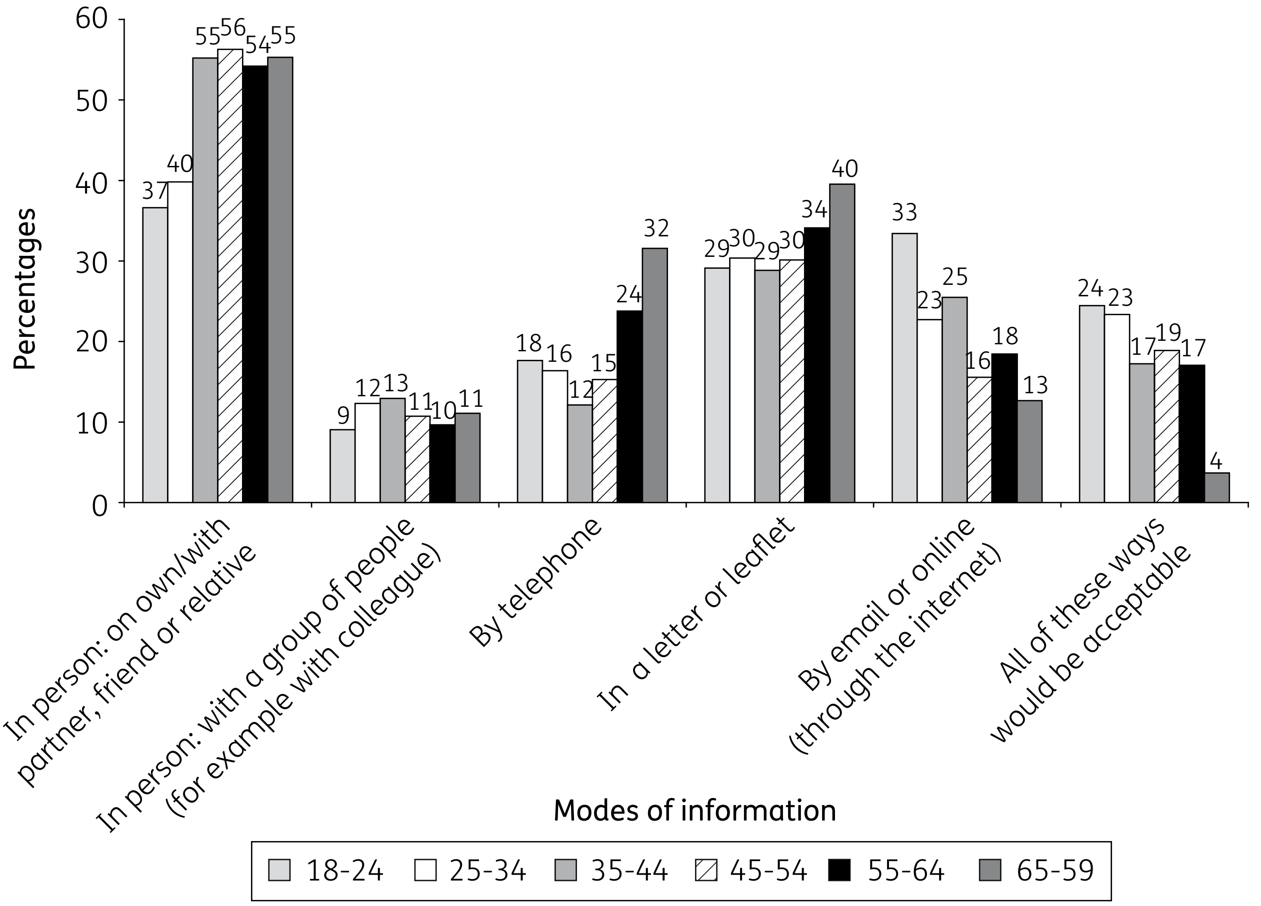
Figure 3.1 First choice source of information on planning for retirement, by age



Base: All respondents not yet retired.

Younger respondents were less likely to mention receiving information in person as an acceptable mode and conversely, more likely to mention email or online. This is perhaps, not surprising as younger people are more likely to have access to IT, computers and the internet.

Figure 3.2 Acceptable modes for information on planning for retirement, by age



Base: All respondents not yet retired.
Respondents could mention more than one mode.

Table 3.8 shows the most trusted information sources by age. Trust in the DWP/DSS/The Pension Service increases with age, ranging from nine per cent among those aged 18-24 to 20 per cent among those aged 65-69. Those in the youngest age group were more likely to mention their friends or family or a bank or building society as the most trusted source.

Table 3.8 Trusted sources for information on planning for retirement, by age

	18-24 %	25-34 %	35-44 %	45-54 %	55-64 %	65-69 %	Total %
Financial adviser	11	16	19	20	18	14	17
DWP/DSS/The Pension Service	9	12	10	14	19	20	13
Employer	8	17	14	11	7	3	11
Friends/family/colleagues	18	11	9	7	7	8	10
Pension provider	7	6	8	8	9	6	8
Citizen's Advice Bureau	9	10	6	5	7	8	7
Bank/building society	15	6	6	3	4	5	6
Sources cited by less than five per cent of respondents[1]	18	14	16	19	18	17	17
None of these	3	5	9	10	10	16	8
Don't know	2	2	1	2	2	3	2
Base	*155*	*271*	*378*	*342*	*371*	*136*	*1,654*

Base: All respondents.

[1] Respondents were presented with a number of other answer options. These have been summed where less than five per cent of respondents cited these sources. The other answer options were an accountant, the media, an insurance company, HM Revenue & Customs/Inland Revenue, a trade union, the Government generally – no specific department and Help the Aged, Age Concern or a similar organisation, the media or the internet (generally) or another source.

3.3.2 Confidence and preparedness for retirement

As outlined in Section 2.5, Table 3.9 shows how contacting information sources varies for the different groups identified according to their confidence and financial preparedness for retirement. Those in the two groups measuring preparedness for retirement (be they confident or not confident) were much more likely to have contacted a source than those in the two 'not prepared' groups.

Table 3.9 Information on planning for retirement, by segments measuring preparedness for and confidence about retirement

	Prepared and confident %	Prepared but not confident %	Not prepared – confident %	Not prepared – not confident %	Total %
Contacted at least one source for information	69	74	15	22	50
Received information from at least one source (without necessarily making contact)	83	82	44	41	67
Base	*640*	*104*	*142*	*324*	*1,654*

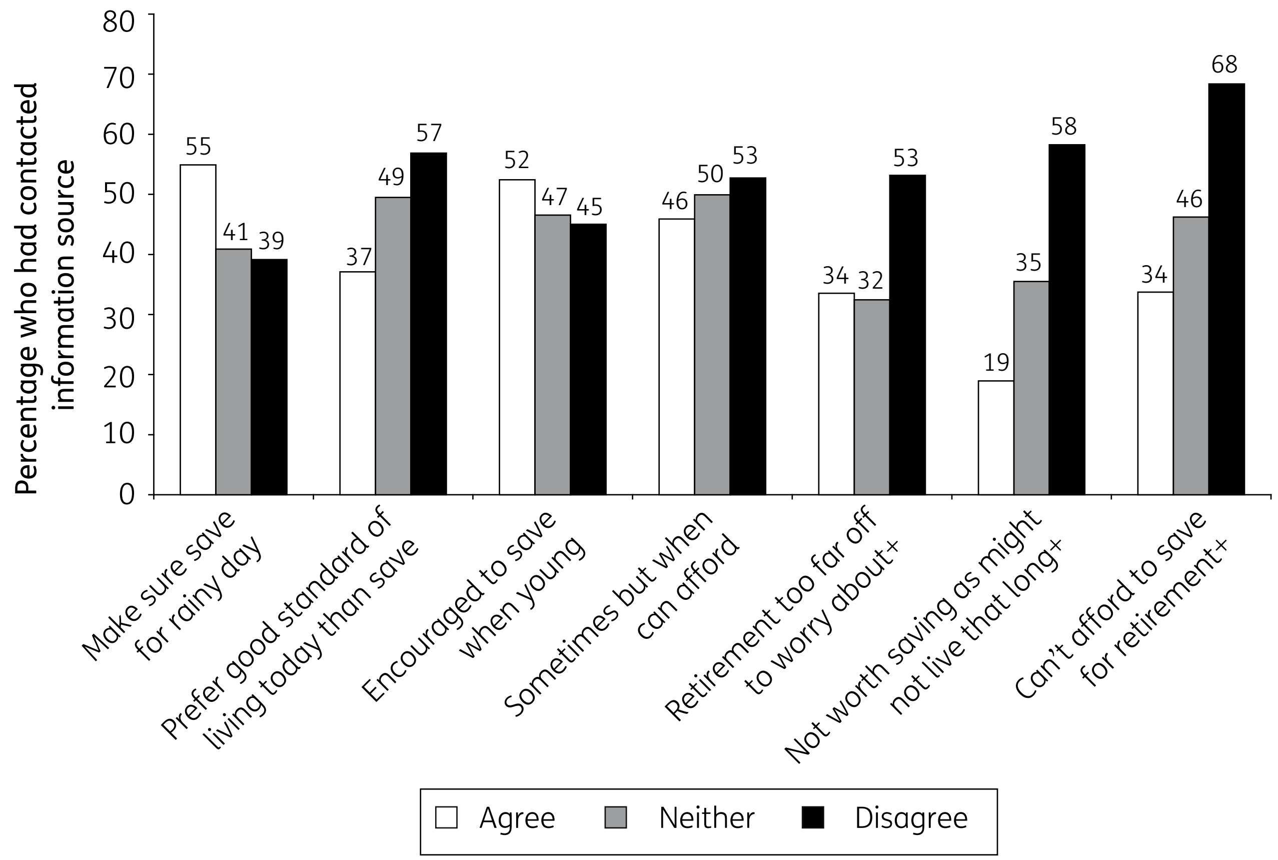
Base: All respondents.

The proportion who had contacted a source for information in relation to planning for retirement was also higher among those with greater pensions knowledge, with private pension provision and those with greater household income or savings.

3.3.3 Attitudes to saving

Figure 3.3 shows how the proportion who had contacted an information source varies in relation to respondents' attitudes to saving and saving for retirement. There were some differences in relation to attitudes toward saving in general. On the whole, those who were positively disposed toward saving were more likely to have contacted a source. However, larger differences were observed between groups with differing attitudes toward saving for retirement. For example, the proportion who had contacted an information source was just 19 per cent among those who agreed that it was not worth saving for retirement compared with 58 per cent of those who disagreed. Similarly, the perception of inability to save for retirement was strongly associated with the absence of contact with an information source.

Figure 3.3 Proportion who have contacted information sources, by attitudes to saving



Base: All respondents.
+: All respondents not defined as retired.

3.4 Conclusion

Although the majority of respondents had received some information about planning for retirement, a significant minority had not. As would be expected, there were large variations by age, with those closer to retirement not only more likely to have contacted an information source but among those who did, displaying a greater level of contact.

It is clear that a range of different information sources on retirement planning was used by respondents, with no single source pre-eminent. This was also the case in relation to respondents' preferred information source and also their perceptions of the most trusted or accurate source. Those in the middle age groups were more likely to prefer a financial adviser.

Face-to face contact appears the most popular mode for receiving information about retirement planning, with the majority of respondents saying that 'in person' on their own or with a partner or friend would be an acceptable mode for receiving such information. Currently, less than half would find email or online an acceptable mode, although younger respondents were much more likely to find this mode acceptable. It seems likely that the popularity of email and the internet represents a cohort rather than an age effect, thus it seems plausible that the popularity of this method across the public as a whole will increase over time.

4 Resources for retirement: knowledge of pensions and related issues

- Only a minority of respondents felt they had a good or reasonable knowledge of pension issues in general (36 per cent) or State Pension issues in particular (33 per cent). Men and older respondents were much more likely to think this.
- Knowledge of specific aspects of the UK pensions system has not changed in one clear direction since 2006. Knowledge has increased on four measures asked about both in 2006 and 2009 but has declined on two others.
- Respondents demonstrate a poor knowledge of the taxation system and how this pertains to pensions – though there is some evidence to suggest knowledge in this area has increased in the last three years.
- Individuals are most likely to know how much they are contributing to an employer or personal pension and less likely to know how much their employer might be contributing to an employer pension. Thirty per cent of those with an employer pension were unsure how much their employer was contributing; this proportion has declined by nine percentage points since 2006.
- There was considerable uncertainty about State Pension age (SPA). Fewer respondents were aware of current male and female SPA than was the case three years ago. In addition, few respondents were aware of the age (to the nearest year) at which they would be able to start receiving their State Pension, given the planned incremental rise in male and female SPA; only 30 per cent of men and 17 per cent of women knew this. Individuals were likely to expect to receive the State Pension before they will be eligible to do so[17].

4.1 Introduction

Knowledge of pensions is an important and valuable resource when planning for retirement. To understand the extent to which such a resource is available to the public, this chapter examines how much the public know about pensions. Recognising that 'knowledge' is a multi-faceted concept, the survey measured knowledge of pensions in several different ways. The chapter will examine first of all how much the public think they know about pensions, before moving on to examine more objectively-measured knowledge of the UK pensions system and related elements of the taxation system, using a true-false knowledge test asked of all respondents. It will consider the public's knowledge of their own pension provision, both in terms of the State Pension and any additional pension arrangements they have in place. In addition to assessing these different measures of public knowledge, the chapter will consider how they relate to one another. Are those individuals who are confident in their own knowledge of this area right to be so? Do those individuals who have a good understanding of their own pension provision tend to have a better understanding of this area in general? Do those who perform well on one measure of pensions knowledge also tend to perform better on the others?

[17] The research took place before a Department for Work and Pensions (DWP)-funded communications campaign was developed, which sought to educate the public about the impending changes to SPA.

Having reviewed levels of public knowledge of pensions, the chapter will consider how the availability of this resource for retirement to the public (or some sections of the public) might influence and link with other resources and attitudes. Have those respondents with more knowledge about pensions sought or received more information about this topic? Information on pensions is likely to be a key source from which pensions knowledge has been derived, although it is not necessarily the case that respondents who received information, particularly those for whom it was unsolicited, actively absorbed its contents. Do levels of knowledge about pensions relate to levels of concern about saving for retirement? By seeking to draw linkages with previous chapters, this chapter will attempt to identify the relationship between knowledge of pensions and other attitudes and experiences relating to financial planning for retirement.

4.2 Self-assessed knowledge

It was recognised as important to know how much the public think they know about pensions, as well as how much they actually know. Self-assessed knowledge (and its relationship with objectively-measured knowledge) might influence attitudes and behaviour in a number of ways. If an individual felt they had a good knowledge of pensions, when this was not the case, they might not seek information on this topic (to correct any inaccuracies) or might not undertake the necessary planning for retirement. Conversely, if an individual felt they had a poor knowledge of this topic, when this was not the case, they might be more concerned about saving for retirement than their situation would warrant. It is also the case that what one individual might regard as a 'good' knowledge of pensions might constitute a 'reasonable' or 'patchy' level of knowledge for another individual – particularly for those who are aware of the complexities of this topic area.

To measure individual perceptions of personal knowledge of pensions, we asked respondents:

Which of the statements on this card best describes how knowledgeable you feel about pension issues?

- *I have a good knowledge of pension issues.*
- *I have a reasonable, basic knowledge of pensions – I know how they work generally but do not understand the details.*
- *My knowledge of pensions issues is very patchy – I know a bit about what concerns me but no more.*
- *I know little or nothing about pensions issues.*

'Pensions issues' could comprise several different elements, about which respondents might feel they had comparatively greater and lesser levels of knowledge. As there is a particular interest in levels of knowledge about the State Pension and how this relates to knowledge more generally, in 2009 respondents were additionally asked the above question in relation to 'State Pension issues'[18].

As shown in Table 4.1, respondents were modest in their responses in relation to their knowledge of pensions in general and the State Pension in particular. Around three-tenths indicated that they knew little or nothing about pension issues (29 per cent) and State Pension issues (32 per cent).

18 Respondents were asked the new question about 'State Pension issues' after they had been asked the repeat questions about 'pension issues'. The purpose of this ordering was to ensure that responses to the general question were not influenced by previous consideration of knowledge in relation to this specific area, to ensure that the responses provided were directly comparable to those obtained in 2006.

Slightly more than one-third described their knowledge as very patchy (36 per cent in relation to both questions) and a slightly smaller proportion in each case felt that they had a reasonable basic knowledge. Just six per cent felt they had a good knowledge of pension issues, with five per cent expressing this view in relation to State Pension issues. Self-assessed knowledge levels in relation to pensions in general and the State Pension in particular were not substantially different, indicating that the State Pension is not an issue about which the public feel they know comparatively more or less, than about pensions in general.

Self-assessed knowledge levels remain similar to those observed in 2006. However, the proportion who feel they know 'little or nothing' has increased from 25 per cent in 2006 to 29 per cent now.

Table 4.1 Self-assessed knowledge level of pension issues and State Pension issues, 2006 and 2009

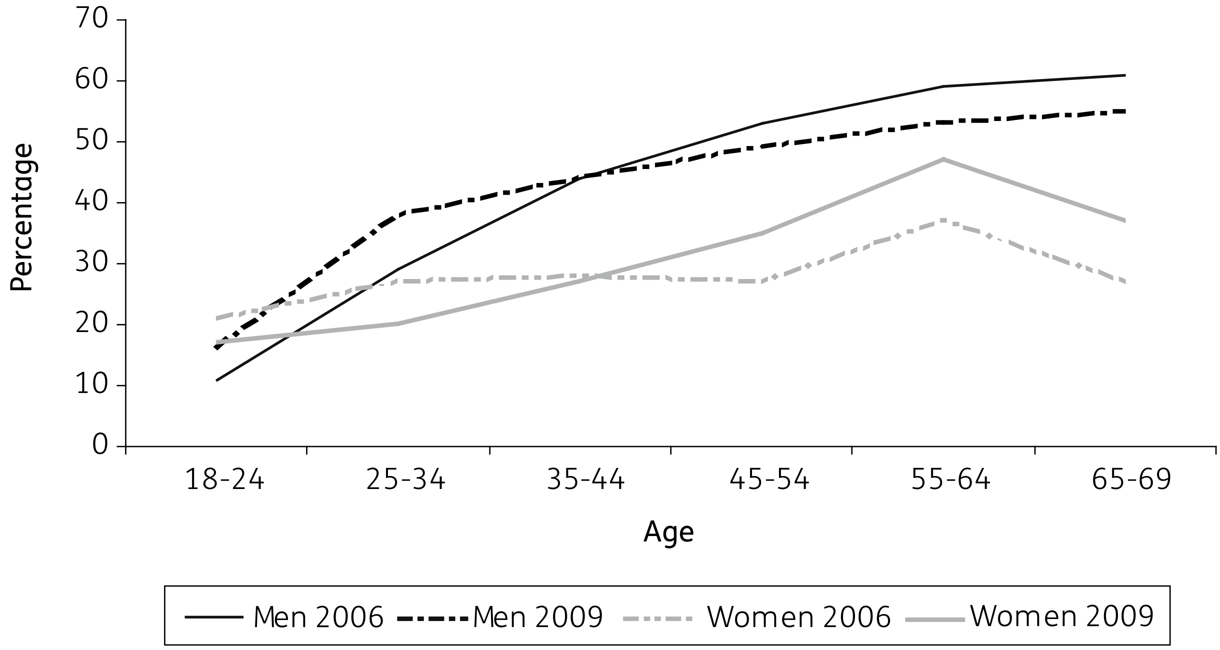
	Pension issues		State Pension issues	
How knowledgeable	**2006**	**2009**	**2006**	**2009**
Good knowledge	5	6	N/A	5
Reasonable or basic	30	30		28
Very patchy	40	36		36
Know little or nothing	25	29		32
Base	*1,950*	*1,654*		*1,654*

Base: All respondents.

Whilst self-assessed levels of knowledge have changed little at the population level since 2006, it may be that certain groups are comparatively more or less confident about their knowledge than they were three years ago. When levels of self-assessed knowledge amongst respondents in 2006 were analysed, a number of sub-group differences emerged. Men were found to be more confident about their knowledge of pensions than women. This difference persists in 2009, with 42 per cent of men rating their knowledge as 'good' or 'reasonable', compared with 29 per cent of women (reflecting almost exactly the same magnitude of difference as observed in 2006). Similarly, as in 2006, confidence in knowledge about pensions increases dramatically with age; while 16 per cent of those aged 18-24 rated their knowledge as 'good' or 'reasonable', this was the case for around half of those aged 55-64 and 65-69 (50 per cent and 47 per cent).

Whilst differences in self-assessed knowledge between groups defined by sex and age have changed little since 2006, when we examine these two characteristics together some clear shifts are evident. In 2006, self-assessed knowledge levels increased with age for men, but there was a less straightforward, and relatively more stable, pattern across age groups for women. However, as demonstrated in Figure 4.1 it now appears that self-assessed knowledge levels increase by age for both men and women, with the bulk of the increase happening at an earlier stage for men. Thirty-eight per cent of men aged 25-34 felt they had a good or reasonable knowledge of pensions, a considerable increase from the 16 per cent of those aged between 18-24 who felt this. For women, the increase in levels of self-assessed knowledge takes place more gradually. As a result, for the older age groups, there are comparatively minor differences between self-rated knowledge levels for men and women. For instance, there is a difference of just six percentage points between the proportions of men and women aged 55-64 who think they have a good or reasonable knowledge of pension issues, whereas the magnitude of this difference was substantially larger in 2006 – at 22 percentage points. However, as in 2006, the self-assessed knowledge of women aged 65-69 is notably lower (ten percentage points) than that of women aged 55-64; it may be, due to the tendency of women traditionally to retire at 60 at which point they could start to draw the State Pension, that these women are more removed from the time of working and contributing to a pension, or first receiving their State Pension, than their male counterparts – and thus feel less well informed on these matters.

Figure 4.1 Proportions of men and women in different age groups saying they have a good or reasonable knowledge of pensions issues, 2006 and 2009



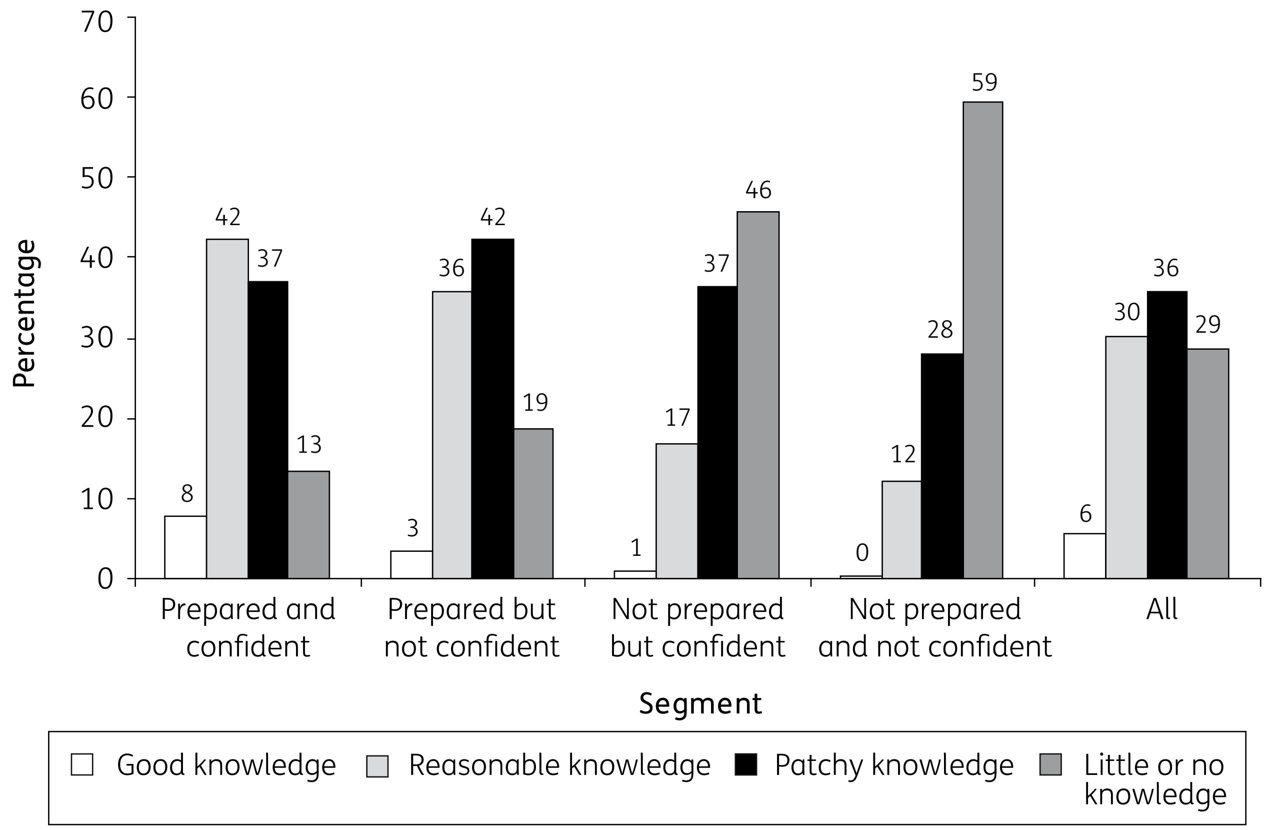
Base: All respondents.

Sub-group analysis in 2006 also identified pension provision, education levels, income levels and economic activity as factors that were associated with levels of self-assessed knowledge. These relationships persist, with those on lower incomes and with fewer educational qualifications feeling particularly poorly informed about pensions and with those who have had private pension provision or who are in work (and particularly those who are retired) being more likely to feel confident in their knowledge levels, compared to those who are seeking work or with another economic status such as studying or looking after the home.

Socio-economic grouping was also linked to self-assessed knowledge of pensions, with 48 per cent of those in a professional or managerial occupational group feeling they had a good or reasonable knowledge, compared to 28 per cent of those in the routine occupational group. In each instance, there is a clear theoretical explanation as to why these differences might exist; those with higher educational qualifications are likely to be feel more adept and experienced at interpreting such complex information as that concerning pensions. Moreover, many of these characteristics are known to be linked; those in higher-level occupational groups are also more likely to have higher incomes, a greater number of educational qualifications and greater experience of pension provision[19]. For this reason, it is not surprising to find that the sub-group differences identified in 2006 persist in 2009. Nevertheless, the fact remains that certain sections of the population continue to exhibit low confidence levels in relation to their knowledge of pensions. Whilst 29 per cent of the public indicated that they knew ‘little or nothing’ about this topic, this was the case for 56 per cent of those aged 18-24, 50 per cent of those with no experience of private pension provision and 40 per cent of those with no educational qualifications.

It is interesting to consider the different levels of self-assessed knowledge of pensions issues held by the key groups, reflecting different levels of financial preparedness and confidence in planning for retirement. As indicated in Figure 4.2, levels of self-assessed knowledge vary markedly between the different groups. Focusing on those who feel that they know ‘little or nothing’, almost six-tenths of those who are ‘not prepared and not confident’ and slightly less than half of those who are ‘not prepared but confident’ express this view. Preparedness for retirement, rather than confidence, appears to be the key factor linking with levels of self-assessed knowledge, with just 13 per cent and 19 per cent of those who are ‘prepared and confident’ and ‘prepared but not confident’ claiming they know little or nothing. It may be that the knowledge gained in putting in place plans for retirement has a larger impact on perceptions of personal knowledge of pensions, than do the less tangible levels of individual confidence about the future.

Figure 4.2 Self-assessed knowledge of pension issues, by segments (measuring preparedness for and confidence about retirement)



Base: All respondents.

19 For example, those in a professional or managerial occupational group were more likely to have a degree than those in a routine occupational group (20 per cent compared to one per cent) or to fall within the highest quartile of household incomes (46 per cent compared to 11 per cent).

Self-assessed levels of knowledge in the population as a whole are therefore modest and are particularly low for certain sub-groups – those with no experience of pension provision, with few educational qualifications, with low perceptions of their own knowledge levels, from a routine occupational group and with low levels of confidence about and preparedness for the financial aspects of their retirement. To disentangle this issue further, we examine objectively measured knowledge of pensions, to assess if these perceptions are based on accurate assessments or if individuals are not always aware of how much they know about this topic.

4.3 Objectively-assessed knowledge of pensions

As in 2006, respondents were asked a series of questions relating to various aspects of pensions, both State and private, in the form of a true-false test. The test in 2009 included 18 items for each respondent to answer (one of which was gender-specific, meaning 19 separate items were asked in total). Thirteen of these items were identical or amended versions of items included on the knowledge test in 2006[20], whilst six were new. To enable understanding across the public, individual items were simply phrased and may not have taken account of all the nuances or exceptional situations that might occur – although selecting a correct answer in each instance involved understanding what is the normal and common case or procedure in relation to a particular issue[21].

The knowledge test was introduced to respondents as follows:

> *Now a quick quiz about pensions. For each thing I say, please say whether you think it is true or false. If you don't know, that's fine, just say so and we will skip to the next one.*

The showcard for each question gave respondents three answer options:

- Definitely/probably true.
- Definitely/probably false.
- Don't know[22].

While the ultimate purpose of the knowledge test was to create an overall measure of objectively measured knowledge of pensions, to serve as an analytic variable throughout the report, we first begin by examining the individual items in turn, to ascertain how much the public know about particular issues and how this has changed since 2006.

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20 Individual items were amended to reflect more accurately current policy in relation to specific areas. The specific amendments that were made are referenced in the Section 4.4, where we consider each individual test item in detail.

21 For instance, the statement 'Tax relief on pension contributions is given at a person's marginal rate of tax', which was classified as 'true', would in fact be 'false' for a small proportion of the population (namely those paying tax at ten per cent, who would receive tax relief at 20 per cent). However, the assumption was that respondents would consider the majority of the population and what is 'common practice' when answering the knowledge test.

22 Correct answers to the knowledge test are described as the respondent 'knowing' the answer when in fact the respondent could have guessed the answer.

4.4 Knowledge test questions

4.4.1 The State Pension

Items included in the knowledge test focused on a diverse range of issues, which can be broadly categorised into four topics – the State Pension, pensions and the tax system, private pensions and Government policies relating to pensions and retirement.

There have been a number of developments in relation to the State Pension since 2006, and a number of changes that are due to be implemented in the near future (detailed in Chapter 1). In identifying respondents' awareness, there was a particular interest in considering how recent and forthcoming changes had affected knowledge levels.

Since it was introduced in 1926, SPA has been 65 for men and 60 for women; however, both ages are due to change incrementally between now and 2046, rising first to 65 for women by 2024 and then to 68 for both men and women by 2046. As in 2006, men and women were asked separate questions in relation to the current SPA for their respective genders, which were amended to emphasise that they should consider the situation at the current time, rather than at any point in the future.

Women and men respectively were asked to indicate whether the following items were true or false:

Today, women can receive the State Pension at 60.[23]

Today, men can receive the State Pension at 65.[24]

As in 2006, the majority of men and women knew the current SPA for their sex; this was the case for 89 per cent of men and 73 per cent of women. Nevertheless, the proportion of each sex who knew this had declined since 2006 – by five percentage points for men and eight percentage points for women. These lower levels of knowledge may reflect media discussion and publicity around the anticipated rise in SPA, which could have caused confusion as to when these changes will take place and the particular time period which the questions were asking about.

In 2006, knowledge of SPA increased with age for both men and women. This is not surprising, as we would expect those nearing retirement to take a greater interest in this issue. However, in 2009 it is interesting to note that, whilst knowledge of SPA rises dramatically as women get older (from 55 per cent of those aged 18-24 to 91 per cent of those aged 65-69), knowledge levels for men are much more consistent, with 83 per cent of men in the youngest age group being aware of the current male SPA. Interestingly, there are no differences between the levels of knowledge of women who are in work and those who are not working.

As in 2006, claiming the State Pension is not dependent on the individual having stopped working. To test public awareness of this fact, the following item, amended from 2006, was included in the knowledge test:

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23 In 2006, the precise wording of this item was: 'At the moment, women can receive the State Pension when they are 60'. The wording was changed slightly as SPA for women was due to increase incrementally from 2010, shortly after the fieldwork period for the study was complete.

24 In 2006, the precise wording of this item was 'At the moment, men can receive the State Pension when they are 65'. This wording was changed slightly, to ensure that men considered what is the case today, rather than at any point in the future (where male SPA is due to rise).

You must stop working to claim your State Pension, even if you are over your State Pension Age.[25]

Sixty per cent of respondents correctly indicated this statement was false, whilst 16 per cent did not know and 24 per cent thought that one did need to stop working in order to claim the State Pension. These figures represent a slight increase in knowledge since 2006; the proportion who answered this item correctly has increased by five percentage points over the past three years. As in 2006, the groups to whom this issue was most relevant (or who were more likely to have had direct experience of it) were more likely to answer the item correctly – older age groups, those in work and the retired.

The State Pension comprises two main parts: the Basic State Pension (BSP) and the additional State Pension. Individuals can receive different amounts of both types of pension, and only some individuals will receive the additional State Pension.

The BSP is calculated according to the number of National Insurance (NI) contributions or credits the individual has built up. The proportion of the public who were aware of this has remained unchanged since 2006, at 78 per cent. In 2006, older age groups and men were more aware of this fact, irrespective of their economic status. However, the picture in 2009 is somewhat different. Men and women's levels of knowledge are not different, as was the case in 2006, whilst current economic activity does appear to make a difference – 61 per cent of those in work and 73 per cent of those who are retired are aware of this fact, compared to 55 per cent of those who are sick or disabled and 51 per cent of those who are engaged in another activity, such as studying or looking after the home. It does seem theoretically logical that those in work, who would be paying NI contributions, would be more aware of their relationship with the State Pension.

In 2006, the aspect of the State Pension system about which the public were least aware was the availability of a Second State Pension, with 42 per cent stating they did not know whether the statement, 'As well as the Basic State Pension, for some people the Government provides a Second State Pension related to their previous earnings', was true or false. This uncertainty persisted in 2009, with an identical proportion (42 per cent) stating they did not know the correct answer to this item. Thirty-four per cent were aware of the Second State Pension, almost identical to the proportion in 2006 for whom this was the case (33 per cent).

Upon retirement, a person deferring taking their State Pension can receive a higher amount or a lump sum when they do start taking it. Respondents in 2009 were asked to respond to two amended items concerning the deferral of State Pension receipt:

When you reach State Pension age, you can choose to delay receiving your State Pension[26].

If you delay receiving your State Pension for a year or more you can get an additional lump sum when you do start to take it[27].

---

25 In 2006, the test item on this topic included was – 'You must stop working before you can claim your State Pension, even if you are a man over 65 or a woman over 60'. This item has been amended slightly, with the quotation of specific SPAs being removed, as these are about to change.

26 In 2006, this item included the proviso 'and get a higher amount when you do start to take it'. This was removed in 2009, in order to assess the extent to which the public know that one can delay receipt of the State Pension after SPA, in isolation from, rather than in addition to, the consequences of this.

27 An alternate wording was used in the 2006 survey, as follows: 'If you delay taking your State Pension for a year or more the Government gives you an additional lump sum'. The purpose of this amendment was to clarify when the individual would receive the lump sum.

In addition, they were asked the following new item:

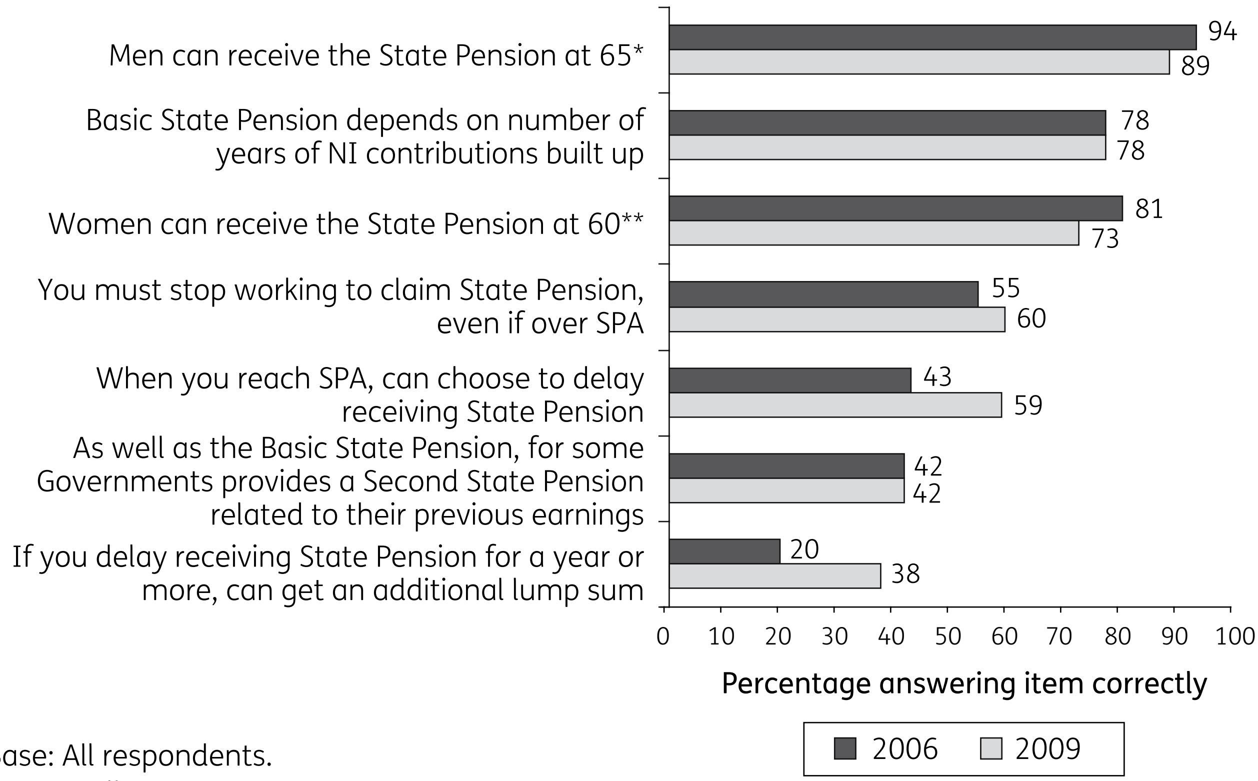
> *If you delay receiving your State Pension, you can get extra State Pension in your regular payments when you do start to take it.*

Fifty-nine per cent were aware that an individual can choose to delay receiving their State Pension, once they reach SPA. This represents a large increase from the 43 per cent who correctly answered a variant of this item in 2006. However, we must be very cautious in interpreting this increase as being indicative of an increase in public knowledge, as the 2006 item included a stipulation that the individual would get a higher amount, once they did start to receive their State Pension. It seems plausible that the discrepancy between these two figures illustrates that there is a considerable proportion of the public who are aware of State Pension deferral but who are not aware of the consequences of this in terms of pension receipt. Just 39 per cent answered the new item correctly, indicating that an individual could get extra State Pension in their regular payments if they delayed its receipt, which implies that knowledge in relation to this issue may not have changed substantially. Ideally, future rounds of the survey will repeat the 2009 item set to establish definitively whether we are witnessing an increase or stability in public knowledge in relation to this issue.

However, there has been an apparent increase in public awareness of the second repeat item that relates to State Pension deferral. In 2006, just 20 per cent were aware that the Government would provide a lump sum payment for people delaying their State Pension, whereas 38 per cent are now aware this is the case. Whilst this question has also been subject to some minor amendments, taken together, there does seem to be some evidence that public knowledge of some aspects of State Pension deferral has increased.

Figure 4.3 summarises changing levels of public knowledge in relation to the State Pension between 2006 and 2009. Whilst knowledge of current SPA has declined, which may be as a result of imminent changes in this area, there is some evidence that knowledge in relation to other aspects of the State Pension system, which have remained constant, has increased.

Figure 4.3 Proportions of correct responses to repeat knowledge test questions, 2006 and 2009



Base: All respondents.
*: Base: All men.
**: Base: All women.

4.4.2 Tax and Pensions

As in 2006, one section of the knowledge test focused on the taxation system and how it relates to pensions. Respondents to the 2009 survey were asked to identify whether each of the following three items was true or false:

> *The income a person receives from the State Pension is taken into account when working out whether they have to pay income tax.*
>
> *The income a person receives from a personal or employer pension is taken into account when working out whether they have to pay income tax.*
>
> *Money paid into private pensions qualifies for tax relief.*

As shown in Table 4.2, as in 2006, public knowledge about pensions and tax was relatively lower when compared to aspects of the State Pension which we have examined previously. Income from a pension, both State and private, is taken into account when working out whether a person should pay income tax. Whilst almost three-quarters of the public were aware this was the case in relation to private pensions, just over six-tenths knew this in relation to the State Pension. Knowledge in relation to tax relief for private pensions was even more limited; just over half knew that money paid into private pensions qualifies for tax relief. On each of these items, public knowledge has not changed significantly since 2006.

Table 4.2 Knowledge of pensions and tax, 2006 and 2009

Repeat items relating to pensions and tax	2006	2009
The income a person receives from the State Pension is taken into account when working out whether they have to pay income tax = **true**	62	63
The income a person receives from a personal or employer pension is taken into account when working out whether they have to pay income tax = **true**	73	73
Money paid into private pensions qualifies for tax relief = **true**	53	54
Base	*1,950*	*1,654*

Base: All respondents.

Respondents were also asked three new items in relation to pensions and tax in 2009:

> *After State Pension age, individuals have a larger tax allowance.*
>
> *National Insurance contributions can sometimes be credited to people who have not paid National Insurance.*
>
> *People who continue working after State Pension age do not have to pay National Insurance contributions.*

The responses provided indicate a poor level of understanding in relation to aspects of the tax system pertaining to pensions; each of the items was answered correctly by less than half. Specifically, 40 per cent were aware that NI contributions can sometimes be credited to individuals who have not paid National Insurance, 39 per cent knew that people who work after SPA do not have to continue to pay NI contributions and just 31 per cent were aware that individuals have a larger tax allowance after SPA. Clearly, public knowledge of the tax system and how it pertains to pensions is comparatively poor yet appears to be stable; it will be interesting to assess if and how this changes in the future.

4.4.3 Private pensions

As in 2006, the knowledge test included the following two repeat items about private pensions:

> *If you are contributing to a personal pension or stakeholder pension, its final value will depend on how well the stock market performs.*
>
> *You can access money you pay into a private pension at any age.*

As shown in Table 4.3, while the proportion of the public who are aware that you **cannot** access money paid into a private pension at any age has remained static, the proportion who are aware the final value of a private pension depends on how well the stock market performs has increased. Seventy-three per cent are now aware this is the case, an increase of 12 percentage points since 2006. It may be that recent focused attention on the stock market, due to the banking crisis and recession where its role in impacting upon individuals' financial situations has become very apparent, has equipped the public with a better understanding of the impact that it can have on a range of financial assets such as private pensions.

A new item was included on the 2009 survey, to measure public awareness that some of the money an individual builds up in a personal or stakeholder pension will be used to finance the running of the scheme. Around three-quarters (73 per cent) were aware this was the case, demonstrating a comparatively high level of knowledge about this issue – although it should be borne in mind that this statement makes logical sense and is one it would be relatively easy to guess was true.

Table 4.3 Knowledge of private pensions, 2006 and 2009

Items measuring knowledge of private pensions	2006 %	2009 %
If you are contributing to a personal pension or stakeholder pension, its final value will depend on how well the stock market performs – **true**	61	73
You can access money you pay into a private pension at any age – **false**	52	52
If you are contributing to a personal pension or stakeholder pension, some of the money you have built up in your pension will be used to finance the running of the pension scheme – **true**	-	73
Base	*1,950*	*1,654*

Base: All respondents.

As in 2006, those with current or past experience of the type of private pension being asked about were more likely to answer each test item correctly. For instance, 87 per cent of those with experience of a personal or stakeholder pension were aware that its final value would depend on the stock market, compared to 67 per cent of those who had never had such a pension. The same was true of the new item relating to private pensions; 74 per cent of those who had ever had a personal pension were aware that some of the money invested in this scheme would be used to finance its running, compared to 59 per cent of those who did not have this experience. It is likely the experience of deciding to take out a private or personal pension equips the individual with more knowledge of how these schemes work than would be gained by an individual who has not had this experience.

Clearly, there is no over-riding change in public knowledge of private pensions, although it may be the recession has generated an increased awareness of certain specific issues. Those who have taken out a private pension persist in being considerably better informed than the public as a whole about issues relating to these schemes.

4.4.4 Knowledge of other Government policies relating to pensions

The final two items in the knowledge test related to specific Government policies or initiatives that cannot be categorised under the headings of State Pensions, private pensions and taxation.

In addition to assessing knowledge about the State Pension, we asked respondents about Pension Credit, a Government-provided pension benefit. As in 2006, respondents were asked to indicate whether the following statement was true or false:

> *Pension Credit, a benefit for older people, is only available to those with no savings.*

Less than half (45 per cent) answered correctly (and knew that the statement was false). As we discuss in Chapter 5, there is relatively low take-up of Pension Credit, so this lack of knowledge is of particular interest, as it may be that older respondents who would be eligible to do so have not applied for Pension Credit because they believe they would not be eligible. Knowledge in relation to Pension Credit does not vary by age, indicating that older respondents who may be eligible for this benefit do not know more about it simply because it might be available to them. As Pension Credit is means-tested, it is interesting to note that those in the lower income groups, who would be the most likely to be eligible, are the least likely to be aware that this benefit can be available to those who do have some savings. Forty per cent of those in the lowest income quartile answered this item correctly, compared to 47 per cent of those in the highest quartile.

The final item concerned a recent Government policy which was introduced in 2006 alongside a Default Retirement Age (DRA) of 65, the right for an individual to request to continue working after age 65. Respondents were asked whether they thought the following statement was true or false:

People have a right to request to continue working after age 65.

Given the recent introduction of this policy, it is surprising to see how widely it appears to be understood – 89 per cent of the public were aware that this was the case. However, we do not have a measure of what the public thought before this policy was introduced – and it may be that they always thought (incorrectly) that working beyond 65 was a right. Whilst it seems plausible that those nearing 65 would be more likely to know about this policy, as they would have begun to formulate their own plans, there were in fact no differences by age, with all age groups being very well informed on this matter. Similarly, there were no substantial differences by sex or economic status; whilst we might expect those currently in work to demonstrate greater awareness of this policy, this was not in fact the case.

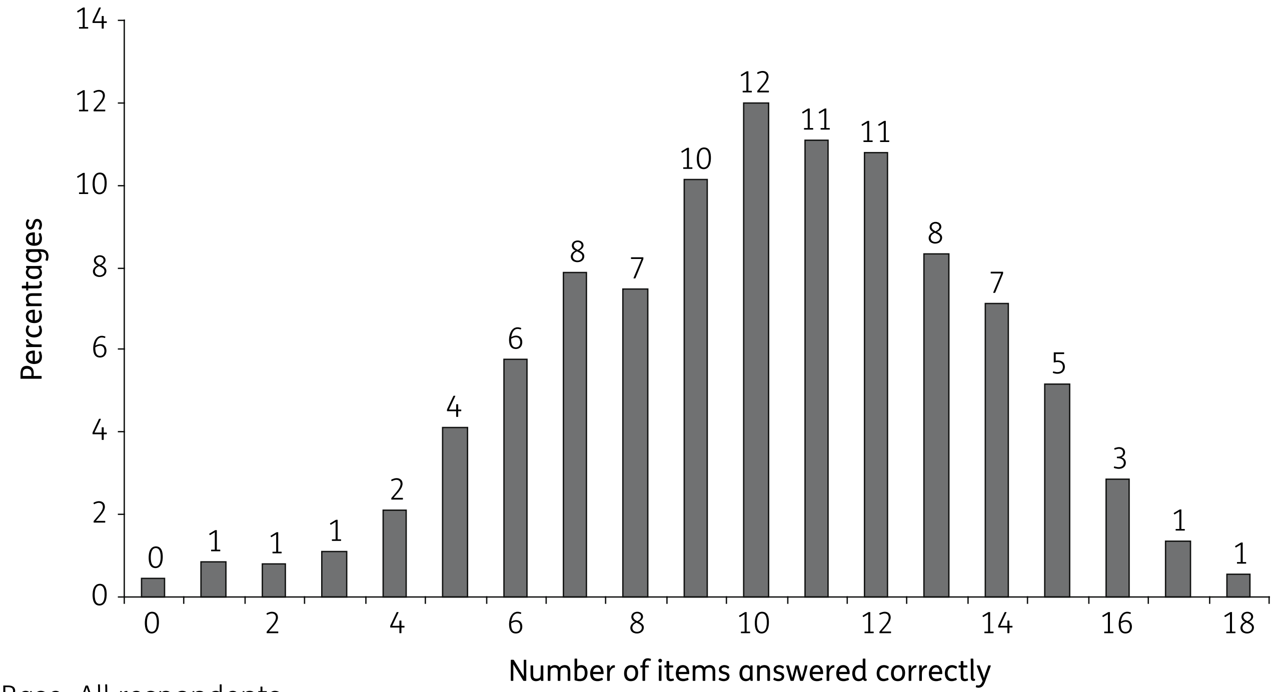
4.5 Overall knowledge of pensions and the knowledge test 'score'

Considering the knowledge test items together, we can draw the following conclusions about public knowledge of pensions:

- Different areas are comparatively more and less well understood and the patterns identified in 2006 still persist. The State Pension is comparatively well understood whilst the public demonstrate poor awareness of the tax system and how this pertains to pensions.
- There has been no generic change over time, in terms of an increase or decrease in public knowledge; whilst we have seen change on six of the 13 repeat items, in four cases this has represented an increase and in two cases a decline in knowledge.
- Changes on individual items appear to be very much grounded in context; there is less certainty about SPA now, presumably because this is about to change, while there is a greater knowledge of the role of the stock market in relation to private pensions (with the importance of the stock market having been highlighted by the recession). Thus, changes in objectively measured levels of knowledge about pensions need to be understood on an item-by-item basis, rather than on the basis of any generic changes in knowledge levels.

As in 2006, a knowledge test score was created for each respondent, measuring the number of the 18 items asked which they responded to correctly. Whilst the score generated is not directly comparable to that calculated in 2006 (which had a slightly different set of and fewer items), as shown in Figure 4.4, in both years the distribution of the public's scores forms a bell-shaped curve, with the bulk of respondents, around three-quarters (71 per cent), answering between eight and 15 items correctly. In the rest of the report, objectively measured knowledge of pensions will be used as a key analytic variable and, for this purpose, respondents were divided into three groups – those attaining a high score (answering 13 or more items correctly), those achieving a medium score (answering between nine and 12 items correctly) and those attaining a low score (answering eight or less items correctly). Overall, 31 per cent attained a low score, 44 per cent achieved a medium score and 25 per cent attained a high score.

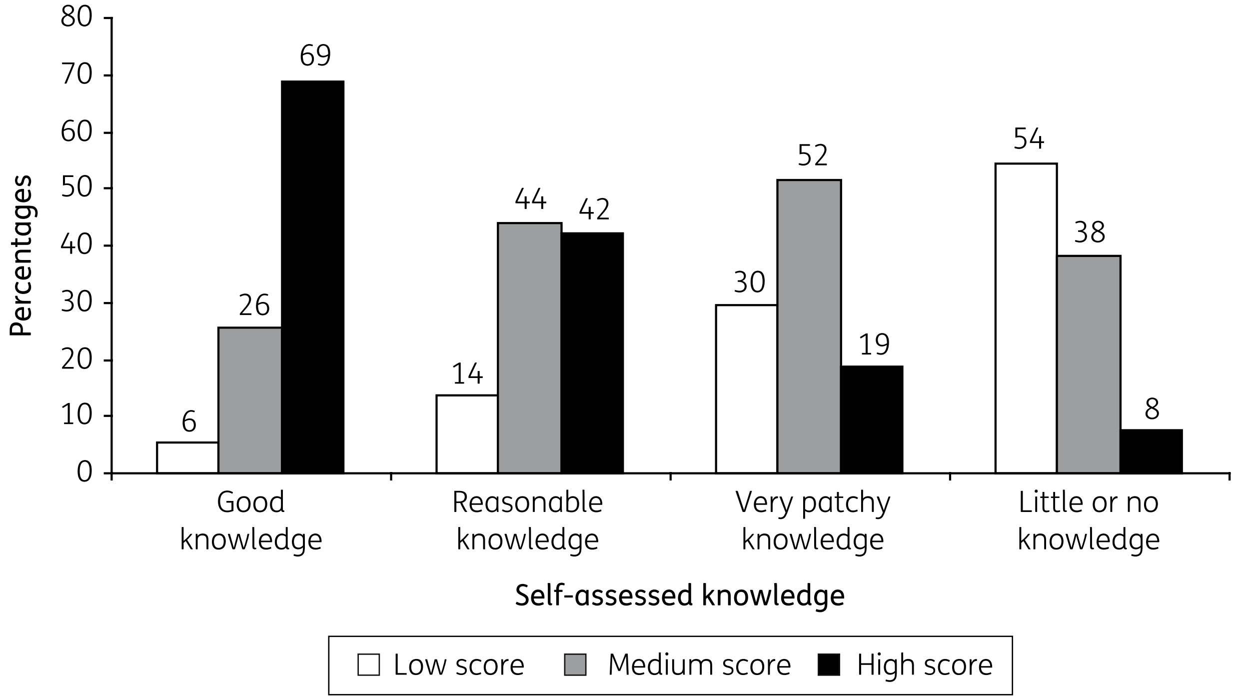
Figure 4.4 Overall knowledge test score



Base: All respondents.

As in 2006, the knowledge test score was strongly associated with respondents' self-perceived level of pensions knowledge, as shown in Figure 4.5. Sixty-nine per cent of those who felt they had a good knowledge of pensions attained a high score on the knowledge test, compared to just eight per cent of those who felt they had little or no knowledge. This suggests the overall test score is a valid measure of pensions knowledge. Even so, the association is far from perfect; six per cent of those who felt they had a good knowledge of pensions issues and 14 per cent of those who believed they had a reasonable knowledge attained a low score. Clearly, a minority of the public think that they know more about pensions than they actually do. In some cases, this may be inhibiting their planning for retirement as they may not be seeking information to correct their assumptions when they should be. In others, it may be that respondents have a good understanding of the aspects of pensions that concern them – for example, for a low earner, the State Pension – but a poor understanding of those issues that are of less relevance.

Figure 4.5 Knowledge test score, by self-rated knowledge of pensions issues



Base: All respondents.

In 2006, it was found that pensions knowledge tended to increase with age and to be slightly higher among men, those with higher educational qualifications, with experience of pension provision (albeit an employer or personal pension) and those who were owner-occupiers. Despite the 2009 knowledge test comprising a larger and slightly different set of items to its predecessor, these differences persisted in 2009. While the mean number of items answered correctly on the knowledge test was 10.3 out of a possible 18, those aged 18-24 answered an average of 8.4 items correctly, compared to the 11.6 right answers achieved by those aged 55-64 and 65-69. Of all the demographic groupings examined, the youngest age group attained the lowest mean score on the knowledge quiz. Theoretically this group, who would be at the start of their careers, would have given little thought or consideration to the issue of pensions and retirement planning.

The mean knowledge test scores attained by the four different groups measuring individual confidence about and preparedness for retirement also vary markedly. Those classified as 'prepared and confident' and 'prepared but not confident" answered an average of 11.0 and 10.7 test items correctly. However, those defined as 'not prepared but confident' and 'not prepared but not confident' answered an average of 8.8 and 8.5 test items correctly. As we found in relation to self-assessed knowledge, it seems that having made the necessary preparations for retirement, rather than being confident about this, is the key factor that links with knowledge levels. Levels of confidence about retirement do not appear to relate strongly to levels of knowledge about pensions (implying confidence is not necessarily a product of the individual knowing or thinking that they know a lot about this topic).

4.6 Knowledge of how pensions and the tax system operate in practice

We now turn to consider other items included in 2009 that sought to measure public knowledge of how pensions and the tax system operate in practice.

Respondents were asked the following repeat question, to measure public knowledge of annuities and how this has changed over time:

> *One feature of a personal pension is that, by the age of 75, you have to use most of the money you have saved in the pension to buy an 'annuity', meaning that you get a regular income until you die.*
>
> *Were you aware of this before now?*

Twenty-two per cent were aware of the need to annuitise a pension, almost exactly the same proportion (23 per cent) as in 2006. Clearly, this remains an aspect of the pensions system that is poorly understood among the public.

Knowledge of this aspect of how pensions operate in practice was strongly linked to objectively-measured knowledge of this topic; nine per cent of those who attained a low score on the knowledge test were aware of annuities, compared to 41 per cent of those who attained a high score.

In 2006, knowledge of annuities was found to be strongly linked to gender, age, pension provision and education, with men, older respondents, those with a private pension and with higher levels of qualifications being more likely to know about this issue. All of these differences persisted in 2009; 25 per cent of men and 17 per cent of women were aware of the need to annuitise a pension, while this was the case for just nine per cent of those aged 18-24, compared to 35 per cent of those aged 65-69. Individuals with a defined-contribution employer pension were more likely to know about the need to annuitise than were those with who were members of a defined-benefit scheme – 31 per cent compared to 21 per cent. This is not surprising as the issue of annuitising is relevant to defined contribution schemes but not to defined benefit schemes. Clearly, public knowledge in relation to annuities remains poor and largely confined to older age groups and those with a well-developed knowledge of pensions in general.

The analysis of individual items included in the knowledge test, shows clearly that the public has a comparatively poor understanding of the tax system and how this pertains to pensions. In 2006, respondents were presented with a list of some of the rules governing pensions prior to April 2006 and asked to identify those they were previously aware of. For the 2009 survey, this list was updated to include those tax rules that currently apply and respondents were asked to undertake a similar exercise.

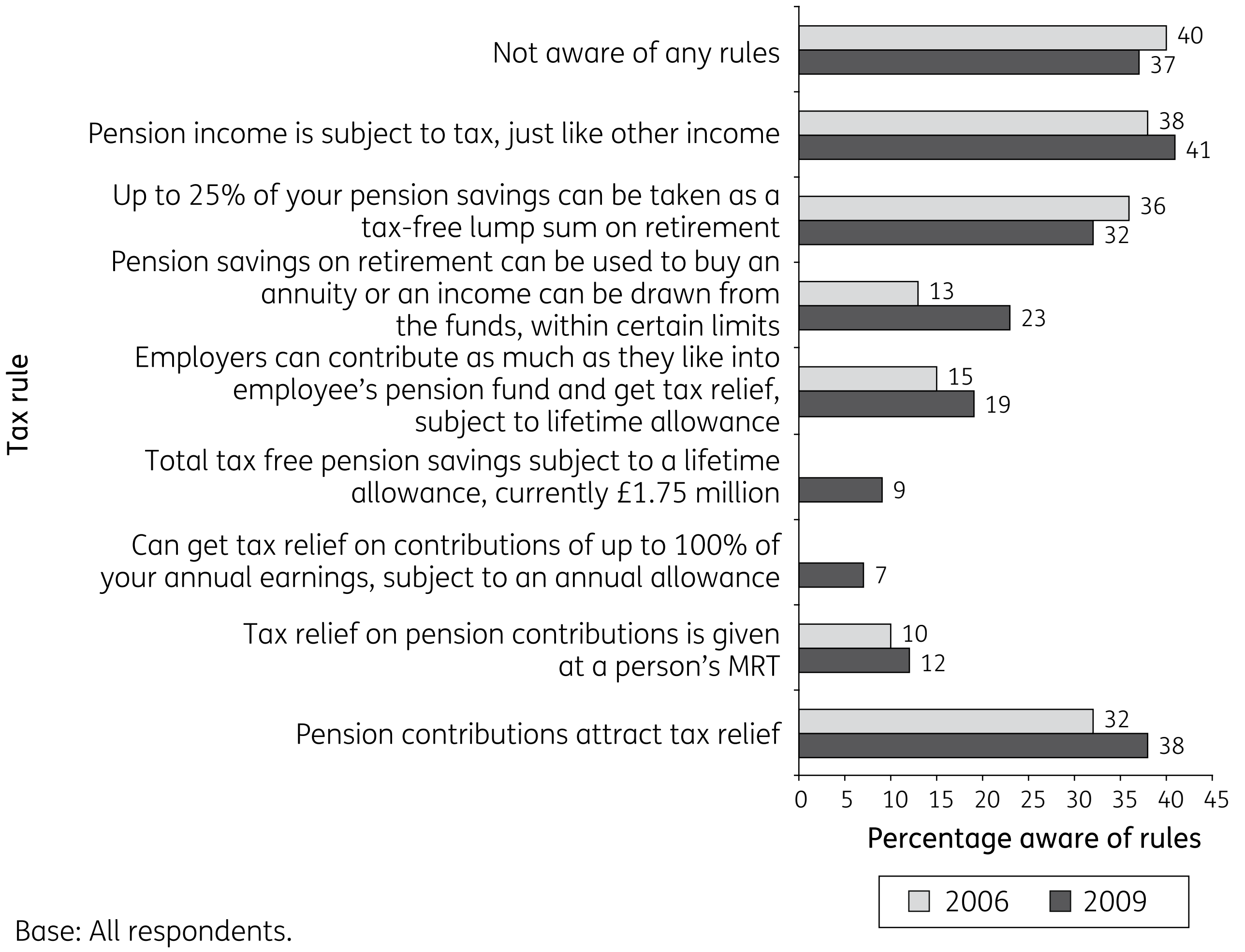
The tax rules pertaining to pensions that the public were aware of in 2006 and 2009 are presented in Figure 4.6. In both years, respondents were most likely to be aware that pension income is subject to tax, that some of one's savings can be taken as a tax-free lump sum on retirement and that pensions contributions attract tax relief. There was comparatively little awareness of the two tax rules asked about for the first time in 2009 – just nine per cent were aware of the lifetime allowance for tax free pensions savings and seven per cent were aware you can get tax relief on up to 100 per cent of your annual earnings, subject to an annual allowance. It may be that these two rules are of particular relevance to higher earners and the self-employed, explaining why the public as a whole are not well informed about them.

These data also point to the fact that knowledge of the tax system in relation to pensions has improved since 2006. Thirty-seven per cent of respondents were not aware of any of the tax rules, a slight decline from the 40 per cent in 2006 who indicated this. Moreover, on four of the five tax rules on which there has been a change in knowledge levels since 2006, there has been an increase rather than a decrease in knowledge. Most notably, 23 per cent are now aware that an individual's pension savings on retirement can be used to buy an annuity, compared to 13 per cent in 2006[28]. The public are also more aware that pension income is subject to tax, that employers can get tax relief on the amount they contribute to employees' pensions and that pension contributions attract tax relief, than they were in 2006. Moreover, comparison of responses to the one measure that contradicts this trend – the fact that a part of one's savings can be taken as a tax-free lump sum on retirement – should be treated with some caution, due to fairly substantial wording changes between the two surveys[29]. In 2006, many of these rules were about to change on A-Day (in April) and this may have caused confusion amongst respondents to that survey as to what was currently the case. There is some evidence that public knowledge of tax rules is increasing and it will be interesting to repeat these questions in the future, to establish to what extent this is a long-term trend or a limited response to the changes made on A-Day.

28 This figure reflects almost exactly the 22 per cent of respondents who indicated at the question discussed previously that they were aware of the need to annuitise a pension, suggesting that these responses are accurately capturing public knowledge of this issue.

29 In 2006, this item asked about 'part of your pensions savings; whereas in 2009 it specified '25 per cent of your pensions savings'. Logically, it would be possible to be aware of the 2006 item but not the 2009 item (an individual could be aware that part of one's pensions savings could be taken as a lump sum, but not the precise amount for which this is the case.

Figure 4.6 Awareness of tax rules relating to pensions, 2006 and 2009



Base: All respondents.
MRT = marginal rate of tax.

4.7 Knowledge of own pension provision

An individual may know little about how pensions operate in practice but still have a good understanding of how their own pension provision operates and what it will mean for them personally. To consider this final element of knowledge of pensions, the last section of this chapter focuses on how much the public know about their own pension provision – in terms of any private pensions they have taken out (albeit an employer pension or a personal pension) and their receipt of the State Pension.

Respondents were asked in detail about any private pension arrangements they had taken out (as examined in Chapter 5). Table 4.4 presents the proportions in each case who did not know how much they or their employer was contributing to their employer pension, and how much they themselves were contributing to a personal pension.

As in 2006, respondents were least likely to know how much their employer was contributing to their employer pension and were considerably more likely to know how much they were contributing to the various private pensions they had in place. Thirty-nine per cent of those with an employer pension in 2006 were unaware of how much their employer contributed to this, compared to 30 per cent now. It may be that the experience of recession has encouraged the public to pay closer attention to their own financial situations and what these are likely to be in future. It should be noted that those with a defined benefit (DB) employer pension would have no need (or wish) to know how much their employer was contributing, whereas for those with a defined contribution (DC) employer pension this would not be the case. As the proportions of employees with these two types of pensions have remained relatively stable since 2006, this fact is unlikely to explain the increase in knowledge of employer contributions.

Table 4.4 Proportions who were unaware how much they or their employer contributes to their pension

Percentage saying 'don't know'	2006	2009
Respondent contribution to employer pension	13	10
Base+	*588*	*471*
Employer contribution to employer pension	39	30
Base++	*618*	*494*
Respondent contribution to personal pension	11	9
Base+++	*180*	*382*

+Base: Respondents with an employer pension that they make contributions to.

++Base: Respondents with an employer pension that their employer contributes to.

+++Base: Respondents with a personal pension that they make contributions to.

As detailed in Chapter 5, those with a DB employer pension were slightly more likely not to know how much their employer was contributing than those with a DC employer pension – 33 per cent compared to 24 per cent. As DC schemes (to which the issue of employer contribution is less relevant) are likely to become more common in the future, we might anticipate further declines in the proportions who do not know how much their employer is contributing to their employer pension in the future.

Knowledge of one's own pension provision appeared to relate to knowledge of this topic in general, although the numbers who did not know how much was being contributed in each case were not sufficiently large to draw any firm conclusions. Those with an employer pension answered an average of 10.8 knowledge test items correctly; the average was just 10.1 for those who did not know how much their employer contributed to their pension.

In addition to the details of their own private pension provision, there was an interest in examining how much the public know about their State Pension provision – in particular, given the imminent changes to SPA that are likely to ultimately affect the experiences of many respondents – their knowledge of when they will be able to receive their own State Pension. For this reason, all respondents were asked the following questions:

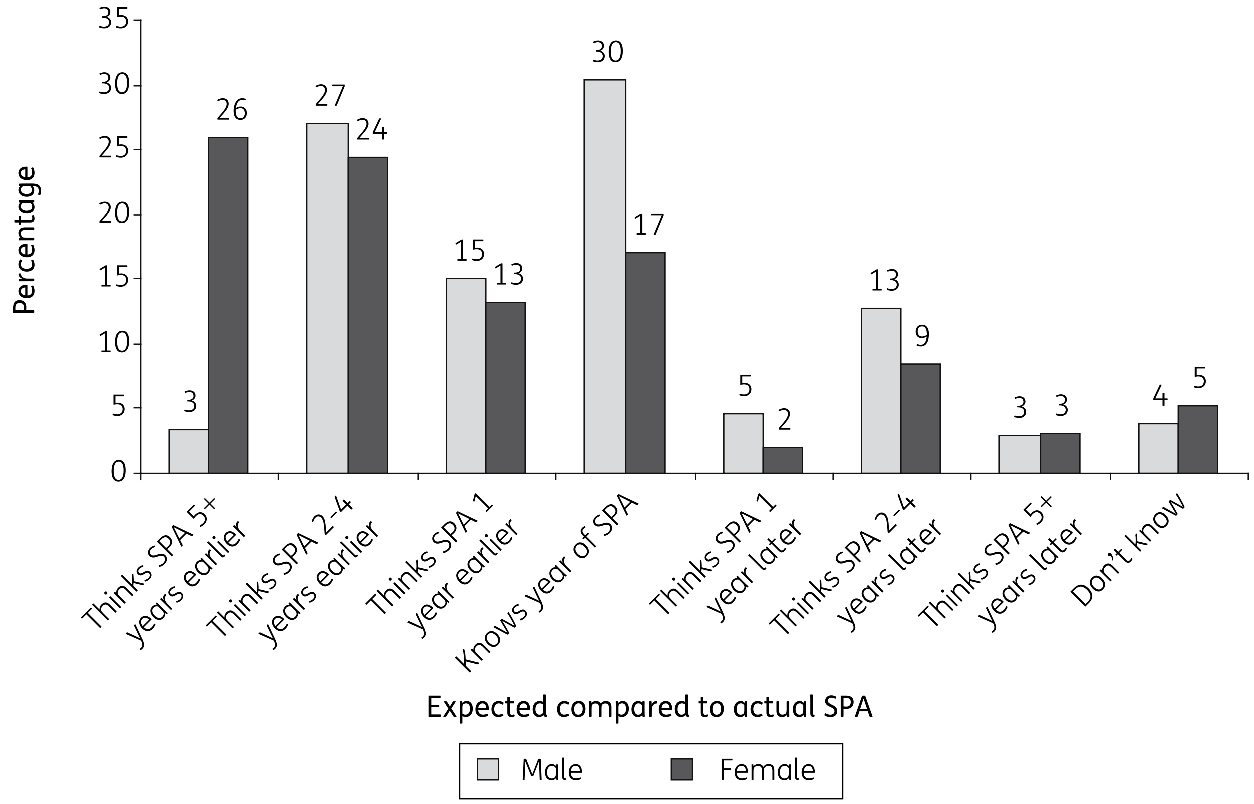
At what age do you think you will be able to start receiving your State Pension?

And in what month do you think you will be able to start receiving your State Pension?

Figure 4.7 presents a comparison of when men and women **thought** they would be able to start receiving their State Pension, by when this would actually happen (calculated using their date of birth, sex and the plans for the equalisation of and incremental rise in SPA between now and 2046 which were current at the time of the survey). Obviously, respondents might anticipate several further policy changes in the future in relation to this issue, and may have taken these into account when making their calculations, rather than simply focusing on current Government policy.

Just 30 per cent of men and 17 per cent of women were able to provide the exact age when **they** would be able to start receiving the State Pension. Women tended to think they would be able to receive their State Pension earlier than is actually the case, with 63 per cent indicating a date that fell more than a year before their actual SPA. This is likely to reflect limited awareness of the precise changes to female SPA that are due to happen in the near future. Similarly, men were also more likely to think that they would be able to receive their State Pension before rather than after when this will actually be the case, suggesting that some are not aware of the incremental rise in SPA to 68 that will take place by 2046.

Figure 4.7 Men and women's exepcted SPA, by actual SPA



Base: All respondents below SPA.

Those in the younger age groups (for whom changes to SPA will have the greatest effect) were the least likely to know when they would be able to start receiving their State Pension. Just five and six per cent of those aged 18-24 and 25-34 were able to provide the correct age at which this would happen, compared to 76 per cent of those aged 55-64. The youngest age groups were also the most likely to provide answers that were a long way away from their actual SPA, given current Government policy. However, it is clear that lack of knowledge of one's SPA is not simply a function of age, with older age groups being better informed. It seems likely that this is also a function of knowledge of pensions more generally. Fifty per cent of those who felt they had a good knowledge of State Pension issues were able to indicate the correct year in which they would reach SPA, compared to just 12 per cent of those who felt that they knew little or nothing about State Pension issues. Similarly, ten per cent of those who attained a low score and 44 per cent of those who achieved a high score on the knowledge test knew precisely in which year they would be able to receive their State Pension. It will be interesting to monitor whether personal knowledge of SPA improves in the future, as this begins to rise incrementally, or whether this is an issue about which the youngest age groups and those with poor knowledge of the State Pension will continue to demonstrate little awareness.

4.8 Resources for retirement: the links between attitudes, knowledge and information

How does knowledge of pensions, as a resource for retirement planning, link with the other resources which we consider in this report, namely information receipt and the possession of financial assets such as pensions? We have seen throughout this chapter that those with private pension provision tend to be better informed about particular aspects of the pension system, especially when it is one that relates specifically to the type of provision of which they have experience. Similarly, those who had not contacted at least one source for information on planning for retirement, or who had not received information without making contact, were much more likely to have a poor knowledge of pensions. Thirty-seven per cent of those who attained a high score on the knowledge test had not contacted any sources for information about planning for retirement, compared to 50 per cent of those who achieved a medium score and 61 per cent of those who gained a low score. Similarly, 20 per cent of those who attained a high score had not received any information on this topic (without necessarily requesting it), compared to 33 per cent of those who attained a medium score and 45 per cent of those who gained a low score. Clearly, receipt of information on planning for retirement and knowledge of pensions are strongly linked. The fact that this is not just the case where the individual has requested the information suggests it is the receipt of this information that may improve knowledge (rather than a higher than average knowledge prompting the individual to request information in the first place). However, it should be borne in mind that the older age groups, who are more likely to have requested and received information, are also more likely to have a good knowledge of pensions – so at least some of the differences reported above may simply be the result of a correlation with age[30].

4.9 Conclusion

The different measures of knowledge of pensions are closely linked – those individuals who think that they have a good knowledge of this area tend also to demonstrate good knowledge of this topic in general and also to have a good understanding of their own private and State Pension provision. There has been no over-riding change per se in public knowledge of pensions, although change has occurred in relation to specific topics which can be explained on the basis of policy changes and economic experiences between 2006 and 2009 – most notably the experience of recession and the publicity surrounding an increase in SPA, which appears to have generated considerable confusion. Knowledge of pensions and receipt of information about this topic are closely linked, indicating that these two resources for planning for retirement are very much concentrated among particular sections of the population.

30 This analysis did not involve multivariate techniques such as regression as none of the three factors – pensions knowledge, the receipt of pension information and the availability of pension provision – clearly stands out as a dependent variable, as the relationships between them are likely to be complex and to operate in several directions.

5 Resources for retirement: pension provision and other financial assets

- The extent to which individuals had (or expected to have) access to four resources for funding retirement – private pension provision, a home that could be used for this purpose, savings and investments and an inheritance – varied substantially. While those in higher socio-economic groups, males, those working full-time and those working in the public sector were most likely to have private pension provision, younger respondents (aged 18-44) were the most likely to expect to receive an inheritance.
- Thirty per cent of respondents did not have access to any of these financial resources for retirement. Those in this position were likely to be younger (66 per cent of those aged 18-24) – although 20 per cent of those aged 55-64, and thus nearing retirement, also had no resources to draw upon.
- Financial resources for retirement have become slightly less well distributed across the population as a whole since 2006. Thirty per cent do not have any of the resources available to them, an increase of three percentage points since 2006. Meanwhile, the proportion of the population with access to two or more of the resources has increased by two percentage points, whilst the size of the group with access to one resource only has shrunk by six percentage points.

5.1 Introduction

This chapter examines the range of financial resources which an individual might be able (or expect to) draw upon to fund their retirement. Specifically, the chapter focuses on private pension provision, examining employer pensions and personal pensions in turn, housing assets, liquid and non-liquid assets which the individual could potentially draw upon such as savings and the prospect of receiving an inheritance. Ultimately, we are interested in exploring the level and variety of incomes which an individual has available to them for retirement, so the chapter concludes with an examination of this issue, considering all of the identified resources together. Throughout, we consider whether any particular resources have become more or less prevalent since 2006 and what this might mean for an individual's retirement expectations.

5.2 Private pensions

5.2.1 Pension provision status

Table 5.1 summarises the proportions of respondents who are currently contributing to various types of private pension provision. These data relate only to those respondents aged 18-59, reflecting the approach taken in 2006 (as those aged 60 and over, and particularly women, may have retired, and be drawing upon, rather than contributing to, any private pensions).

In terms of private pension provision, little has changed. Slightly more than one-third of respondents (36 per cent) are currently contributing to an employer pension, almost identical to the levels observed in 2006. Obviously, this option for private pension provision would only be available to those who are currently employees – amongst those in this position, slightly more than half (55 per cent) were currently contributing to an employer pension.

The proportion contributing to a personal pension also remains very similar to that observed in 2006; 17 per cent are currently doing this.

As a result of this absence of change, the proportions currently contributing to a private pension are almost identical across the 2006 and 2009 surveys, with slightly less than one in two doing this (49 per cent in 2006 and 47 per cent now).

Table 5.1 Current private pension provision, 2006 and 2009

	All %
Currently contributing to a private pension [per cent of all respondents]	
2006	49
2009	47
Currently contributing to employer pension	
2006	37
2009	36
Currently contributing to personal pension	
2006	19
2009	17
2006 base	*1,540*
2009 base	*1,207*

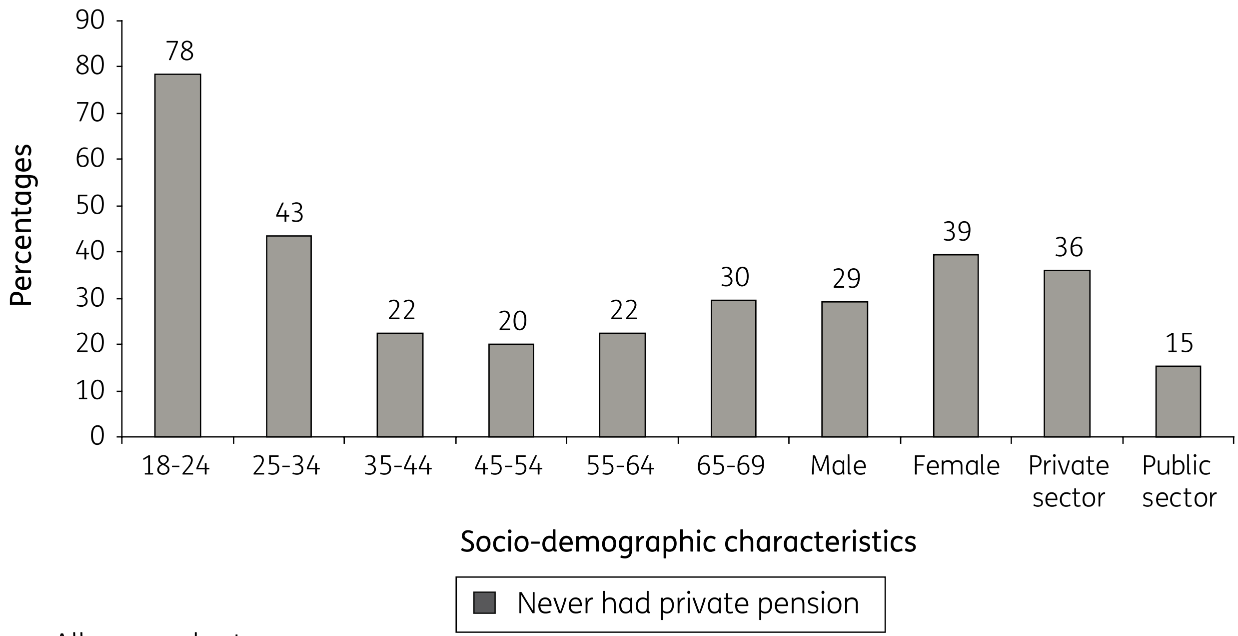
Base: Respondents aged 18-59.

Respondents could contribute to either, both or neither of an employer pension or personal pension.

Respondents were also asked whether they had contributed to employer or personal pensions in the past. Exactly half (50 per cent) indicated that they were either in an employer pension now, or had been in the past. On the other hand, 29 per cent of respondents were either paying into a personal pension or had done so in the past. There was considerable overlap between these two groups (for instance, 30 per cent of those who had ever had an employer pension had also had a personal pension at some point). Overall, 34 per cent of respondents had never contributed to a private pension, a proportion which is almost identical to the 33 per cent in 2006 for whom this was the case.

Certain groups were particularly likely to have never contributed to a private pension. These include women, those working in the private sector, those working part-time and those with a low level of pensions knowledge, as measured by our knowledge test. Those aged 18-24 were the most likely never to have had private pension provision; this was the case for almost four-fifths (78 per cent). The proportion with experience of private pension provision rises rapidly between 25-35, by which point just one-fifth (22 per cent) are in the position of not having this experience. Those in the private sector (where employer pensions are less universal than in the public sector) and women (who generally have less experience of work) are more likely to never have had private pension provision as they would have had less access to the contexts in which this is commonly offered. Experience of private pension provision is also strongly linked with occupational group; just one-tenth of those in a professional or managerial occupational group (12 per cent) had never had private pension provision, compared to one-third of those in an intermediate occupational group and half of those in a semi routine or routine occupational group (47 per cent). This tallies with the finding from the Wealth and Assets Survey for 2006-08, where two-thirds of those in managerial jobs were found to be members of a private pension scheme, compared to under one-fifth of those in routine occupations (Office for National Statistics (ONS), 2009 and 2010). Inevitably, those in lower occupational groups are less likely to have the resources to enable them to save into a pension, as well as being more likely to have working circumstances (such as working part-time) in which the provision of pensions is less common.

Figure 5.1 No current or previous private pension provision, by socio-demographic characteristics



Base: All respondents.

Multivariate analysis was undertaken to explore the factors that predict current membership of a private pension, once their interactions with each other are controlled for. Four factors – weekly working hours, occupational sector, albeit private or public, occupational group and age – remained significant predictors of membership of a private pension scheme. Sex and knowledge of pensions were no longer significant, suggesting that levels of pension provision vary in relation to these characteristics because of their association with other key socio-demographic variables.

5.2.2 Employer pensions

Pensions arranged by employers often have significant benefits. They may provide a level of employer contribution, in addition to what the individual contributes and may also offer more efficient management arrangements than it would be possible to purchase as an individual. Among those in work as employees as opposed to the self-employed, just over half (55 per cent) were members of an employer pension, a proportion which has not changed significantly since 2006. Around one employee in five (19 per cent) worked for a company offering a pension scheme, and for which they were eligible but had chosen not to join. For a similar proportion of employees (18 per cent) the employer did not offer a pension scheme for **any** employees. For a few (five per cent) there was an employer scheme but one that the respondent was not eligible for. Overall, therefore, 74 per cent of employees worked for a company where they were eligible to join a pension scheme and, of this sub-sample, just under three-quarters (73 per cent) had done so.

As in 2006, employees working the shortest hours were the least likely to be members of an employer pension, or indeed to be offered the opportunity to join one. While part time workers typically must enjoy the same pension benefits as full time workers within the same company, many part time workers are likely to be working for organisations that do not provide pensions. Only 16 per cent of those working less than 16 hours a week had joined an employer pension. Around one-quarter (24 per cent) had the chance to join, but had not. This represents a marked increase from the 16 per cent in 2006 who indicated this was the case, although the numbers involved are too small for this change to be identified as significant. More often there was no scheme on offer for any workers in such circumstances – this was the case for 27 per cent of those working 1-15 hours. It is possible that some part time workers were working on a more temporary or casual basis than full time workers, accounting for some of the differences shown. It is also possible they were less well-informed about the pension schemes and choices on offer within their organisation, particularly if they were newer workers. And it might be that, for some, joining the employer's pension scheme simply would not be beneficial or worthwhile – due to their intentions regarding length of employment or the low level of earnings received. As in 2006, pension scheme membership was highest amongst those working 30 or more hours a week (who would be traditionally classed as full time) – around three-fifths of those in this situation were members of a pension scheme offered by the employer.

Table 5.2 Employer pension status, by usual hours of work

	1-15 hours %	16-29 hours %	30-40 hours %	41+ hours %	Total %
My employer offers a pension scheme and I am currently a member of the scheme	16	46	57	62	55
My employer offers a pension scheme, I am eligible but am not a member of the scheme	24	19	20	16	19
My employer offers a pension scheme but I am not eligible to be in the scheme	13	4	5	3	5
My employer does not offer a pension scheme for any employees	27	29	14	19	18
Don't know or refused	20	2	4	0	3
Base	*56*	*182*	*521*	*280*	*1,039*

Base: All employees.

As in 2006, levels of employer pension scheme membership were very similar for men and women – perhaps because women are more likely to work in the public sector where employer pension schemes are close to universal. This is reflected in the fact that 81 per cent of those working in the public sector reported currently contributing to an employer pension, compared to 41 per cent of those in the private sector. Membership of employer pension schemes also increased significantly with age; just 23 per cent of those aged 18-24 were members, compared to 61 per cent of those aged 55-64. The major leap in the proportion who are members of an employer scheme occurs between 18-24 years and 25-34 years – suggesting a large number join their employer's pension scheme at the stage at which they have perhaps settled into their first or second job.

5.2.3 Types of employer scheme

As in 2006, most employer pensions (77 per cent) were described as being salary-related (or defined benefit (DB)) by their members; 17 per cent were money purchase (defined contribution (DC)); around five per cent of schemes were of uncertain type (the respondent was unsure), and there were a handful of hybrid schemes. Money purchase schemes tended to be concentrated in the private sector (74 per cent of private sector employees with an employee pension had this type) whilst salary-related schemes were concentrated in the public sector (65 per cent of public sector employees had this type of pension).

Salary-related employer schemes have been around for much longer than those based on the money purchase approach. Around two-thirds (63 per cent) of those who were members of salary-related schemes have been contributing to that scheme for at least the last five years, while this was the case for 27 per cent of those who were members of money purchase schemes. As money purchase schemes were much more likely to have been joined by respondents in the last five years, this suggests money-purchase schemes are likely to become more much common in the future than salary-related schemes. With the increasing closure of salary-related employer schemes, it may be that money purchase schemes become a much more common option in the future.

When asked, most pension members were able to tell us the percentage contribution that they were paying into the scheme. For around two-fifths (39 per cent) the level of employee contribution was either five per cent or six per cent (respondents were only asked to record figures to the nearest whole percentage point); 26 per cent paid a lower level of contribution; 23 per cent were paying seven per cent or more (including nine per cent who were paying at least ten per cent). This excludes non-contributory schemes. As only slightly more than 200 respondents were contributing to an employer scheme and were able to tell us the levels of their contributions, it is difficult to detect any significant differences between the proportions making different levels of contribution in 2006 and now. However, the proportion contributing less than five per cent has risen by nine percentage points, while the proportion contributing seven per cent or more has declined by six percentage points. This suggests there may be a trend, in general, for employee contributions to employer pension schemes to be made at a lower percentage of salary.

There was considerable uncertainty about the level of any **employer** contribution. Three-tenths (30 per cent) were unable to give an answer – 33 per cent of those in DB schemes, and 24 per cent of those in DC schemes. As noted in Chapter 4, awareness of the precise amount of employer contributions appears to have increased since 2006. Among those able to provide an answer based on percentage of salary, answers appeared relatively low and often similar to the levels of employee contributions stated. For only 19 per cent of employer pension members was a figure of ten per cent or more mentioned. The most frequent employer contributions were at five per cent and six per cent, indicated by 15 per cent and 12 per cent of those whose employer made a percentage contribution respectively.

5.2.4 Reasons for not joining employer pensions

People who had not joined an employer scheme for which they were eligible were asked to **identify all of the reasons for this**. They gave a mix of answers, but the most commonly cited were as follows:

- I cannot afford to (19 per cent, compared to 12 per cent in 2006).
- I don't earn enough (16 per cent, compared to 22 per cent in 2006).
- Not interested/not got round to it (19 per cent, compared to 17 per cent in 2006).

As can be seen, the reasons provided for not joining an employer scheme were similar to those given in 2006. Though the numbers involved are small meaning significant differences are difficult to detect, it is interesting to note that the proportion who have not joined an employer scheme because they cannot afford to has risen by seven percentage points, whilst the proportion who feel they don't earn enough has declined by six per percentage points. This nuanced change may be an immediate impact of the recession, with many people likely to be more cautious in making additional financial commitments than they were in 2006.

5.2.5 Personal pensions

Many people may not have been able to benefit from the kinds of pensions described above. Those not in paid employment, including the self-employed, would not be able to participate in an employer pension. Personal pensions may be attractive to some workers who regularly move jobs, and the self-employed (and others) who lack access to employer schemes. We collected relatively little information about such pensions[31]; few respondents were currently members of pension schemes of this type, and those who were often did not know all the details.

Overall, 17 per cent of respondents said they had a current personal pension. Personal pensions were particularly common among the self-employed, of whom 46 per cent were contributing towards one. This compares with 17 per cent of employees. There was little or no discernible association between working full-time or part-time hours (as a binary split) and having a personal pension[32].

Looking over a longer time span, 29 per cent of those aged 18-69 were either members of such a pension scheme, or had been in the past.

5.2.6 Negative personal experiences of private pensions

The 'pensions industry' has been associated with a number of crises in the last decade. These have included the mis-selling of personal pensions and concerns over the fate of employer pensions for members when a firm ceases trading. Pensions may also turn out to be worth less than members may have hoped. Whilst regular statements ought to have indicated the likely level of pension, some might have been expecting more, or left work earlier than anticipated.

We aimed to examine bad experiences of this kind with a single question asking whether or not these kind of events had befallen people. As we were asking about a diverse range of events and experiences, it was anticipated that these data would give us an approximate indication of the prevalence of negative experiences in relation to pensions, and how this might have changed over time.

Overall, 21 per cent of those who had ever had a private pension reported that they had personally experienced an event (with only one per cent indicating that this had happened more than once). This is very similar to the level of 23 per cent found in 2006. Indeed, the two most commonly cited problems remain the same, and continue to be experienced at very similar levels to before:

- losing all or most of an employer pension after changing jobs (eight per cent reported this experience); and
- having been sold a personal pension that was unsuitable (six per cent reported this experience).

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31 A complete questionnaire is included with the technical report. However, questions covered: how long contributing to personal pension; amount of contribution; last contribution and how much paid; why stopped contributing; did employer also contribute.

32 Those who worked 30 or more hours each week were defined as working full-time whilst those who worked fewer hours than this were defined as working part-time.

The fact that levels of experience of bad pension events have changed little is not surprising, as many of the large-scale events which received widespread publicity occurred before the fieldwork period for the 2006 baseline survey. In Chapter 9, we consider the implications of these experiences for attitudes to pensions in general.

5.3 Housing equity

For those individuals who own a home, this represents a very valuable asset which they may be able to use to fund their retirement. Amongst respondents to the 2009 survey, around two-thirds (65 per cent) were home-owners, meaning the majority of the public might potentially have access to this resource for retirement. Moreover, home ownership is known to increase with age so, among those nearing retirement, this resource would be likely to be very widely available. However, not all home-owners would be able to use their homes to fund retirement; essentially they would need to be able to release a substantial cash sum whilst still being able to provide an alternative acceptable form of accommodation. This could be done in a number of ways, ranging from moving to a smaller home or cheaper area, to a formal loan from an equity release company. However, there are drawbacks to all such options.

All respondents who owned a home (outright or were buying on a mortgage) were asked the following question in relation to this issue:

> *There are different ways in which a home-owner can use their home to help fund their retirement. Which if any, of the following options would you consider to help fund your retirement?*
>
> - *Moving to a smaller or less expensive home or area.*
> - *Selling your home and renting.*
> - *Borrowing against the value of your home.*
> - *Selling a share of your home to an equity release company to provide income.*
> - *I wouldn't consider any of these options.*

Table 5.3 presents the proportions of all respondents who would be willing to use their homes in various ways to fund their retirement, alongside comparative data for 2006 – in order to demonstrate the proportion within the population aged 18-69 who would have this resource available. It also presents for 2009 the proportions of all homeowners who be willing to use their homes to fund retirement in various ways.

Very little has changed over time. The rates of home ownership have remained fairly stable in the last three years and around one-fifth of respondents in 2009 (21 per cent) are home-owners who would not be willing to use their home to fund retirement – equating to around one-third (32 per cent) of actual homeowners. Sixty-eight per cent of homeowners would be willing to use their home to fund their retirement, exactly mirroring the proportion found in 2006. Once again, the most acceptable way to do this would be by moving to a smaller or less expensive home or area, which 59 per cent were willing to consider. Alternative options remain unpopular; it is interesting to note that willingness to sell one's home in order to rent has almost doubled (from four per cent of the survey population in 2006 to seven per cent now). Borrowing against the value of your home and selling a share of the value of your home to an equity release company remain relatively unpopular options.

Table 5.3 Views on using housing equity to help fund retirement, 2006 and 2009

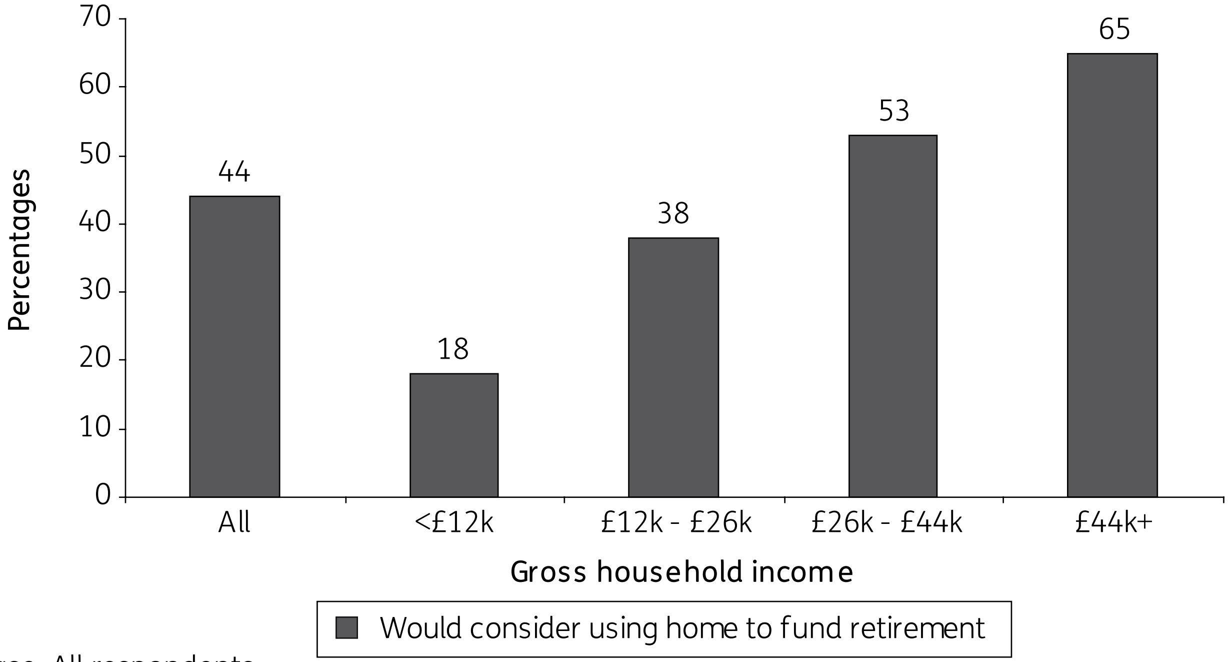
Options for using housing to help fund retirement	2006 All %	2009 All %	2009 Homeowners only %
Not a home-owner	33	35	
Home-owners who wouldn't consider any of these options [base = all]	23	21	32
Any of the following (multiple answers permitted) of which:	44	44	
Moving to a smaller or less expensive home or area	38	39	59
Selling your home and renting	4	7	4
Borrowing against the value of your home	5	4	2
Selling a share of your home to an equity release company to provide income	5	4	2
Base	*1,950*	*1,654*	*1,072+*

Base: All respondents.

+: All respondents owning a home (outright or on a mortgage).

Views about the use of housing equity were not particularly associated with age, with the exception of the fact that those aged 18-24 were less likely to consider using their home to fund retirement (due to a much smaller proportion in this group actually being home owners, and thus having this option available to them). However, as shown in Figure 5.2, willingness to use one's home to fund retirement rises steadily with level of household income. Over two-thirds of those in the highest quartile of household incomes would be willing to consider this, compared to just one-fifth of those in the lowest quartile. Obviously, those in the highest income group would be not only more likely to be owner-occupiers, but would be more likely to own a home which they could 'down-size' in order to release money for their retirement. For this reason, it is also not surprising to see that willingness to use one's home to fund retirement rises with the cost of that home.

Figure 5.2 Willingness to use home to fund retirement, by annual household income

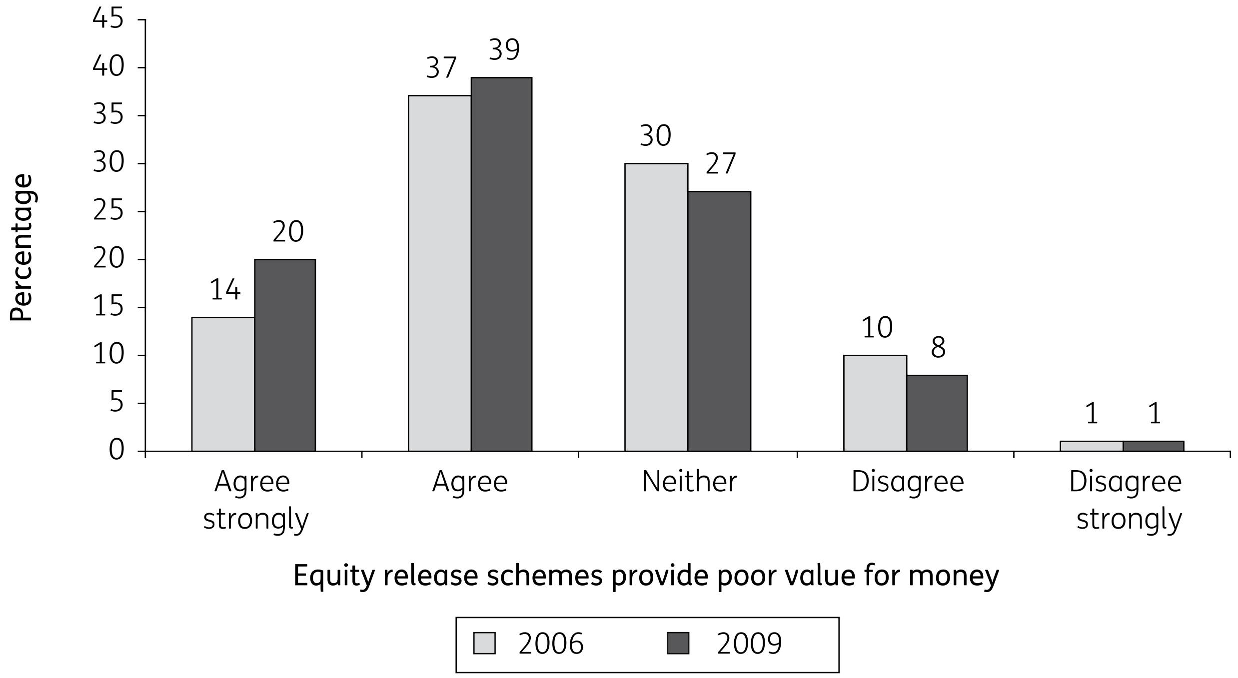


Base: All respondents.

5.3.1 Equity release schemes

As many as 87 per cent of owner-occupiers had heard about schemes offered by financial companies to help release equity. This represents a statistically significant increase from the 83 per cent in 2006 for whom this was the case. However, though awareness of equity release schemes has increased, public perceptions of the extent to which they offer good value for money have become more negative rather than positive. Specifically, respondents were asked to what extent they agreed with the statement, 'Equity release schemes provide poor value for money'. Overall, 59 per cent agreed that this is the case, compared to 51 per cent in 2006. This increase in scepticism about the value for money offered by these schemes may relate to a general increase in negative attitudes towards the housing market, noted elsewhere. As in 2006, even amongst those who were positively inclined towards equity release schemes, only a minority would consider using these to fund their own retirement.

Figure 5.3 Agreement with view that equity release schemes provide poor value for money, 2006 and 2009



Base: All respondents.

5.4 Savings and investments

Savings and investments represent another potential resource which the individual might draw upon to fund retirement. While it is recognised that measuring levels of individual savings and investments is challenging, we asked exactly the same question as that included in the 2006 survey, to enable analysis over time:

> *I'd like you to look at this card and tell me whether you (or you and your partner) have any of the types of savings or investments shown?*

The range of savings and investments held by respondents is presented in Table 5.4. This suggests that little has changed since 2006. One-sixth (16 per cent) have no savings and investments, while current accounts and savings accounts in a bank and building society are the most common types of savings cited, by a majority of respondents in each case (68 per cent and 55 per cent respectively). In practice, we would expect almost all respondents to have a current account of some kind (this was the case for 93 per cent in the latest Official Statistics (ONS, 2009b) – but the fact that we have asked specifically about savings and investments is likely to mean that many have not included an account which contains little cash (and which does not specifically represent savings in their view). The proportions of the population with the different savings and investments has remained very stable since 2006 – with the exception of endowments and insurance policies, where we have seen a considerable decline from 31 per cent then to 21 per cent now. It may be that, given the current economic climate, these sorts of investments are the first type to be discarded by respondents. Despite some recent changes in the classification and naming of accounts including TESSAs and PEPs, this appears to have had a minimal impact upon the proportions of the public claiming to have each type of account – possibly because of a lack of knowledge about these recent changes.

In general, with the exception of current accounts which this survey is likely to under-represent for the reasons considered above, our figures are very broadly similar to those collated in the recently published Wealth and Assets Survey[33], which examines this topic in detail. A number of differences that do exist are likely to result from the existence of different categories and combinations of options across the two surveys (ONS, 2009b).

Table 5.4 Types of savings and investments, 2006 and 2009

Types of savings and investments	2006 %	2009 %
No savings or investments	16	16
Current account in a bank/building society	69	68
Savings account in a bank/building society	57	55
ISAs/TESSAs[1]	41	42
National Savings	10	8
Stocks/shares/PEPs[2]/bonds/investment trusts/unit trusts	28	26
Insurance/endowments	31	21
Base	*1,950*	*1,654*

Base: All respondents.

1 These were the categories of accounts asked about in the questionnaire. TESSA ceased to exist several years ago, though many investors converted them into TOISAs ((TESSA-only ISAs).

2 PEPs have now been re-classified as ISAs, although respondents may not have been aware that this is the case.

As in 2006, older age groups were more likely to have each type of saving or investment and thus the least likely to say they have no savings or investments. Almost one-quarter of those aged 18-24 had no savings or investments (23 per cent), a figure which declined most markedly between the ages of 45-54 and 55-64 (where 19 per cent and 12 per cent of respondents respectively had no savings or investments). Not surprisingly, the differences between those with varying levels of household income are even more stark. Amongst those in the lowest quartile of household incomes, 36 per cent had no savings or investments, compared to just nine per cent of those in the highest quartile. Inevitably, those with a higher income would have more funds to invest (although they could potentially have greater outgoings than those with a lower income, that would affect their ability to save). Certain types of investment were very rare amongst those on the lowest incomes, notably stocks and shares (four per cent) and insurance and endowments (four per cent).

However, having a range of savings and investments does not necessarily mean that these equate to a larger amount of capital than that held by an individual with just one type of saving or investment. In terms of the actual values of savings and investments, 48 per cent of respondents had no or less than £2,500 in savings or investments. This is almost identical to the 47 per cent in 2006 for whom this was the case (and may in fact represent a decline, due to the inflation that will have devalued these sums in the interim). However, eight per cent had savings and investments exceeding £50,000, indicating considerable disparity in the level of this resource available to respondents.

In addition, 12 per cent owned property of some kind, other than their main residence, similar to the levels observed in 2006 (11 per cent). This included land, second homes and other buildings. This is likely to be a sign of being comparatively wealthy. This is similar to the level observed in the most recent Wealth and Assets Survey (ONS, 2009b).

33 Report available from: http://www.statistics.gov.uk/downloads/theme_economy/wealth-assets-2006-2008/Wealth_in_GB_2006_2008.pdf

5.4.1 Using savings in retirement

Among the 84 per cent of respondents with savings of any kind, less than half (44 per cent) said they expected to use some or all of their savings or investments to help fund their retirement, representing a slight decline from the 47 per cent in 2006 who stated this. Unsurprisingly this was much more commonly said by those with more saved. Only 12 per cent of those with under £500 saved expected it to be used in retirement, presumably because it was likely to be used for shorter-term objectives. However, 82 per cent of those with over £50,000 of savings expected that this would form part of their resources to be drawn on once retired.

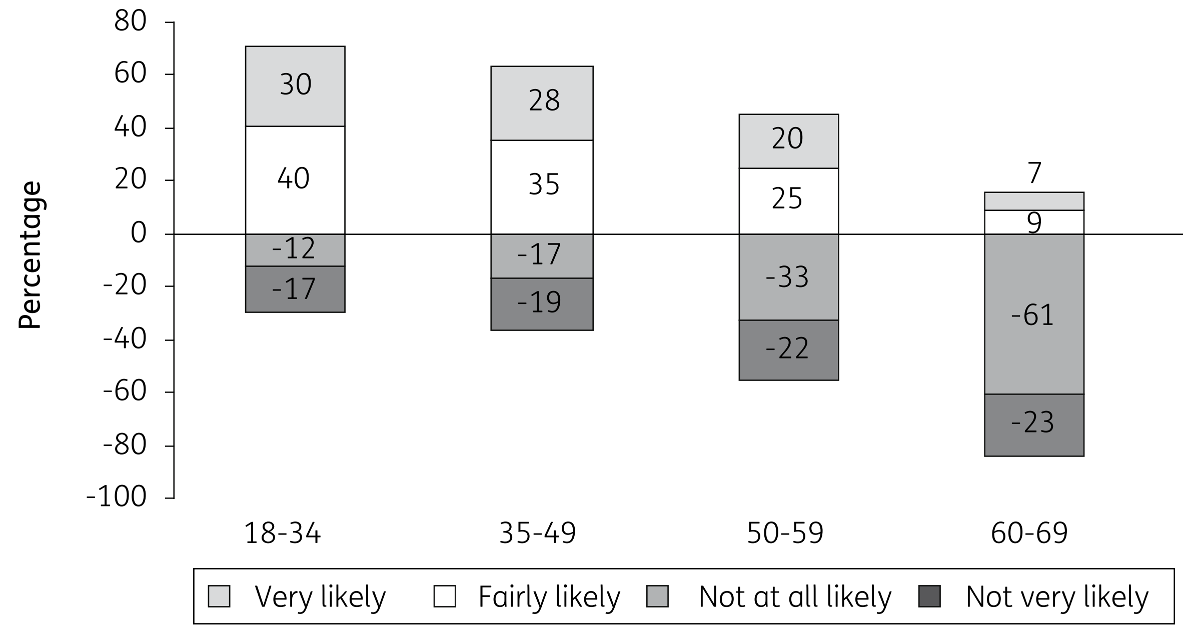
5.5 Expectations of an inheritance

A large inheritance is another resource that could potentially transform a person's net worth and provide a substantial resource which could be drawn upon to fund retirement. A high proportion of people own their own homes, often their most valuable asset, and on death this may be passed on to a typically younger relation. However, the timing of such an event is likely to be uncertain, and as life expectancy increases it may take some time before such assets flow down the generations. Older relations may also find ways to spend the money themselves, rather than leaving it as a bequest. By the same token, the ability to **use** an inheritance to fund retirement may be constrained by a wish to pass on at least some of its value to the next generation.

Nevertheless, most respondents believed it was important to leave an inheritance. Forty-two per cent regarded it as very important, 34 per cent as fairly important, 15 per cent as not very important and nine per cent as not at all important. The proportion who recognise the importance of leaving an inheritance has increased by five percentage points since 2001, from 71 per cent; in times of economic hardship, the public may be recognising the worth of passing on such a resource to the younger generation (or of receiving it themselves).

Just over half (55 per cent) thought it was either very or fairly likely that they would receive an inheritance, a level similar to the 52 per cent in 2006 who stated this. Just over one in four (26 per cent) thought this was not at all likely, with 20 per cent believing it was not very likely. As shown in Figure 5.4, younger age groups were much more likely to expect to receive an inheritance than older ones. This may be because their parents from whom they might expect this would be likely to still be alive, compared to the older age groups (who may have already received such an inheritance). Similarly, those in the highest income groups were significantly more likely to expect to receive an inheritance; 69 per cent of those in the highest quartile of household incomes thought this, compared to 39 per cent of those in the lowest quartile. This is a substantial difference, especially as household income is known to increase with age, which itself is linked with lowering expectations of receiving an inheritance, as noted above. Clearly, in many cases, inheritances are anticipated as a potential resource for retirement income by those individuals who are already comparatively well catered for.

Figure 5.4 Expectation of receiving an inheritance, by age



Base: All respondents not yet retired.

Where somebody thought an inheritance was likely, we asked for the amount they might expect to receive (in today's money, as clearly an inheritance might not be received for some time and might increase in value in the meantime). As in 2006, around one-third (32 per cent) of those expecting an inheritance thought it would be worth over £100,000 – or about one in six of all respondents including those not expecting an inheritance. A further 29 per cent, of those expecting to inherit, thought they might receive a smaller sum but still more than £25,000. These are in addition to the 18 per cent who didn't know how much they might inherit (or wouldn't say), and a similar proportion (19 per cent) expecting an inheritance of less than £25,000. We cannot conclude with any certainty how accurate these assumptions are – in relation to whether an inheritance would be received or its value. This is particularly likely to be the case for younger respondents who might be unclear as to the resources older relatives might have available to leave to them at a distant point in the future or their value (for instance, the value of an inheritance in the form of a property could change dramatically).

5.6 Putting it all together – likely resources for planning retirement

Having examined the various resources which an individual might have available to fund their retirement, we can step back to examine the bigger picture – in terms of the extent to which these resources are distributed across the population and what this means for levels of preparedness for retirement in general. It should be borne in mind, however, that an individual might be able to rely on an asset held or expected by their partner or spouse – albeit it a pension, inheritance of housing equity. Conversely, an individual's financial position might be over-stated by examining their individual assets – as their partner might be expecting to draw upon these to fund their own retirement. The analysis below assumes that these two scenarios will even out overall, and therefore present an approximate idea of the levels of resources the public anticipate having to draw upon to fund their retirement.

The proportions of the public who have the various resources for retirement considered available to them are presented in Table 5.5 below, along with comparable data from 2006.

Overall, two-thirds (64 per cent) had made some contributions to a private pension at some stage. Clearly, only a small level contribution might make for very inadequate provision, but this simple yes/no concept provides at least a starting point for our analysis. Next, almost one-fifth (19 per cent) had a house worth £250,000 or more, and which the respondent was prepared to consider using to fund retirement. We may add that eight per cent had at least £50,000 saved in savings and investments. Last, one in six (17 per cent) expected an inheritance worth at least £100,000, clearly more of an expectation than a tangible reality at the time of interview – though in many cases perhaps a fairly secure prospect by the time of retirement.

How far are these four different resources evenly distributed across the population or to what extent are they concentrated in certain groups? One in three respondents (30 per cent) had none of these potential resources for retirement available to them. Four in ten (42 per cent) had (or anticipated) access to just one of the resources, while slightly more than one-quarter had two or more of the resources available to them. Quite clearly, potential resources for retirement are not evenly spread across the population and tend be concentrated in certain sections of the population.

Table 5.5 Possible means of helping to finance retirement

Options for funding retirement	2006 %	2009 %
Has a current or past private pension	67	64
Has house worth £250,000 or more, and willing to use to fund retirement	17	19
Has £50,000 or more in liquid assets	7	8
Expects to inherit £100,000 or more	16	17
Number of options in total		
None of these	27	30
Just one of these	48	42
Two or more	26	28
Base	*1,950*	*1,654*

Base: All respondents.

This analysis suggests that almost one-third (30 per cent) of the public lack even the most basic foundation for funding their retirement. As this group is likely to be of a particular concern to policy-makers, it is useful to consider their particular characteristics.

Those individuals who have no resources in place for retirement tend to be concentrated in the youngest age groups, from those aged 18 up until the mid 30s. Specifically, 66 per cent of those aged 18-24 and 40 per cent of those aged between 25-34 do not have any of the four resources available to them. This figure declines to just 18 per cent of those in the next oldest age group, aged 35-44. It is perhaps of less concern that the youngest age groups have fewer resources for retirement available to them, as they would have a considerable period of time available in which to rectify this situation. What could be seen as being of greater concern is that 20 per cent of those aged 55-64 and 26 per cent of those aged 65-69 (who are near to or have entered their period of retirement) have no resources available to them.

As in 2006, there is a significant difference between the proportions of men and women who have no resources available to them for retirement. This is the case for 24 per cent of men and 35 per cent of women, but is perhaps not surprising given the lesser role of women in the workforce, known to be associated with the acquisition of wealth and thus, some of the resources of interest.

How constant is this situation or is it one that appears likely to be improving or getting worse? Data in the Table 5.5 suggest that resources for retirement may have become slightly less well distributed across the population as a whole since 2006. While the proportions with access to each of the four resources types asked about have not changed significantly, the picture of overall access to retirement resources does now appear to be slightly less even. Thirty per cent do not have any of the resources available to them, an increase of three percentage points since 2006. At the other extreme, the proportion of the population with access to two or more of these resources has increased by two percentage points, whilst the size of the group with access to one resource only has shrunk by six percentage points. This suggests that, while the availability of individual resources for retirement has not changed significantly, these may be becoming more concentrated in certain sections of the population, meaning the position of individual members of society in relation to financing retirement is becoming increasingly uneven.

5.7 Conclusions

The four key financial resources which an individual might potentially use to fund their retirement – private pension provision, a home which they would be happy to use for this purpose, savings and investments and an inheritance – are very unevenly distributed across the population as a whole, with an individual who has access, albeit not necessarily for themselves but also for a spouse or partner, to one of these resources being more likely to also have access to the others. The youngest age group are much more likely not to have access to any of these resources, which may be less of a concern as their retirement is some way off. However, those in the lowest socio-economic groups across the age ranges are also much less likely to have provision in place. It might be that these groups have lower expectations for finance for retirement, which can be met by State provision, or it may be that the absence or low levels of resources means that they may not be able to fund the type of retirement that they wish to.

5.8 Appendix

Table 5.6 shows the results of the logistic regression analysis of whether a respondent aged 59 years or less currently has private pension provision, which was referenced in the text of this chapter. Positive co-efficients indicate that a group is more likely than the reference category (shown in brackets) to have private pension provision, whilst a negative co-efficient indicates that the group is less likely to have private pension provision.

Table 5.6 Regression of whether respondent currently has private pension provision

	Co-efficient	Standard error	p value
Age group (55-59)			
18-24	-1.44**	0.38	0.000
25-34	-0.93**	0.35	0.007
35-44	-0.05	0.35	0.888
45-54	0.06	0.35	0.872
Sex (female)			
Male	-0.31	0.19	0.104
Occupational sector (public sector)			
Private sector	-1.50**	0.21	0.000
Working hours (part-time)			
Full -time	0.79**	0.22	0.000
Occupational group (semi-routine or routine)			
Professional/managerial	1.10**	0.19	0.000
Intermediate	1.01**	0.27	0.000
Knowledge of pensions (high score)			
Low score	-0.23	0.24	0.794
Average score	-0.08	0.22	0.924
Base: 1,369			

*=significant at 95% level **=significant at 99% level
Base: All respondents aged 59 or less.

6 Expectations for retirement income

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

6.1 Introduction

This chapter will examine the public's general and precise expectations for their retirement income. It first assesses how much the public know about their likely income before examining general expectations and levels of concern in relation to this topic. It will compare the expectations and attitudes of those yet to retire with the experiences and assessments of those who have retired, to assess how realistic the public are about this matter. It will then move on to consider what individuals' expect their main sources of income in retirement to be. Particular consideration is given to public expectations of income from State Pension provision, including knowledge of the weekly State Pension income and attitudes regarding the receipt of Pension Credit. Finally, the chapter will examine precisely what the public expect their income to be in their first year of retirement and how this varies by the different attitudes to and expectations for retirement income examined previously.

Throughout, the chapter will consider several cross-cutting questions. Do those with more resources for retirement have higher expectations about their retirement income? Which groups are particularly concerned about retirement income? Does this reflect a lack of provision or a perceived ability to save? Are those groups who aren't concerned about this issue well prepared for retirement or does this attitude reflect a lack of knowledge, concern or consideration of what is involved? By examining these issues, we will shed light on the links between expectations, attitudes and knowledge in relation to retirement income.

6.2 Expectations for retirement income

6.2.1 Knowledge of retirement income

We first sought to assess how much the public feel they know about their likely retirement income, as this will impact upon the precision of the information they are able to provide about this topic and may also underpin levels of confidence and concern.

As shown in Table 6.1, among those who are not yet retired, there is a considerable lack of clarity in expectations about retirement income. Slightly more than half of respondents in 2009 (54 per cent) have 'no idea' what their income in retirement will be. Sixteen per cent only have a vague idea of what to expect, while around one-fifth (19 per cent) said they have a reasonable idea. Just ten per cent have a good idea what their income in retirement will be.

It is interesting to note that the public in 2009 are slightly, though significantly, less clear than in 2006 regarding expectations for retirement income. In 2006, 63 per cent had no idea or only a vague idea, compared to 70 per cent now. With the experience of recession in the interim, it may be that the public now have less clarity about their financial expectations in general, let alone those that relate to a period that is likely to occur at some distance in the future.

Table 6.1 Expectations for retirement income

	2006	2009
Expectations for retirement income	**%**	**%**
I have a good idea of what my income in retirement will be	10	10
I have a reasonable idea of what my income in retirement will be	24	19
I know vaguely whether I will have enough to live on or not	19	16
I have no idea of what my income in retirement will be	47	54
Base	*1,613*	*1,422*

Base: All respondents not yet retired.

As might be expected, in 2006 we found that younger respondents were much less likely to have a good idea of what their retirement income would be. This tendency persists in 2009, with 80 per cent of those aged 18-24 indicating that they have 'no idea' what their income in retirement will be, compared to 30 per cent of those aged 55-64. For both groups, the proportion who have no idea about this issue has risen by a similar degree (by seven and nine percentages points respectively). This suggests that increasing uncertainty about this issue is affecting all groups in the population, not just those nearing retirement. As in 2006, men feel they have a clearer idea about retirement income than do women; 36 per cent of men state they have a good or reasonable idea about this, compared to 23 per cent of women. This reflects the tendency, noted in Chapter 4, for men to be more confident in their knowledge of finance for retirement, including pensions and savings.

As we would expect, knowledge of retirement income varies dramatically for the four key groups described in detail in Chapter 11, with preparedness for retirement, rather than confidence in having plans in place, appearing to be the key factor that links with a good knowledge of expectations for retirement income. Just 32 per cent of those who are 'prepared and confident' claim they have no idea what their income in retirement will be, compared to 44 per cent of those who are 'prepared but not confident'. More markedly, 80 per cent and 88 per cent of those who are 'not prepared but confident' and 'not prepared and not confident' respectively had no idea what their income in retirement would be. Clearly then, the process of making preparations for retirement is strongly linked with the development of a perceived knowledge about likely income during this period.

Self-perceived knowledge of retirement income is also strongly linked with socio-economic status, with those with the lowest incomes and in the lowest occupational groups being significantly more likely to have 'no idea' what their income in retirement will be. Almost three-quarters (74 per cent) of those in the lowest quartile of household incomes state this, compared to 36 per cent of those in the highest income quartile. Similarly, 65 per cent of those in routine occupations have no idea what their income in retirement will be, compared to 39 per cent of those in managerial or professional occupations. Clearly then, a lack of knowledge of retirement income is not just associated with being young (and at some distance from this life-stage) but is also linked to potentially having fewer economic resources to draw upon. It may be that individuals in this position are necessarily more reliant on the State for their retirement income, and might have a less clear idea of what is on offer than those who have put their own financial plans in place. This is supported by the fact that 39 per cent of those who had ever had private pension provision had a good or reasonable idea of what their income in retirement would be, compared to 13 per cent of those who have never had this sort of provision.

6.2.2 General expectations for retirement income

Bearing in mind that a considerable proportion of the public have very vague understandings of what to expect from their retirement income, we now move on to examine the general perceptions of those yet to retire about what type of lifestyle their retirement income might provide for them, and their levels of confidence and concern in relation to this.

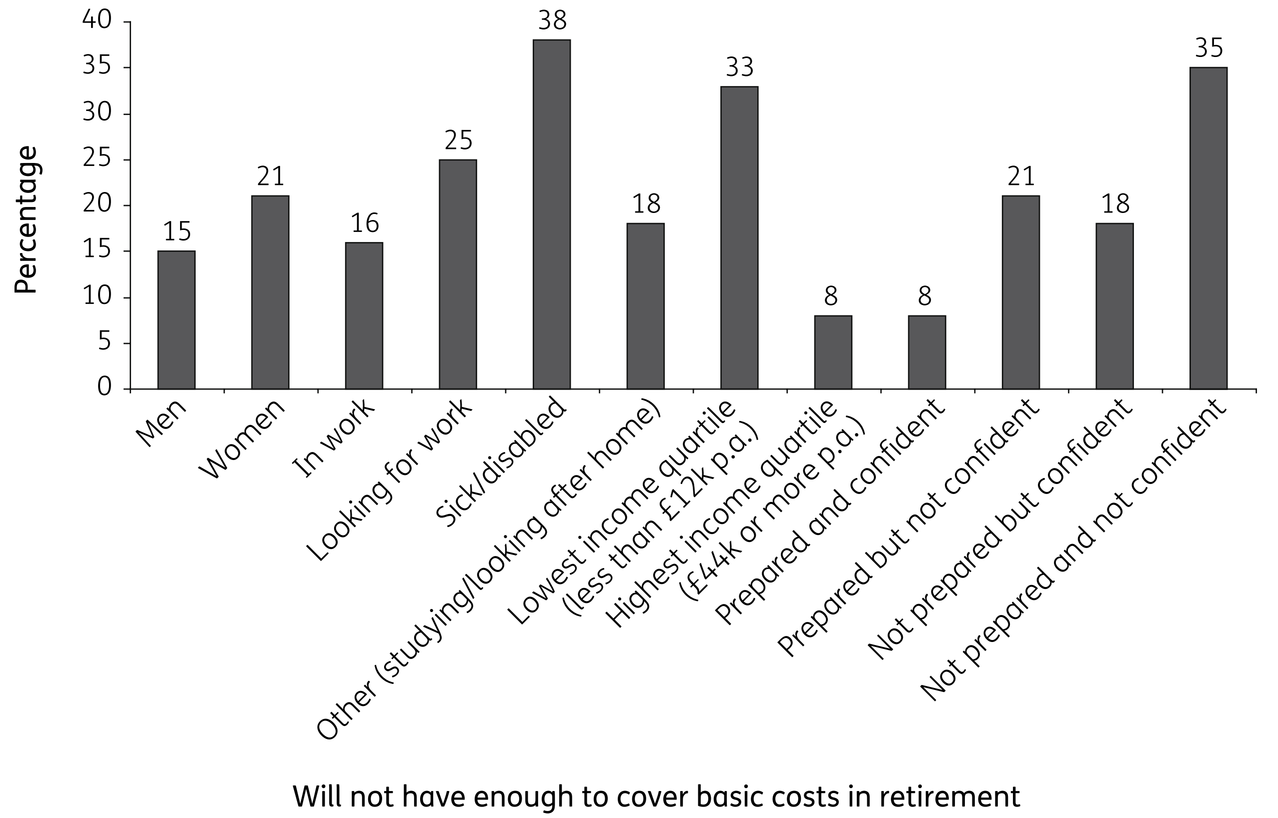
To assess whether the public feel that their expected retirement income will cover their basic requirements, we asked those yet to retire the following question:

> *Thinking about what you will be living on including any money from pensions, benefits, savings or investments, and any earnings. Do you think you will have enough money to cover basic costs such as housing, heating and food?*

In 2006, despite the generally low levels of self-perceived knowledge about retirement income reported previously, 78 per cent thought they would definitely or probably have enough money to cover basic costs, with only two per cent stating they did not know if this would be the case. In 2009, exactly the same proportion (79 per cent) indicated that they would definitely or probably have enough to cover basic costs. Thus, whilst there remains some uncertainty about retirement income, a sizeable majority are confident that this will be sufficient to cover their basic living costs. It may be that public uncertainty relates to what retirement income might cover, above and beyond the basic requirements.

However, the fact remains that 22 per cent of those yet to retire, more than one-fifth, feel that they will probably or definitely not have enough income in retirement to cover their basic living costs and it is worth examining the characteristics of this group, who (if their assessment is accurate) may be of particular concern. Whilst the expectation that retirement income would not cover basic living costs did not vary by age, women, those not in work and those on low incomes were more likely to express this view, as shown in Figure 6.1. Logically, those with low incomes and those without earnings from employment to draw upon would be the most likely to have a limited income in retirement and so would be the group for whom the coverage of basic living costs would be most likely to be an issue. Women are more likely than men not to be in work, as shown in Chapter 11, which may explain their greater levels of concern, although in some instances they would be able to draw upon a male partner's pension or income. It is also unsurprising to see that our key segments strongly link with levels of expectation about retirement income – with both confidence about retirement plans and the actual existence of such plans being factors that appear to link with the belief that retirement income will not be sufficient to cover basic costs. Thus, just eight per cent of those who are 'prepared and confident' express this view, compared to 35 per cent of those who are 'not prepared and not confident'.

Figure 6.1 View that will not have enough to cover basic costs, by socio-demographic characteristics



Base: All respondents not yet retired.

Moving beyond basic living costs, we also asked respondents not yet retired how far they agreed with the statement 'I will definitely have enough income to live comfortably'. Theoretically, we could view 'living comfortably' as a level up from having sufficient income to cover basic costs. Therefore, it is not surprising to see a smaller proportion of respondents agreeing with this statement, compared to the 78 per cent who said they would definitely or probably have enough income to cover their basic costs. Around one-quarter (24 per cent) of those yet to retire agreed that they would have enough income to live comfortably, while 39 per cent disagreed. Around one-third (34 per cent) neither agreed nor disagreed with this statement, indicating that a sizeable minority do not have a specific or consistent view on this matter, whilst a further four per cent answered that they did not know. These responses are almost identical to those obtained in 2006, suggesting little has changed in public perceptions regarding the likelihood of having enough income to live comfortably in retirement. This data also broadly reflects that obtained from a question asked of 50 year old participants in the National Child Development Study (NCDS), where 16 per cent indicated that they would definitely have enough to live comfortably in retirement (Brown, 2010)[34].

In 2006, those who disagreed with the view that they would have enough to live comfortably generally had access to the lowest levels of resources for retirement, in terms of earnings, income and savings. The same is true in 2009. For example, 54 per cent of those with the lowest quartile of household incomes disagreed with this statement, compared to 27 per cent of those with the

[34] Although, as noted previously, the data collected is not directly comparable as the question asked of NCDS participants used a six- rather than a five-point response scale.

highest incomes. Similarly, 54 per cent of those with no savings did not think they would have enough to live comfortably, compared to 22 per cent of those with savings of £50,000 and above. Clearly, perceptions of what it means to 'live comfortably' are subjective, and might vary by the expectations and previous experiences of the individual. It may that those with high levels of incomes and savings have very different views of what is meant by this phrase compared to those with the lowest levels of resources.

Respondents in 2009 were asked a new question, to compare their expectations of retirement income with their current circumstances. Specifically, they were asked:

> *Do you think this amount of income will leave you better off or worse off than you have been during your working life?*

Considering retirement in this comparative way, the picture respondents paint could be construed as indicating fairly negative expectations in relation to retirement income. Just 11 per cent state that they will be better off, whilst 19 per cent think they will be about the same as now and 70 per cent believe they will be worse off (with almost one-third – 29 per cent – concluding that they will be much worse off). Those with fewer potential resources for retirement are the least likely to think they will be worse off than they are now – for example, 52 per cent of those in the lowest income quartile think that they will be worse off than they are now, compared to 76 per cent of those in the highest income quartile. It seems plausible that the experiences (and expectations) for retirement and pre-retirement of those with the fewest economic resources will be more similar than for those currently enjoying higher levels of economic resources. There is no variation by age and sex in the proportions who think their retirement income will leave them worse off than they are now, suggesting that this is essentially a function of current and anticipated future economic resources. It should be borne in mind that feeling 'worse off' or 'better off' in practice might be determined by an individual's expenditure as well as their income – though in responding to this question respondents may simply have been thinking more abstractly of the reduced income that they would have at some point in the future.

Thus far, we have examined respondents' perceptions of the material situation they will be in retirement and how this compares to their current circumstances. But how concerned are respondents about their retirement income and its (largely perceived negative) effects on their lifestyles and circumstances?

As in 2006, we asked those yet to retire whether they agreed or disagreed with the statement 'I worry about how much I will have to live on'. The majority, 60 per cent, agreed that they were worried by this issue, whilst 28 per cent disagreed and 12 per cent neither agreed nor disagreed. This represents a slight change from the 57 per cent who agreed and 32 per cent who disagreed in 2006. This may reflect heightened concern, in general, about financial resources for the future, as a result of the recent recession.

In 2006, worry about retirement income was linked with age, current work status, pension provision and sex, with women, those not in work and those without pension provision being more likely to be worried, and the young being less likely to have a strong opinion on this matter. This situation has now changed slightly, with only women and older respondents being more likely to be worried. Almost half (48 per cent) of those aged 18-24 are worried about how much they will have to live on in retirement, compared to almost two-thirds (62 per cent) of those aged 55-64. The latter figure is substantially greater than the 41 per cent of respondents to the NCDS, aged 50 years, who claimed that this was the case, although it should be noted that the question they were asked utilised a six-point response scale and was asked as part of a different survey instrument (Brown, 2010). In addition, 56 per cent of men and 64 per cent of women expressed this view. Levels of worry varied substantially for our key segments, with the two groups that were 'not confident' expressing the highest levels of concern. This was the case for 78 per cent of those who are ‘prepared but not confident’ and 67 per cent of those who are ‘not prepared and not confident’. Interestingly, it is confidence about retirement plans, rather than the actual existence of these plans, which appears to relate to worry about retirement income. Coupled with the fact that current work status and pension provision are no longer significantly linked to levels of concern, this suggests that worry about retirement income is not always founded objectively on an assessment of actual resources for the future.

6.2.3 Attitudes of retired respondents about retirement income

The questions considered previously all concentrate on respondents’ expectations for retirement income. We cannot be certain whether these expectations will translate into reality and it may be that the public are being more optimistic or pessimistic about this subject than they need to be. To examine how far the expectations of the pre-retired are likely to be realised in retirement, we also asked retired respondents how their actual retirement income measures up to their original expectations.

Bearing in mind that our retired respondents are not representative of the population of the retired as a whole and that they may not recall their original expectations of retirement accurately, it is interesting to note that 25 per cent think that they are better off than they expected, 46 per cent about the same as they expected and 27 per cent worse than they expected. These proportions have not changed since 2006 and suggest that the median expectation for retirement income is approximately accurate, although considerable minorities are too optimistic and pessimistic about what to expect.

We also asked those who had worked prior to retirement how their current financial situation compared with the time when they were working. Around half agreed that they were worse off than when they were working. Fifty per cent indicated this, while 33 per cent thought they were as well off as when they were working and 15 per cent thought they were better off. Respondents may have interpreted ‘worse off’ and ‘better off’ in different ways – for instance, in relation to their current standard of living in retirement or their actual income. Once again, these proportions have not significantly changed since 2006. If we compare these figures specifically with the expectations for retirement income of those currently in work, we can see that the expectations of those yet to retire may be slightly more negative than they need be; 70 per cent of those in work yet to retire expected to be worse off, while 50 per cent of those who had retired had found this to be the case. However, it should be borne in mind that the view of those who retire comparatively late will be under-represented in our sample of retired respondents, which only goes up to age 69; the views of this sub-set could potentially be substantially different.

6.2.4 Sources of retirement income

Having examined general attitudes to, knowledge of and levels of concern about retirement income, we now move on to examine respondents’ specific expectations. However, we should bear in mind that the majority of those yet to retire had little clarity about their expectations, so many of the answers provided may be estimates or fairly approximate.

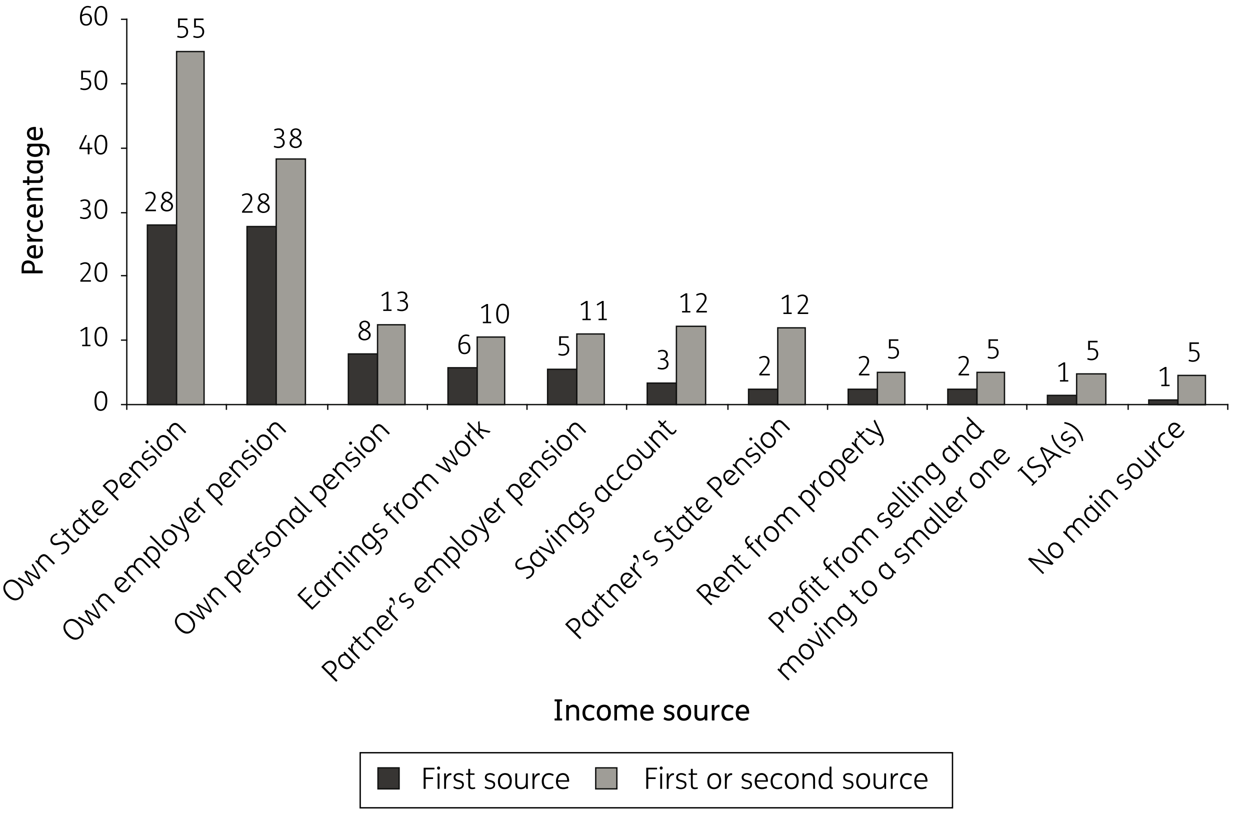
As in 2006, respondents yet to retire were asked to indicate their first and second main sources of income in retirement, and the answers they provided are presented below.

Respondents not yet retired identified a wide array of sources which they thought would be their main or second main source of income in retirement:

- The majority expected a pension to be their main source of income. The respondent's own employer pension (28 per cent) and State Pension (28 per cent) were the most widely identified main sources of income.
- No other main source of income was identified by more than one in ten respondents, although more than three-tenths expected a source other than their State Pension or employer pension to be their main source of income. Personal pensions, earnings from work and partner's employer pensions were cited by eight per cent, six per cent and five per cent of respondents respectively.
- When looking at the main and second sources of retirement income combined, a respondent's own State Pension was the source most frequently identified as being one of the two main sources of retirement income; this was the case for 55 per cent of those yet to retire. Once again, pensions dominated the two main sources of retirement income; 38 per cent cited their own employer pension; 13 per cent listed their own personal pension; 12 per cent cited their partner's State Pension; and 11 per cent identified partner's employer pension.
- One source other than pensions was identified by a tenth or more of respondents as being their first or second main source of retirement income – their own earnings from paid employment.

The distributions of the main and first and second main sources of retirement income are very similar to those reported in 2006, with no individual source being cited by significantly more or less respondents in 2009. This suggests that expectations regarding income sources for retirement are very stable.

Figure 6.2 Respondents' main sources of income expected for retirement



Base: All respondents not yet retired.

6.2.5 The State Pension

As noted above, the State Pension is regarded as one of the main sources of income in retirement for more than half of yet-to-retire respondents. For this reason, and because it is one of the most universal retirement income sources, there was an interest in establishing how much respondents know about what they can expect to receive from their State Pension.

For this reason, respondents yet to retire were asked the following question:

> *How much, in pounds per week, do you think you will get from the State Pension when you retire?*[35]

Table 6.2 compares the responses provided, grouped into broad categories alongside those attained in 2006.

The table also presents a comparison of respondents' expectations to the current value of the full Basic State Pension (BSP). It seems likely that, given their circumstances, the majority of respondents would interpret this question as relating to the BSP, as this element of the State Pension has universal eligibility. In 2009, the full BSP was £95.25 a week, about £11 more than it was worth in 2006. This amount would be of little relevance to some individuals; not all respondents would be entitled to receive the full BSP – for instance if they did not have enough qualifying years to meet the requirements for a full BSP for someone of their age and sex. In 2008 around six-tenths of women and slightly less than nine-tenths of men were eligible for at least the full BSP (ONS, 2009 and 2010). In addition to the BSP, those eligible for a Second State Pension (generally low and moderate earners, who have chosen not to opt out) or for Pension Credit may have included these in their estimates as well. Therefore, in many instances respondents would be correct in anticipating receiving an amount of State Pension per week that is less or more than £95.25 at today's prices. Nevertheless, as in 2006, this is a useful barometer against which to compare the answers provided by respondents.

Despite it being recognised as one of the main income sources for retirement, four-tenths of respondents yet to retire (40 per cent) did not know how much their weekly State Pension would provide to them and were unable to provide an estimate. Only 15 per cent of respondents placed the weekly State Pension that they expected to receive in the bracket of £70 to £99, which includes the current value of the full BSP. Twenty-five per cent of respondents expected to receive less than £70 per week, whilst 32 per cent anticipated receiving more than £99 a week (a large proportion of these respondents specifically expected to receive £100 a week, as there was a tendency for respondents to provide their answers as round numbers).

[35] Respondents were instructed to provide their answers 'at current prices' to ensure comparability.

Table 6.2 Expected personal weekly income from State Pension

Expected weekly income from State Pension (£)	2006	2009
0	1	3
1 – 34	2	13
35 – 69	12	9
70 – 99	**19**	**15**
100 – 139	18	18
140 – 169	4	6
170 – 199	1	1
200 or more	5	5
Don't know	38	40
Base	*1,613*	*1,422*

Base: All respondents not defined as retired.

Bold indicates band including current value of Basic State Pension.

Interestingly, even though the value of the weekly State Pension has risen in the interim, respondents tended to have lower expectations of what it will be worth to them now than they did in 2006. Sixteen per cent expect to receive £34 or less a week, whereas just three per cent stated this in 2006. Whilst these levels of weekly State Pension are not implausible, the fact that the profile of responses provided has declined overall since 2006, suggests that general economic uncertainty has caused the public to lower their expectations of what the State might provide to them at various life stages – for example, they may have concluded that pre-existing expectations about what the State was able or willing to provide are now unrealistic.

The above analysis utilises the broad categories used in 2006, to enable time series analysis. However, in exploring which groups know more and less about what they can expect from the State Pension, these categories have been realigned to determine who provided an answer between £90 and £100 (in other words, those who were within five pounds within indicating the full weekly BSP, assuming that the majority would be entitled to this). This was the case for six per cent of all respondents.

In 2006 it was found that older respondents and men were more likely to provide an answer closer to the actual full BSP than those in younger age groups and women. These differences persist in 2006. Eight per cent of those aged 55-64 placed the value of the State Pension in the ten-pound band which includes the actual full BSP, more than double the proportion of those aged 18-24 who did this (three per cent). More markedly, 28 per cent of those aged 55-64 did not know what the value of their weekly State Pension would be, compared to 46 per cent of those in the youngest age group. Clearly, older respondents are more confident that they know about this issue, and in general provide estimates that, across the board, are more likely to be accurate. Similarly, seven per cent of men placed the value of the State Pension in the ten-pound band which includes the full BSP, compared to four per cent of women, although equal proportions (40 per cent) indicated that they did not know the answer. Due to their greater child-rearing role, women are currently less likely to qualify for the full BSP than men, and this historical difference may explain some of the differences in their expectations. For instance, in September 2008, 34 per cent of female pensioners received 60 per cent of the full BSP or less, compared with just two per cent of male pensioners (ONS, 2009 and 2010).

6.2.6 Pension Credit

In addition to the State Pension, the Government provides a source of income for retirement in the form of Pension Credit to certain pensioners whose alternative income falls below a certain threshold. To date, there has been poor take-up of Pension Credit. In 2005/06, the Department for Work and Pensions (DWP) estimated that between 3.8 and 4.3 million people were eligible for Pension Credit, and that up to 1.7 million pensioners were failing to get the money that they were entitled to (DWP, 2007). Thus, there is an ongoing interest in assessing public willingness to take advantage of this option for retirement income:

It was explained to those respondents yet to retire that:

> *Some pensioners can claim Pension Credit. This is a tax-free benefit paid to those pensioners whose income is below a certain level. There may be extra Pension Credit available for those with modest savings. Thinking about when you retire, if you were eligible for such a benefit, how likely is it that you would apply?*[36]

Seventy-four per cent indicated they would be 'very' or 'fairly' likely to apply for Pension Credit if they were eligible, a surprising majority given the low take-up of this benefit to date – though it should be borne in mind that this question was asked of all respondents yet to retire, not just the sub-group who would be eligible for the benefit. This reflects almost exactly the proportion in 2006 (75 per cent) who indicated they would be likely to do this, and suggests there is no ongoing stigma attached to claiming Pension Credit, at least amongst the non-retired population at large. However, the fact it is means-tested could potentially be an issue for a sizeable minority – the eight per cent who said that they would not be likely to apply for this support if eligible and the nine per cent who were unsure if they would apply. However, there is no evidence of a direct link between attitudes to applying and a perceived stigma here, especially as willingness to apply is very similar across all socio-economic groupings, with those in professional or managerial and routine occupations expressing very similar attitudes. In fact, there is little variation in perceived likelihood of applying for Pension Credit across all the key socio-demographic sub-groups of interest. It is, however, interesting to note that the proportion who would not be willing to apply has declined by four percentage points since 2006 – perhaps because in times of economic uncertainty, considerations relating to stigma of receiving a means-tested benefit assume less significance.

6.2.7 Expected income in first year of retirement

How do public perceptions of the level of their retirement income and its main sources translate into their precise expectations for their expected income in their first year of retirement? To find out, we asked those respondents who were yet to retire what they expected their income to be in the first year of retirement. Answers were selected using income bands presented on a showcard.

The first tendency to note is of little surprise. Twenty per cent stated that they did not know what their expected income in their first year of retirement would be. This reflects the lack of knowledge about retirement income in general highlighted previously.

36 The description of Pension Credit was slightly different to the one provided to respondents in 2006.

Figure 6.3 shows the responses of those respondents who did provide an estimate and how their answers compared to those obtained in 2006[37]. As we would expect, with inflation in the interim, respondents in 2009 tended to estimate a slightly higher income in their first year of retirement than did their counterparts in 2006. Specifically, the median expected income in the first year of retirement fell between £8,000 and £9,999 in 2006, but now sits between £10,000 and £11,999. Nevertheless, there remains considerable diversity in individual estimates and it is worth considering whether these are particularly high or low for groups with particular levels of resources for retirement. Administrative data suggests that these expectations may be broadly accurate; in 2006/07, 61 per cent of single pensioner households had a total income of less than £10,000, while 45 per cent of pensioner couple households had a total income of less than £15,000 (or less than £7,500 each) (ONS, 2009 and 2010).

Figure 6.3 Expected income in first year of retirement, 2006 and 2009

Base: all respondents not defined as retired and aged 40+ years who provided estimate of income in first year of retirement.

As we would expect, current earnings were strongly related to expectations for initial retirement income. The median expected retirement income of those in the lowest quartile of earnings was £6,000-£7,999 whereas this was £12,000-£14,999 for those in the highest quartile of earnings. A similar difference was evident in relation to household income, which will be determined to a considerable degree by the level earnings from employment.

As in 2006, expected income in the first year of retirement appears to be strongly related to the main source of retirement income expected by respondents:

37 In the majority of cases, where respondents with a partner defined their income on the basis of the couple's joint income (86 per cent), estimated income was halved, to obtain a comparable figure for the respondent as an individual.

- Those who stated that their own State Pension would be their main source of income expected a median income of between £6,000-£7,999 in the first year of retirement. It is interesting to note that the actual annual income from the full BSP in 2009 at £95.25 a week, was £4,953, falling slightly below this expected income band, though in practice many would expect a State Pension at a higher or lower level than this. It may be that those relying on the State Pension would have other sources of finance available to top up their income, particularly if they were not eligible for the full BSP, or that they tend to expect this source to provide a different amount to what it actually does.
- Those who cited an employer pension as their main source of income expected a substantially larger median income of between £12,000-£14,999. This is what we would expect to find as those with an employer pension as their main source of income would also receive a State Pension. This ties in with the fact that those with employer pensions also tend to have higher levels of other financial resources, such as savings, as noted in Chapter 5.

6.3 Conclusions

There is a considerable lack of clarity about retirement income – generally in terms of self-perceived knowledge about this issue and more specifically in relation to expectations for income in the first year of retirement and from the State Pension. While the majority of respondents are confident they will have enough income in retirement to cover the basics, a much smaller proportion anticipate having enough income to live comfortably. Expectations of what retirement income will provide tend to relate closely to the level of resources that the individual has in place for retirement – although levels of concern and the precision of knowledge about this are clearly influenced by other factors, most notably age. As we would expect, younger respondents are less concerned and have less of a clear idea, in general and in relation to specific sources, as to what they might expect financially for retirement.

7 Expectations for retirement: age, duration and extended working

- Individuals expect retirement to last for very different periods of time, with one-fifth in each case expecting this to last 11-15 or 16-30 years. Those who are least worried about their retirement income are in fact those who expect this period to last the longest. This is because those in higher socio-economic groups realistically tend to have greater (anticipated and actual) life expectancies and fewer concerns about retirement income.
- Expected retirement ages are gradually increasing. However, 64 per cent specify an age of retirement that is earlier than their estimated State Pension age (SPA) (calculated on the basis of the planned increase of male and females SPA to 68 by 2046), compared to 39 per cent in 2006. This suggests that expectations regarding retirement age are strongly linked to the traditional SPA (65 for men and 60 for women) and reflect a lack of knowledge about how these are expected to increase in the future.
- Motivations for retiring or expecting to retire at particular ages vary widely, and link with both personal preferences and economic considerations.
- There is considerable interest in extended working – 41 per cent of those aged 50 years or more indicated they would like to continue working in the same job after 65[38], and this tendency was particularly pronounced among men. However, there is clearly a gulf between aspirations and expectations – just ten per cent of those aged 50 years and over specified a precise planned retirement age of more than 65, suggesting extended working was something they were actually intending to do (rather than simply aspiring to).
- Fifty-six per cent believe that their employer currently allows extended working beyond 65. Belief that the employer does not allow this or a lack of certainty might partially explain why expressed enthusiasm for this type of work may not be matched by actual intentions.

7.1 Introduction

This chapter examines public expectations for retirement that relate to issues other than income. It begins by setting out perceptions regarding life expectancy and analysing how long a period individuals actually expect to spend in retirement. The chapter then moves on to consider the age at which those not yet retired expect to do so, how their expectations relate to SPA and the motivations and considerations underpinning their expectations. Finally, we turn to examine extended working beyond 65, which has increasingly become a key area of policy interest and concern, given the ageing population and pensions deficit. We examine interest in extended working and whether particular groups are particularly interested in doing this. Throughout, we consider whether the attitudes and expectations of those yet to retire tally with the actual experiences of those who have already entered this life-stage, to see how realistically the public are likely to be thinking about this period.

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

7.2 Expectation of life

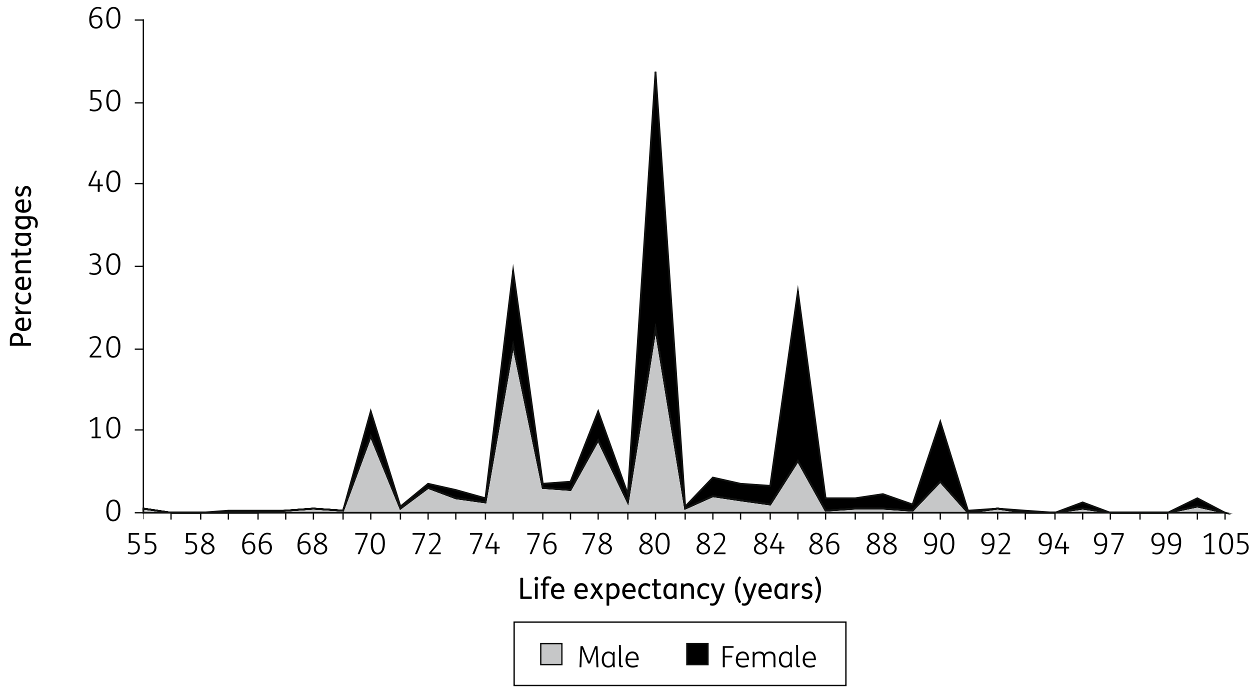
All respondents to the survey were asked three questions relating to life expectancy, as set out below:

> *On average, what age do you think most (men/women) your age can expect to live to?*
>
> *Taking into account your own personal health and circumstances, what age do you think you can expect to live to?*
>
> *On average, what age do you think a female born in Britain today would live to?*

Taken together, the data provided can enable us to determine individual life expectancies, whether a respondent sees themselves as typical or atypical of their gender and age group and whether their answer is informed by an accurate knowledge of this area in general.

As noted in Chapter 1, the predicted life expectancies for a man and woman born today are 77.4 and 81.6 years respectively whilst those for a man and woman aged 65 today are 82.4 years and 85 years. Figure 7.1 presents male and female respondents' expectations as to the life expectancy at birth of a person of their gender born today, which broadly tally with current Government figures.

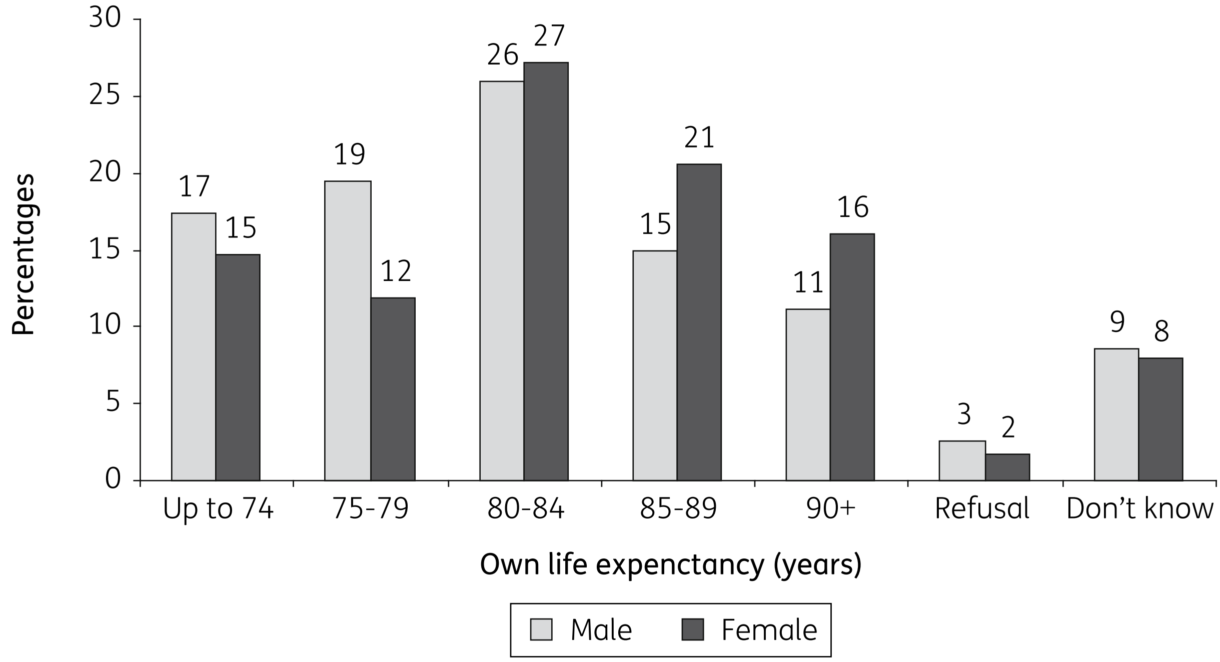
Figure 7.1 Predicted life expectancy for gender, by sex



Base: All respondents who provided an estimate of the life expectancy of a person of their gender born today.

The responses provided to the second question by male and female respondents have been grouped and presented in Figure 7.2. Slightly less than one-tenth of men and women were unable to estimate a personal life expectancy. Amongst those who were able to provide an estimated life expectancy, the median life expectancy was 80, with almost one-quarter of respondents (24 per cent) selecting this specific answer. Men tended to identify slightly shorter life expectancies than did women, which accurately reflects the current life expectancies in Britain and suggests that the public may have fairly accurate expectations in relation to this matter.

Figure 7.2 Own expected life expectancy, by sex



Base: All respondents.

The 2006 Attitudes to Pensions survey report provides detailed analysis of the life expectancies of different age groups and by sex, and the ways in which these relate to actual life expectancy (Clery *et al.*, 2007). Here, our interest is in establishing what implications individual life expectancies have for retirement expectations. Those respondents who are yet to retire provided an indication of when they expected to retire. By cross-analysing this data with their individual life expectancies, we can determine how many years each individual might expect to spend in retirement, prior to death (although it is likely that many would not have considered the implication of their retirement and life expectancies in this manner themselves). Obviously, respondents themselves may have never made such calculations or drawn such explicit links between their expectations for particular life events. However, the number of expected years in retirement could influence attitudes and behaviour in a number of ways; for instance, those anticipating a lengthy period of retirement might be more concerned about ensuring they had sufficient financial resources in place to maintain a reasonable standard of living throughout.

Table 7.1 presents the number of years which respondents expect to spend in retirement, calculated by subtracting their retirement age from their stated life expectancy. Information is not available for almost one-fifth of respondents, who were unable to state either their expected age of retirement or their expected age of death, or both. However, for those who did provide both pieces of information, the largest proportions, almost one-fifth in each case, expected to spend 11-15 years (18 per cent) or 16-20 years (18 per cent) in retirement. However, the lengths of retirement calculated were extremely diverse; one in 20 respondents expected to spend between one and five years in retirement, whilst a similar proportion expect to enjoy more than 30 years in this life-stage.

Table 7.1 Calculated expectations for length of retirement

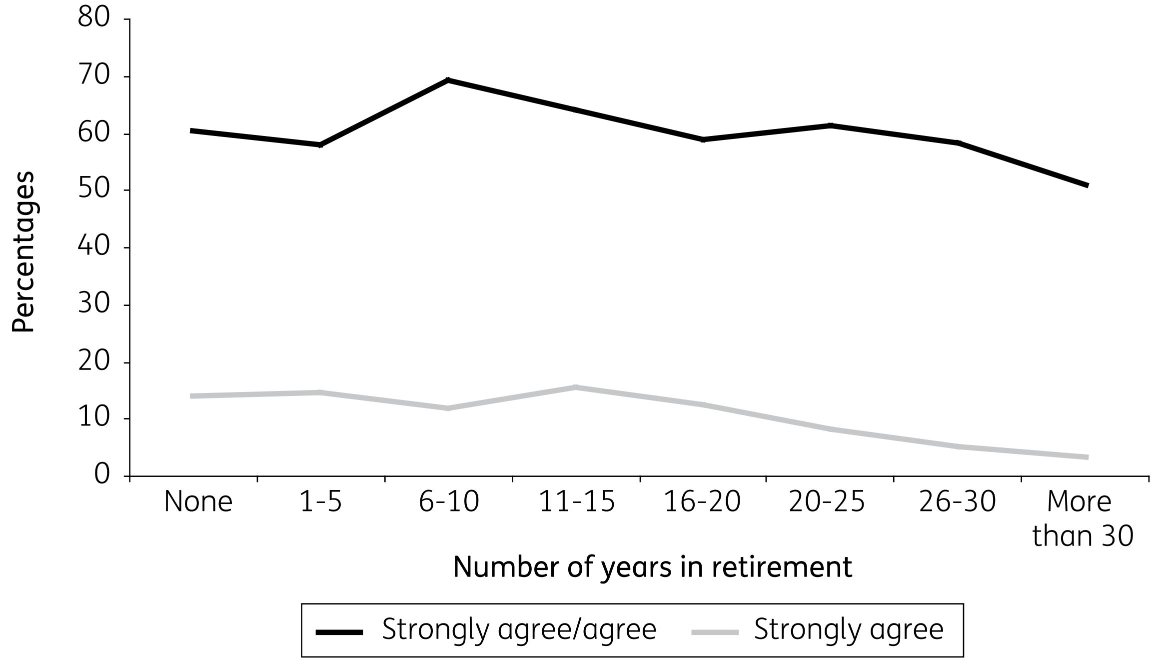
Number of years expect to spend in retirement (based on expected age of retirement and life expectancy)	%
No years in retirement[1]	4
1-5 years	5
6-10 years	10
11-15 years	18
16-20 years	18
20-25 years	12
25-30 years	7
More than 30 years	5
Refusal	3
Don't know (retirement age or life expectancy not known or refused)	19
Base	*1,076*

Base: All respondents yet to retire.

1 In these cases, respondents provided a life expectancy that was equivalent to or lower than their expected age of retirement.

How does anticipated length of retirement relate to some of the attitudes and expectations explored previously? We might suspect, for instance, that those who were anticipating a long retirement would express greater levels of concern, as retirement for them would represent a much longer life-stage. Interestingly, however, those who anticipated a long retirement were less likely to be worried about what they would have to live on than those who were expecting a short period of retirement. As shown in Figure 7.3, those with the longest expected period of retirement are actually the least likely to strongly agree, or to agree at all with the statement that they worry how much they will have to live on in retirement. While this finding is counter-intuitive, it is likely to relate to the widely-documented tendency for the actual and anticipated life expectancies of the higher socio-economic groups to be somewhat greater than those held by their more deprived counterparts. In 2002-2005, people at age 65 in the top social class group (professionals such as doctors, accountants and engineers) could expect to live 4.2 years longer than those in the bottom social class group (unskilled manual labourers) ONS, 2009 and 2010). Linked to this, as we have seen previously, the latter group are likely to be more worried about retirement income due to their possession of fewer tangible resources such as savings and pension provision. These hypotheses are borne out by the data, as those in the lower socio-economic groups tend to have lower life expectancies than those in higher groups.

Figure 7.3 Agreement with view that worries how much will have to live on in retirement, by expected duration of retirement



Base: All respondents not yet retired.

7.3 Expectations regarding age of retirement

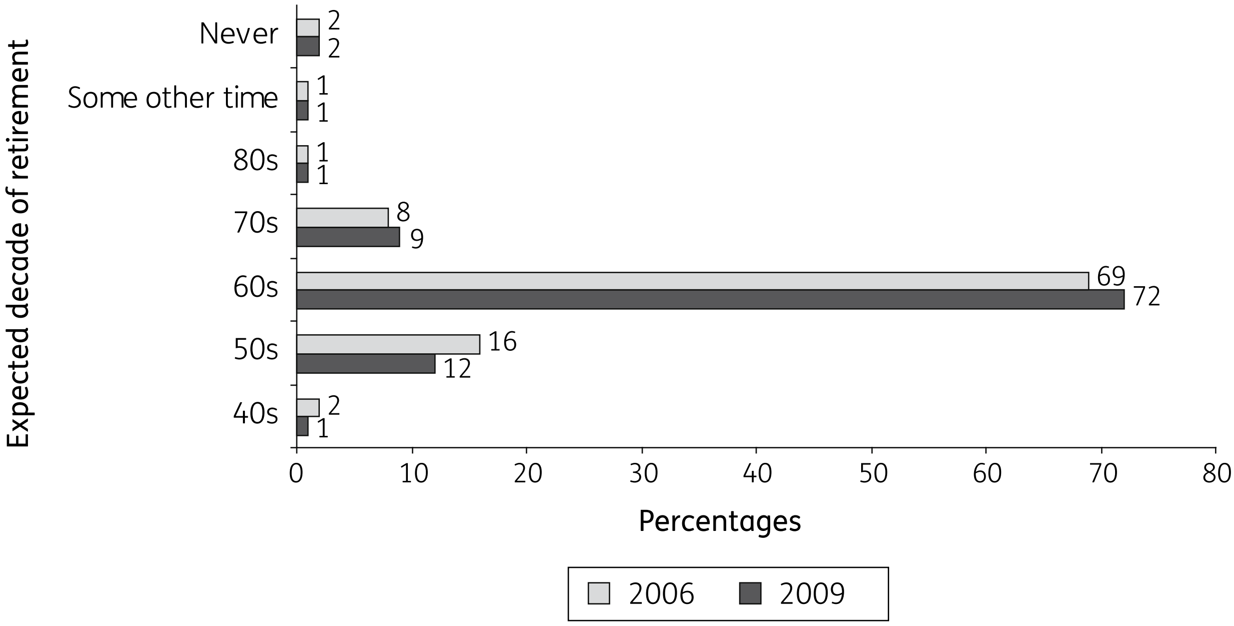
We now move on to focus on respondents' expected ages of retirement. Retirement can be defined in a number of ways: retirement from a main job, the cessation of all paid work or the personal perception that one is retired. For this reason, we asked about each of these definitions of retirement separately. There was considerable variation among respondents in work about when they expected to retire, given these varied definitions.

The most common expectation, held by more than seven-tenths (72 per cent), was that they would retire from their main jobs in their 60s. Smaller proportions expected to retire in their 40s or 50s (13 per cent) and in their 70s or 80s (ten per cent). Although it is recognised that only a low level of precision was required in providing an answer, respondents were clear about this issue, with just two per cent stating they did not know when they would retire.

All those who were able to indicate which decade of their lives they expected to retire in were asked at what specific age they would retire. A larger proportion – six per cent – were not able to give a specific age. The majority of those who did answer expected to retire from their main jobs at 60 or 65 – 20 per cent at 60 and 38 per cent at 65. In terms of traditional retirement ages associated with SPA, 39 per cent of men expected to retire at 65 and 26 per cent of women at 60.

A comparison with data collected in 2006 suggests that expected retirement age is gradually increasing. As shown in Figure 7.4, those in work are less likely to expect to retire in their 50s than in 2006, and more likely to expect to retire in their 60s or at a later point.

Figure 7.4 Expected decade of retirement, 2006 and 2009



Base: Respondents in work.

We were interested in whether people's expectations of retiring at a particular age were founded on wider considerations, namely, on when they would be able to afford to retire. Fifty-three per cent of respondents in work said that the age at which they expected to retire from their main job would be when they could afford to do so. However, 29 per cent claimed they would not actually be able to afford to retire until a time after this, while 15 per cent thought they could afford to retire before the time at which they actually expected to do so. The proportion of respondents who expect to retire from their man job before they thought they could afford to retire has risen slightly since 2006, by four percentage points from 25 per cent. This may reflect more general concerns about future finances, generated by the uncertainty of the current economic climate. The ability to afford to retire and expected retirement age from one's main job are thus strongly, although not universally, linked in respondents' minds.

It may be that those respondents who anticipated retiring from their main jobs before they felt they could afford retirement were planning to undertake further paid work at this point, until they reached a juncture at which they felt they could afford to retire completely from paid work. Having asked about retiring from a 'main job', we subsequently asked respondents if they expected to do any further paid work after this. The majority did; 63 per cent thought this would be the case compared to 31 per cent who did not. This proportion rose to 76 per cent amongst those who thought that they would not be able to afford to retire, at the age at which they expected to retire from their main job. Just six per cent were unsure about this issue. These figures are very similar to those obtained in 2006, suggesting the expectation to undertake further paid work after retirement from one's main job has remained fairly static – and to some extent is determined by necessity.

Of those who expect to do further work, a slight majority – 51 per cent – expect to fully retire before age 70. A further 44 per cent expected to retire fully between 70 and 80 (the majority of whom expected to retire at age 70 precisely). Due to the absence of formal retirement ages for such work, it is not surprising that 18 per cent did not know when they would fully retire.

Data on respondents' ages and sex were used to calculate whether they expected to retire from their main job before, at, or after their individual SPA (taking into account how this will increase in the future for men and women of particular ages). These data are presented below, along with comparative data for 2006. Around two-thirds of respondents (64 per cent) expect to retire before their SPA. This is a marked increase from the 39 per cent in 2006 who indicated this and is clearly attributable to the fact (as discussed in Chapter 5) that considerable numbers of respondents are not aware of the precise ways in which SPA is changing and how this will affect their own position. Around one-tenth of respondents expect to retire at (11 per cent) or after (nine per cent) SPA and both of these proportions are much lower than in 2006 – again, reflecting the fact that the public do not appear to be re-adjusting their estimates for retirement age on the basis of changes to SPA. Women are particularly likely to expect to retire before SPA. This may result from the fact that female SPA will begin to rise in 2010 which, in conjunction with rises from 2028 in male and female SPA, means the SPA of the majority of those in our sample will be affected by these changes, which is not the case for men. As noted above, considerable minorities of men and women expected to retire at what would traditionally have been their SPA – namely age 65 and 60.

Table 7.2 Expectations for retirement compared to individual SPA by sex, 2006 and 2009

	2006			2009		
	Men	**Women**	**All**	**Men**	**Women**	**All**
Expect to retire before SPA	34	46	39	59	69	64
Expect to retire at SPA	40	30	35	14	8	11
Expect to retire after SPA	18	18	18	21	16	9
Base	*619*	*632*	*1,251*	*484*	*497*	*981*

Base: Respondents in work whose retirement age in relation to their actual SPA could be calculated from the information provided. Including those who described themselves as currently working or waiting to take up a job, and those who worked in last seven days.

7.3.1 Differences in expected retirement age, further work and ability to afford to retire

A number of sub-group differences were identified in relation to expected retirement ages, further work and the ability to be able to afford to retire.

As in 2006, younger respondents were more likely to expect to retire later, as illustrated in Table 7.3. Fifteen per cent of those aged 18-24 and 12 per cent of those aged 25-34 and in work expected to retire in their 70s or 80s compared to less than one-tenth in any other age band. As the idea of raising retirement age has been publicised, although this has tended to focus on the late 60s, this younger group, both in 2006 and 2009, might have concluded that retirement in the 70s or 80s will be the norm when they come to retire.

Table 7.3 Expectations for decade of age of retirement, by current age[1]

	18-24	25-34	35-44	45-54	55-64	All
40s	0	3	1	-	0	1
50s	16	9	19	15	3	13
60s	65	73	73	73	82	73
70s	13	12	5	8	8	9
80s	2	0	0	1	1	1
Some other time	2	2	1	0	0	1
Never	2	1	2	2	2	2
Base	*75*	*191*	*293*	*252*	*178*	*1,010*

Base: Respondents in work.

1 Including those who described themselves as currently working or waiting to take up a job, and those who worked in last seven days.

In 2006, a number of differences between particular sub-groups of the population in their expectations for retirement age were identified, and these all persist in 2009.

- High earners were more likely to expect to retire from their main jobs early. Twenty per cent of those who earned more than £32,000 expected to retire in their 40s or 50s, compared to 11 per cent of those who earned less than £15,000. Respondents might only expect to retire when they had acquired sufficient financial resources to do so; higher earners might be better equipped to do this at a younger age. However, this difference could relate to age differences, as younger respondents, who tended to earn less, were more likely to expect to retire later, as illustrated above. As noted below, it might also relate to different patterns of work throughout one's working life, particularly in terms of undertaking further paid work after retiring from one's main job.
- The self-employed were more likely to expect to retire later. Fourteen per cent expected to retire in their 70s or 80s compared to nine per cent of employees. As we shall see, many employees expected to take up further paid work after retiring from their main jobs; for the self-employed, their definition of retirement from a main job might constitute the point when all paid work ceases.
- Those who had never had a pension were more likely to expect to retire later, compared to those who had had pension provision in place at some point. Fourteen per cent of those with no experience of pension provision expect to retire in their 70s or 80s, twice the proportion of those with experience of pension provision who stated this (seven per cent). Experience of pension provision is associated with a number of other characteristics that are linked with expectations for retirement age – such as age and earnings – with those who are older and have higher earnings being more likely both to have ever had a pension and to expect to retire early. As noted in Chapter 5, the availability of one potential financial resource for retirement increased the chance that other financial resources would also be available to an individual. It is clear that a combination of these resources, such as those that could be attained from high earnings including a house that could be used to fund retirement or savings – contribute to an expectation of retiring early.

In 2006, it was found that there were no differences in the expectations of men and women, the young and the old, and employees and the self-employed regarding further paid work after retiring from their main jobs. This situation has changed slightly in 2009:

- Men are significantly more likely than women to expect to undertake paid work after retiring from their main job; 66 per cent of men indicated this, compared to 59 per cent of women.

- As in 2006, respondents with higher earnings and those who had had a pension were more likely to expect to undertake further work, which contradicts the assumption that any additional paid work is undertaken primarily to increase financial resources for retirement. We saw previously that higher earners are more likely to retire from their main jobs early. Perhaps what we are witnessing is a continuing divergence in career paths between high and low earners (and those with greater and lesser financial resources for retirement such as pensions), with the former group tending towards early retirement from their main jobs and taking up other paid work.
- However, a perceived ability to be able to afford to retire at a particular age is also strongly linked with expectations for undertaking further paid work. Around six-tenths of those who felt they would be able to afford to retire at (56 per cent) or after (61 per cent) their anticipated retirement age expected to undertake further paid work after this, compared to 77 per cent of those who believed that they would not be able to afford to retire at this point. Further paid work may therefore be motivated, to some extent, by economic necessity, as well as the working patterns in later life associated with different socio-economic groups. It may be that those with higher earnings have higher expectations of the income which they will require to enable them to be 'able to afford to retire' – explaining why they are more likely than those on lower incomes to expect to work later.

7.4 Reasons for expecting to retire at particular ages

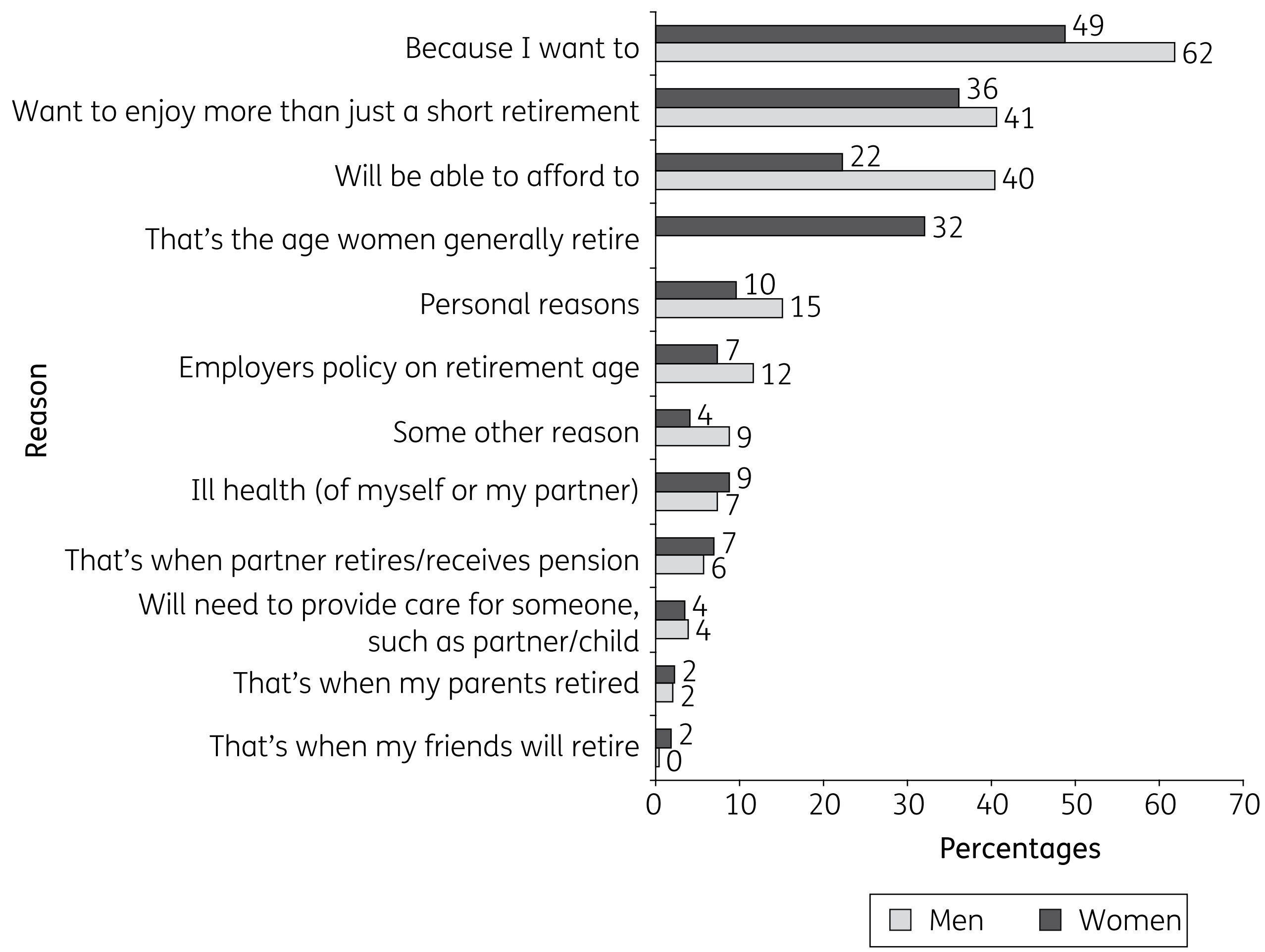
We next consider why individuals expect to retire at particular ages. The motivations of those who expect to retire before, at and after SPA are considered separately though, as noted above, many respondents may not be aware of the actual relationship between their expected age of retirement and their SPA. In 2006, we asked respondents their main reasons for expecting to retire at particular ages; in 2009, respondents were asked to identify all of their reasons, after which those who had selected more than one were asked to specify their main reason. Overall, respondents had a wide range of motivations and calculations that underpinned their expectations about retirement age. The proportions selecting particular main motivations have changed over time in some instances, although this may represent the availability of a more detailed and precise list of motivations to choose from, rather than actual societal change.

We first consider the motivations of the largest group of respondents, the two-thirds of those in work who expect to retire before SPA:

- As shown in Figure 7.5, the most popular motivation for retiring before SPA was individual personal preference; 62 per cent of men and 49 per cent of women expect to retire before SPA because this is the age at which they wish to retire.
- The wish to enjoy more than a short period of retirement and the fact that they were able to afford to retire at this stage are also popular motivations, cited by between two-tenths and four-tenths of men and women in each instance.
- Women were also provided with the option of retiring before SPA 'because that's the age at which women generally retire' (aimed at those who assume that retirement at 60 will still be the norm for women in the future) and around one-third selected this as one of their motivations for their selected age of retirement. This gives further weight to the argument that these women may not have known the age of retirement they had specified would actually be before SPA, at the time at which they would come to retire.
- Men were more likely than women to select most of the answer options that were offered in response to the question of males and females; this may be because they simply had a smaller range of options to choose from.

- It is interesting to note that, of a number of new motivations that were offered as options to respondents in 2009, being able to afford to retire was the only one that was identified by more than one-tenth of both men and women as one of their motivations for retiring early. Twelve per cent of men and seven per cent of women justified their choice on the basis of their employer's policy on retirement age. In 2006, a Default Retirement Age (DRA) of 65 was established, with a 'right to request' working beyond this enshrined in employment law. These figures suggest only a small number of respondents may be considering such policies and how their own employer might implement them when determining their expectations for retirement age.

Figure 7.5 Reasons for expecting to retire before SPA, by sex



Base: All respondents expecting to retire before SPA.

Table 7.4 presents the main reasons which respondents selected for expecting to retire before SPA, in 2006 and 2009. Personal preference remains the main reason for wanting to retire early for both groups (41 per cent of men and 32 per cent of women) and, while this proportion has declined in both cases, this is likely to be the result of the addition to the survey question of more precise options which might have formerly been allocated to this category. Most notably, around one-fifth of men and women indicate that they want to retire early as they want to enjoy more than just a short period of retirement.

Table 7.4 Main reasons why people expect to retire early, by sex

	2006		2009	
	Men	Women	Men	Women
	%	%	%	%
I want to	72	58	41	32
That's the age women generally retire+	N/A	15	N/A	22
Personal reasons	8	9	3	2
Employer wouldn't allow continued working/Because of employer's policy on retirement age	8	4	7	4
Ill health	7	4	1	6
Partner/spouse retires/starts to receive pension	5	5	1	4
Will need to provide care for someone, such as partner or child	-	-	2	1
Because I want to be able to enjoy more than just a short period of retirement	-	-	18	17
Because I will be able to afford to	-	-	18	8
That's when my parents retired	-	-	1	*
Other	*	5	8	2
Base	*208*	*281*	*331*	*356*

Base: Respondents who expect to retire before SPA.

- = not asked.

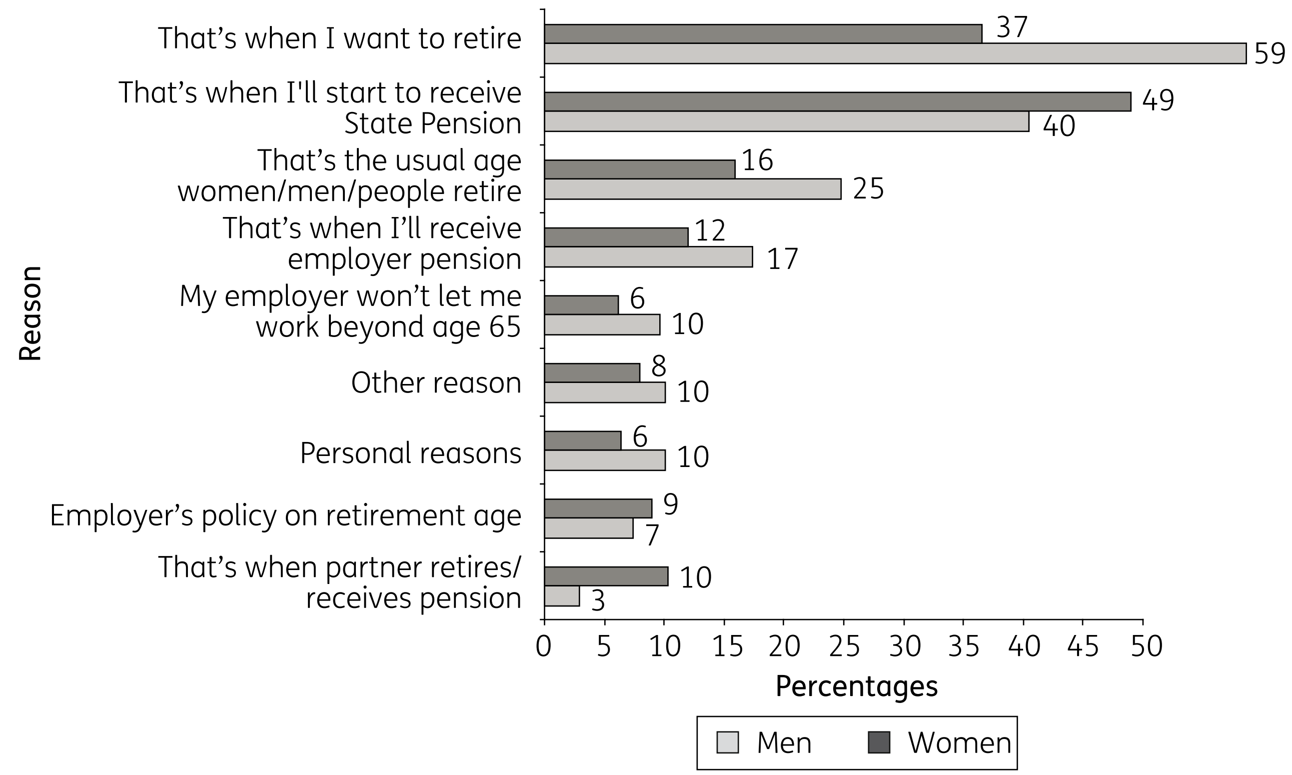
Note: * means less than 0.5% but more than zero.

+ = option only available for female respondents.

Only around one-tenth of respondents in work expect to retire at SPA and, as this group numbers less than 200 in total, the differences between the answers provided by men and women and the extent to which they can be extrapolated to the population as a whole should be treated with some caution.

As shown in Figure 7.6, men and women's motivations for retiring at SPA follow a similar pattern, although some motivations are comparatively more and less common amongst the two sexes. The small sample sizes involved inevitably mean that none of the identified differences assume the level of statistical significance. Personal preference is the most popular motivation among men, with almost six-tenths selecting this as a reason for expecting to retire at this time. Amongst women, the start of State Pension receipt was the most frequently selected reason, by almost one in two women who expected to retire at SPA. Only minorities of men and women cited reasons for retiring at SPA which may relate to DRA considerations; ten per cent of men and six per cent of women indicated that their employer would not allow them to work beyond age 65, whilst slightly less than one-tenth of each group justified their identified retirement age on the basis of their employer's policy on this matter.

Figure 7.6 Reasons for expecting to retire at SPA, by sex



Base: All respondents expecting to retire after SPA.

Due to the small sample sizes involved and the fact that respondents in 2006 and 2009 were presented with two different sets of answer options, we cannot identify definitively any changes in the main motivations for those who expect to retire at SPA over time. In 2006, respondents who expected to retire at SPA generally did so because of personal preference and perceived normal behaviour (the first and third options presented in Figure 7.6). The former answer is still the most popular main motivation provided (by 41 per cent, compared to 38 per cent in 2006). However, perceived normal behaviour has declined as an explanation (now provided by just 10 per cent of respondents, compared to 25 per cent in 2006) – presumably because of the lack of understanding of what will be the ‘norm’ with regard to SPA in the future, as outlined previously.

Just nine per cent of respondents in work expected to retire after SPA, meaning there is insufficient data to enable any detailed analysis of their motivations. The most popular reasons for expecting to retire after SPA identified by both men and women were that they enjoy working (47 per cent of men and 54 per cent of women) and that they cannot afford to stop earning money (49 per cent of men and 56 per cent of women). Two of the new motivations asked about in 2009 also attracted considerable support – to keep my mind active (43 per cent of men and 50 per cent of women) and because I enjoy getting out and meeting people (27 per cent of men and 36 per cent of women). This suggests that the positive benefits of work, as well as its economic necessity, are shaping motivations for retiring after SPA for both men and women.

7.4.1 Reasons why retired respondents retired at particular ages

Retired respondents were also asked why they had retired at particular ages. Only very small numbers had retired at or after SPA, meaning that analysis is only possible for those who retired before SPA. However, the base for this group is just 104, meaning that sub-group analysis is not possible, and the figures presented below should be treated with caution.

There was a wide range of reasons underpinning retiring early. The reason most frequently identified was 'to enjoy life while still young and fit enough', identified by 31 per cent of those who had retired early. Personal preference was the second most popular reason, cited by 22 per cent. This suggests that the factors that those who anticipate retiring early are basing this decision upon are very similar to those that influenced their retired counterparts.

7.5 Extended working – knowledge and aspirations

The 2009 survey included a number of new questions exploring public knowledge and aspirations regarding extended working, which is an issue of considerable current interest. We have already seen that there is considerable public knowledge of the fact that an individual can request to work beyond age 65 (as discussed in Chapter 4) and Chapter 9, which focuses on Government policies in relation to this area, reveals considerable public support for extended working and a view that age should not necessarily be the primary factor that determines when an individual stops working. Here, we examine personal attitudes to extended working, namely the extent to which respondents know whether this is allowed within their own workplaces and the degree to which this is an option they would be interested in pursuing in the future.

Respondents in work as employees were asked the following question:

Does your employer currently allow people to carry on working past age 65 if they want to?

Around six-tenths of employees (58 per cent) thought that this was allowed, while slightly more than one-tenth (14 per cent) believed it was not allowed. Almost one-fifth (19 per cent) did not know whether this was the case or not and eight per cent answered that 'it depends' – suggesting that this may have been allowed for certain groups of employees, but not for others.

In terms of aspirations for extended working, we asked all those aged 50 and over the following question:

Would you want to work beyond age 65[39] *(assuming your job would remain exactly the same)?*

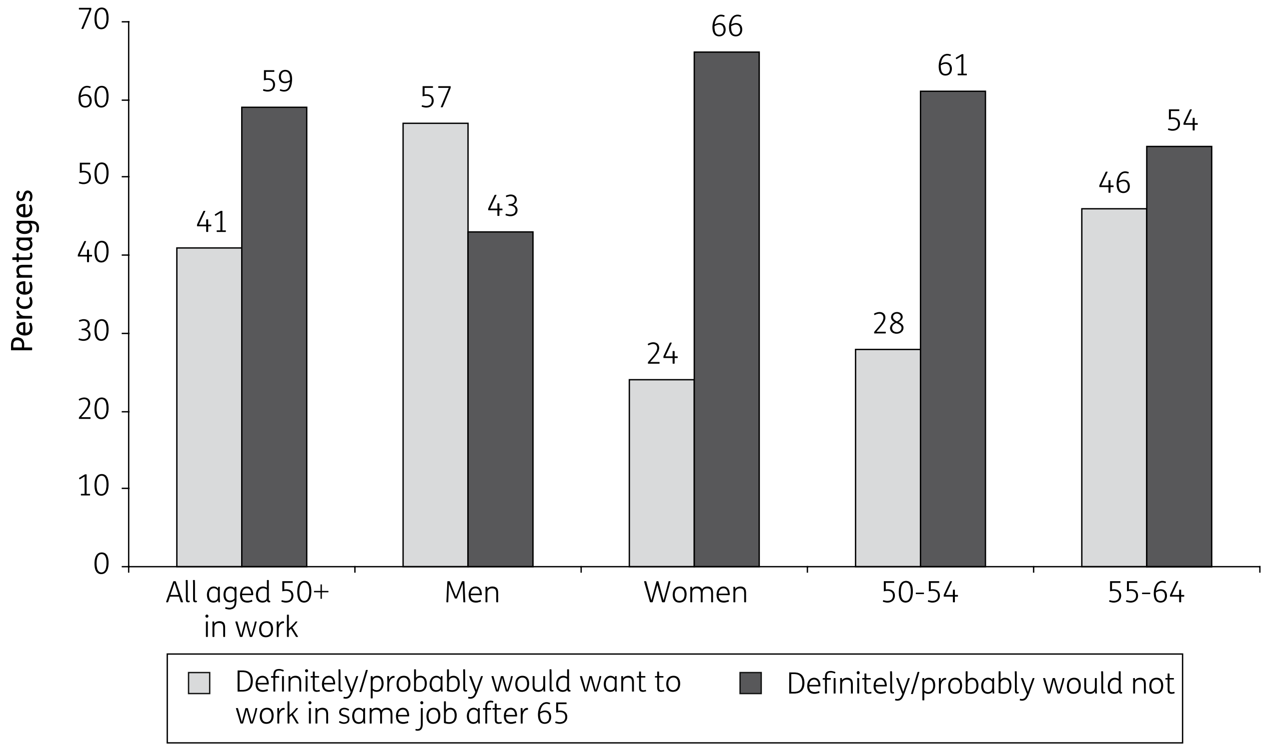
It was assumed in the design of these questions that those in this age group, who would be nearing retirement, would be more equipped to give serious thought to this question and what it might involve. Views about the desirability of working beyond age 65 were very mixed; 16 per cent stated they would definitely want to do this, 25 per cent indicated they probably would, 12 per cent probably would not and 38 per cent definitely would not. This suggests that, overall, a sizeable minority of those nearing retirement would want to work in their current job beyond age 65 (41 per cent, compared to the 59 per cent who would not). However, this should not be interpreted as a lack of public support for extended working per se. As we see in Chapter 10, there is considerably more public support for individual extended working, when the stipulation that one's job would remain exactly the same is not highlighted – and evidence from other research points to the fact that the availability of, for instance, part-time or flexible working has a major effect on aspirations. Data from the 2008 British Social Attitudes (BSA) survey demonstrated that 31 per cent of employees would want to work past age 65, whereas 61 per cent indicated that this was the case when given the proviso that they could work flexibly (for instance having shorter hours or working just part of the year) (McKay, 2010).

[39] Rather than ask about anticipated SPAs, we asked about age 65 for all respondents, as this is the most commonly indicated age of retirement.

It may, therefore, be that, given different conditions of work, a far higher proportion of those aged over 50 would be interested in the option of extended working. Nevertheless, it should be borne in mind that just ten per cent of those aged 50 specified an age of more than 65 years when asked when they expected to retire – suggesting a gulf between aspirations and actual intentions regarding extended working beyond this age.

Although the number of respondents aged 50 and over in paid work is relatively small, some sub-group analysis of aspirations for extended working is possible. As shown in Figure 7.7, those aged 55-64 are much more enthusiastic about the prospect of extended working than those aged 50-54; 46 per cent would definitely or probably be interesting in continuing in the same job after age 65, compared to 28 per cent of the latter group. However, we should be cautious in interpreting this difference as evidence of attitudes to extended working becoming more positive with age. Those individuals who may be most opposed to extended working may have already left the group aged between 55-64 by retiring early, thus making their attitudes overall appear more positive. There is a difference between the aspirations of men and women – 57 per cent of men would be interested in continuing in the same job after age 65, compared to just 24 per cent of women. This may be a result of the fact that women have traditionally seen 60 as their standard retirement age, whilst men have regarded this as 65, meaning that working beyond age 65 would be seen as less of a major extension to working life for men. However, we have also seen earlier than men are more likely to anticipate undertaking further paid work after retiring from their main jobs. It is possible that these figures may reflect the fact that men are generally more enthusiastic about non-standard types of working in their latter years than women.

Figure 7.7 Whether would want to continue in the same job after age 65, by age and sex



Base: Respondents aged 50 years and over not yet retired.

7.6 Conclusion

Expected timings and durations of retirement vary markedly for different sections of the population, and between men and women – as do individual motivations for choosing to retire at particular times. While expected ages of retirement are increasing over time, conversely far more respondents now expect to retire before SPA than was the case in 2006 – largely attributable to the lack of public awareness about how this will change in the future. A sizeable minority of those in work are enthusiastic about the prospect of extended working beyond 65 – most notably men – and the majority believe this to be allowed in their particular workplaces.

8 Attitudes to pensions

- The proportions of the public who think pensions are boring (38 per cent) and are so complicated that it is difficult to understand the best thing to do (71 per cent) have both declined by three percentage points since 2006. Nevertheless, the proportion who feel they know enough about pensions to decide with confidence how to save for retirement remains unchanged at 23 per cent.
- Just under half (47 per cent) view pensions as the most secure way of saving for retirement, a decline from the 63 per cent in 2006 who thought this.
- Seventy-nine per cent believe the idea pensions savings cannot be accessed until retirement makes pensions a good way of saving for retirement. However, those in the lowest socio-economic groups who are likely to have the fewest resources for retirement are the least likely to agree with this view.
- Employer pensions are the financial product most frequently identified as being the best way to save for retirement by making the most of your money; 16 per cent think this, compared to nine per cent in 2006. This change is likely to be attributable to a decline in confidence in investing in property.
- Attitudes to financial companies, banks and building societies as potential pension providers have become much more negative; the proportions who believe that banks and building societies will act with competence has declined by eight percentage points and with care by 18 percentage points since 2006.

8.1 Introduction

This chapter focuses on public attitudes to pensions, viewing pensions as one of a range of potential financial products available to the public for saving for retirement. It will begin by assessing views about engaging with pensions, exploring how easy the public believe this to be and how confident they are about their own ability to engage with pensions. It then moves on to consider attitudes to pensions as products – examining perceptions of the extent to which they are secure, transparent and represent a safe way of saving for retirement. Particular attention will be paid to the fact that money saved into a pension is, in most instances, not accessible before retirement[40], public reactions to this and how it may have affected individual behaviour in relation to pensions. The chapter will then turn to consider how pensions should, and do, work in practice. It will explore public perceptions of the benefits and drawbacks of pensions as a mechanism for saving for retirement, compared to the range of other available methods and consider at what point individuals should take out pensions. The chapter will finally examine the range of available pension providers and how much the public trust and are confident in the ability of each to provide this product effectively. Throughout, the chapter will focus on two key questions. What are the links between particular attitudes to pensions and the take-up of pension provision and how might these be explained? How do attitudes to pensions relate to attitudes to saving in general and in relation to saving for retirement in particular?

[40] Money saved into a pension is accessible if the individual contributing to the person is terminally ill.

8.2 Views about engaging with pensions

We first consider attitudes to engaging with pensions, before moving on to examine public perceptions of pensions as products and their associated advantages and disadvantages. As in 2006, by far the most widespread negative attitudes expressed in relation to pensions related to the process of engaging with this product rather than any tangible outcomes they might yield.

As shown in Table 8.1, the most widely held negative perception of pensions was that they can sometimes seem too complicated to know the best thing to do. Seven-tenths (71 per cent) of respondents agreed that this is the case, with a comparatively large proportion (16 per cent) agreeing strongly. A sizeable minority, 38 per cent, found pensions boring. Of particular concern is the fact that less than one-quarter (23 per cent) felt they knew enough about pensions to decide with confidence how to save for retirement, with almost two-thirds (63 per cent) stating they did not feel confident about this.

Since 2006, there have been two slight changes in attitudes to engaging with pensions. The proportions who think pensions are boring and are so complicated that it is difficult to understand the best thing to do have both declined by three percentage points. Nevertheless, the fact that the proportion who know enough about pensions to decide with confidence how to save for retirement has remained constant, suggests these minor shifts (with fewer respondents finding pensions boring or too complicated) have not translated into a greater ease across the sample as a whole in understanding these financial products and a subsequent confidence in planning for retirement. This may be because those individuals who are less likely to find pensions boring do not as a result, for instance, find them less complicated to understand.

Table 8.1 Views about engaging with pensions: complexity, boredom and decision-making

Agreement with views about pensions	2006	2009
Sometimes pensions seem so complicated that I cannot really understand the best thing to do	74	71
I find pensions boring	41	38
Knows enough about pensions to decide with confidence how to save for retirement	23	23
Base	*2,950*	*1,654*

Base: All respondents.

Analysis of data collected in 2006 revealed that those with fewer educational qualifications and a lower score on the pensions knowledge test were more likely to find pensions too complicated to know the best thing to do. These differences persist in 2009, although the difference between the perceptions of those with a degree and with no qualifications has narrowed. Sixty-seven per cent of those with a degree find pensions too complicated to know the best thing to do, compared to 77 per cent of those with no qualifications (a difference of ten percentage points, whereas in 2006 this difference stood at 18 percentage points). Seventy-seven per cent of those who attained a low score on the knowledge test found pensions too complicated to know the best thing to do, compared to 60 per cent of those who attained a high score. Clearly, the perception that pensions are too complicated is widespread, even among the groups who we can assume have the most knowledge of and experience in interpreting information in relation to this topic or topics of a similar level of complexity (due to their educational or employment experiences).

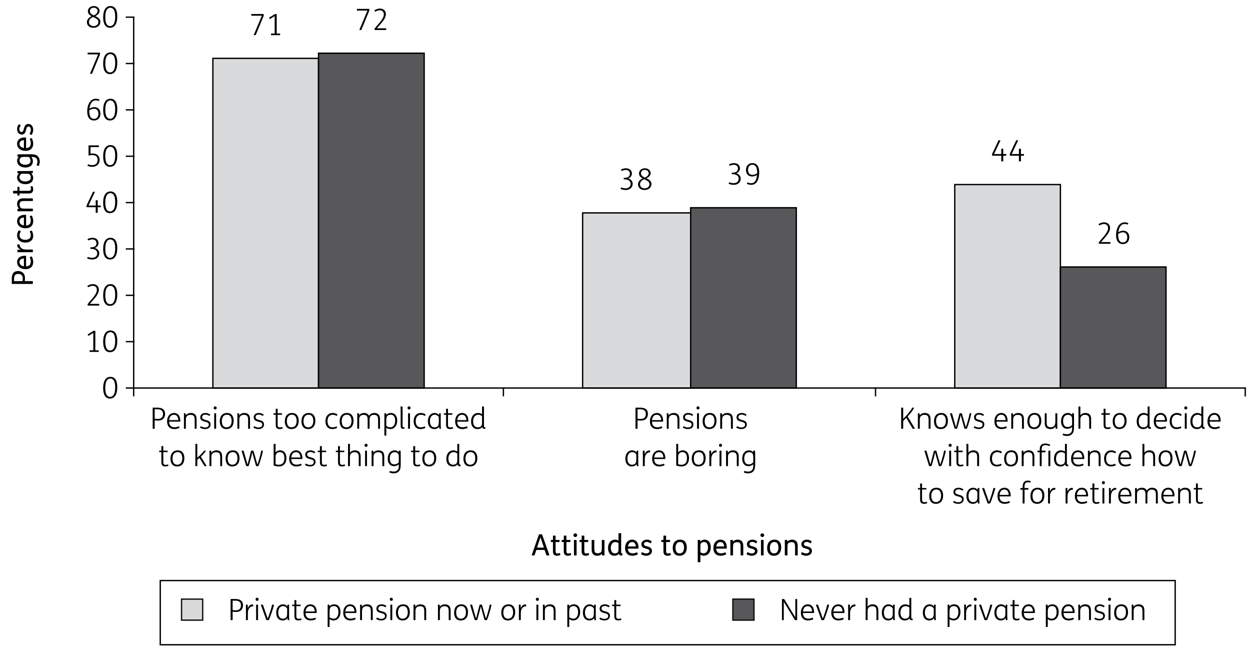
It might be anticipated that those who had experienced ‘bad pension events’ would express particular attitudes to engaging with pensions. It may be that experiences of finding these products too complicated, being unconfident about engaging with them or neglecting to pay proper attention to detail due to finding them too boring contributed to the experience of a bad pension event. However, as in 2006, no significant differences were found between the attitudes to engaging with pensions of those who had and had not experienced bad pension events, such as the mis-selling of a pension or a loss of pension income (though those who had done so were more likely to find them too complicated, a difference which narrowly misses our selected level of statistical significance).

Many of the differences between sub groups in their attitudes to engaging with pensions identified in 2006 are still in evidence in 2009. Women in 2006 were significantly more likely to find pensions boring and too complicated and significantly less likely to feel that they knew enough to be confident about how to save for retirement, compared to men. In 2009, all of these differences persist, with the exception that there is now not a significant difference between the proportions of men and women who find pensions boring. As in 2006, the older the respondent, the more likely they are to be confident that they know enough about pensions to decide how to save for retirement. This is the case for 15 per cent of those aged 18-24 compared to 33 per cent and 45 per cent of those aged 55-64 and 65-69 (who would be nearing retirement).

As we might expect, the confidence levels of the different segments (summarising preparedness and confidence in financial planning for retirement, presented in detail in Chapter 11) in knowing enough about pensions to decide with confidence how to save for retirement differed markedly. Thirty-four per cent of those who are ‘prepared and confident’, 26 per cent of those who are ‘prepared but not confident’, 14 per cent of those who are ‘not prepared but confident’ and just six per cent of those who are ‘not prepared but not confident’ agree they know enough about pensions to decide with confidence how to save for retirement. As both measures encapsulate confidence in planning for retirement, such a correlation is not surprising. However, it is interesting to note that preparedness for retirement, rather than confidence that they one is prepared, appears to more strongly link with greater confidence levels in terms of knowing enough about pensions to decide how to save for retirement.

We might anticipate that those with current or previous experience of pension provision have different attitudes to engaging with pensions. However, as shown in Figure 8.1, the attitudes of those who have ever had private pension provision are only significantly different from those who have not in terms of feeling they know enough about pensions to decide with confidence how to save for retirement – 44 per cent indicate this, compared to 26 per cent of those with no previous experience of private pension provision. Experience of private pension provision appears to have no relationship with the perceptions that pensions are boring and too complicated, suggesting that these negative perceptions are not necessarily discouraging engagement with these products. It may be that those with experience of pension provision gained their confidence in knowing enough about pensions through the process of selecting a pension product, or that it was this confidence that prompted them to take this action in the first place. The absence of a relationship here also adds weight to the possibility that engagement with a product first-hand does not necessarily directly impact upon understanding.

Figure 8.1 Attitudes to engaging with pensions, by experience of private pension provision



Base: All respondents.

8.2.1 Views about pensions as products

As demonstrated in Table 8.2, attitudes to pensions as products have also remained relatively stable since 2006, with a sizeable minority continuing to express negative views. Around one-third (34 per cent) are not keen on saving in a pension as they don't know how much money they will get back and slightly more than one-third (35 per cent) prefer to save in some other way for their retirement. However, the most widely held attitude towards pensions as a product remains positive – the view held by 47 per cent that pensions represent the most secure way of saving for retirement. The perception of pensions as the most secure way of saving for retirement has declined since 2006 by six percentage points. Later in this chapter, we consider which of a range of methods respondents consider to be the most secure for saving for retirement, and this may shed light on whether views of pensions have become more negative or whether this decline is a result of perceptions of alternative products becoming more positive.

Table 8.2 Views about pensions as products

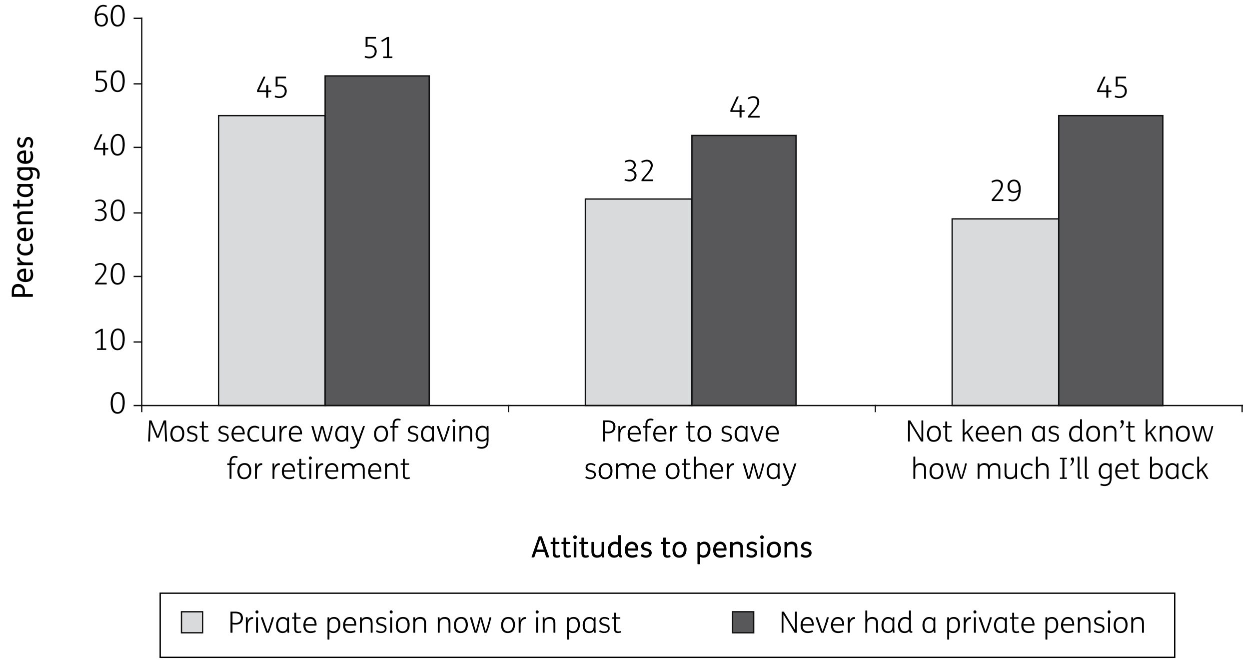
Agreement with views about pensions	2006	2009
Putting money into a pension is the most secure way of saving for your retirement	53	47
I prefer to save in some other way than a personal or employer pension for my retirement	37	35
I'm not keen on saving in a pension as I don't know how much I'll get back	33	34
Base	*1,950*	*1,654*

Base: All respondents not yet retired.

We have seen previously that women have more negative attitudes to and less confidence about engaging with pensions. It could be that these attitudes are the consequence of particularly negative views about pensions as products. The pattern in the differences between the views of men and women about pensions as products has changed since 2006. While in 2006 women were more likely to prefer to save for retirement in another way than men, this was no longer the case. As in 2006, women did not differ from men in their adherence to the view that pensions are the most secure way of saving for retirement. However, the proportion of women who are not keen to save in a pension because they are not sure how much they will get back is now higher than for men – 38 per cent compared to 31 per cent.

It seems likely that experience of pension provision would link with attitudes to pensions as products, as those who recognise their benefits and do not perceive particular drawbacks may be more likely to have taken out one of these products. As shown in Figure 8.2, the pattern that was found in 2006 persists – with those with no experience of private pension provision being more likely to prefer some other way of saving for retirement or to be less keen on saving in a pension due to the lack of a clear return. In both years, lack of experience of private pension provision was not significantly linked with the view that pensions represent the most secure way of saving for retirement, suggesting perceptions of the 'security' of pensions may not be a key factor that influences take-up.

Figure 8.2 Attitudes to pensions as products, by experience of private pension provision



Base: All respondents not yet retired.

In 2006, it was found that those who had experienced a 'bad pension event'[41] were significantly more likely to prefer to save in some way other than a pension, but that their attitudes to pensions as products were in no other way substantially different from those who had not experienced a bad

41 'Bad pension events' are examined in detail in Chapter 5. These include losing all or most of an employer pension after changing jobs and being sold a personal pension that was unsuitable.

pension event. However, in 2009, attitudes to pensions as products in each case are significantly linked with experiences of bad pension events. Forty-two per cent of those with experience of a bad pension event prefer to save in some other way, compared to 29 per cent of those who have not experienced such an event. Moreover, 36 per cent of those who have experienced a bad pension event view pensions as the most secure way of saving for retirement, compared to 48 per cent of those who have not, whilst 41 per cent and 26 per cent of these respective groups are not in favour of saving in a pension as its not clear how much they will get back. Clearly then, experience of a bad pension events is strongly linked to negative perceptions of these products.

8.2.2 Accessibility of pension savings

One of the unique features of pensions as a product by which to save money for retirement, compared to other financial products is their non-accessibility. The saver is not able to draw on the money in a pension fund until a minimum age (such as 55), and may have the option of waiting until a later time, such as State Pension age (SPA). By contrast, money in savings accounts, including ISAs, may be accessed with relatively little notice. The difficulty of accessing money saved in the form of a pension may be regarded as both a strength and a weakness. It means that the fund is 'safe' from the day-to-day demands that people may make on it. However, people may sometimes feel they need the money earlier, and with alternative products there would be ways to convert assets into a lump sum or income more easily.

In 2006, respondents were asked whether they agreed or disagreed with two statements that captured the potential strength or weakness of the non-accessibility of pensions. At that time, over three-quarters believed it was a good thing that one could not 'dip into' a pension fund in the same way one might be able to with a savings account. Conversely, 62 per cent noted that one might need to get at the money, and wouldn't be able to do so. Clearly then, the potential benefits and drawbacks of the non-accessibility of pensions were widely recognised by the public.

In 2009, there was a particular interest in moving beyond examining the recognition of the benefits and drawbacks of this particular feature of pensions, and exploring respondents' overall assessments of the desirability of pension savings not being accessible to the saver. To this end, respondents to the 2009 survey were asked the following forced choice question:

Please say which statement comes closest to your view:

- *Saving into a pension is a good way to save for retirement as it ensures you can't dip into your funds when you want to.*

  OR

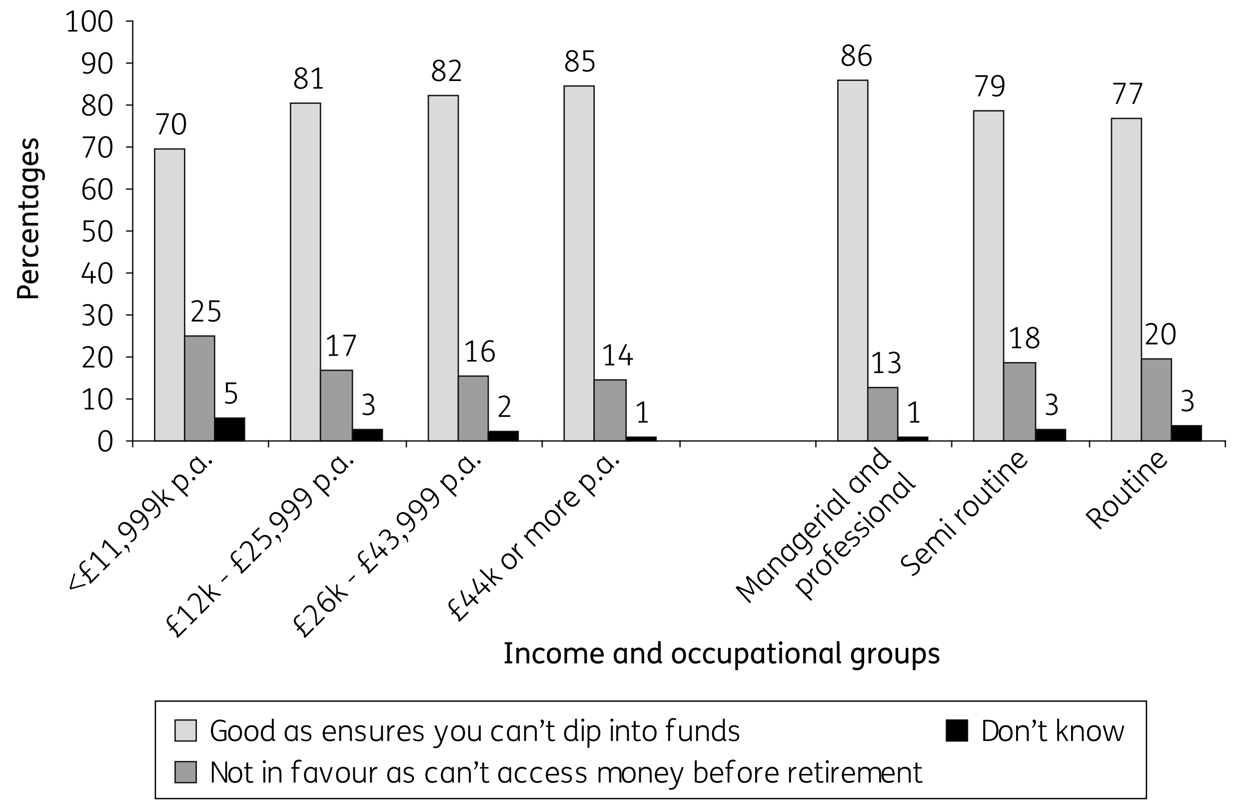
- *I'm not in favour of pensions as they mean you can't get access to the money you have saved before retirement.*

The balance of public opinion was strongly in favour of pension savings not being accessible; Seventy-nine per cent believe that this makes pensions a good way of saving for retirement whilst 18 per cent stated that they are not in favour of pensions for this reason. Just three per cent did not know what their perspective was on this issue, which suggests it is a consideration which the vast majority have clear reactions to.

It may be that certain sections of the public value or dislike the non-accessibility of pensions savings more than others. For instance, those who might need access to finance at short notice might be more likely to recognise this as a drawback, whilst those who experience difficulties saving in the long-term might appreciate this factor. Attitudes to the non-accessibility of pension savings did not vary by sex, age or ethnicity. However, they did vary markedly by income and occupational group.

As shown in Figure 8.3, 25 per cent of those within the lowest income quartile were not in favour of pensions as they could not access the money saved before retirement, compared to 14 per cent of those in the highest income quartile. Similarly, 20 per cent of those in a routine occupational group compared to 13 per cent of those in a professional or managerial occupational group expressed this viewpoint. It seems probable that those with the lowest incomes (or in the occupational groups that have the potential to yield these) would be the most appreciative of the opportunity to access savings (as a need to do so would be more likely to arise for those in these circumstances).

Figure 8.3 Attitudes to non-accessibility of pension savings, by income and occupational groups



Base: All respondents.

Whilst it is interesting to know the extent to which different sections of the population regard the non-accessibility of pension savings as a positive or negative attribute of this product, our ultimate interest is in determining how these attitudes might affect current or future behaviour. For this reason, we asked the following two questions of those without and with current private pension provision:

To what extent do you agree or disagree with this statement...

(without pension provision)

I would be more likely to start saving in a pension if I could access my saving before I retired

(with pension provision)

I would be more likely to save more in a pension if I could access my saving before I retired

As shown in Table 8.3, sizeable minorities of those with and without current pension provision think that they would increase their level of pension provision or would be more likely to start saving into a pension respectively, if pension savings were accessible before retirement. Thirty-four per cent of those without current private pension provision would be more likely to save in a pension if their savings were accessible before retirement. Similarly, 26 per cent of those with current provision would be likely to save more in their pension in this scenario.

Table 8.3 Views about pensions behaviour, if pension savings were accessible before retirement

Agreement with views about pensions	Agree %	Neither agree nor disagree %	Disagree %
Would be more likely to start saving in a pension if could access savings before retirement	34	23	41
Base: 863+			
Would be more likely to save more in a pension if could access savings before retirement	26	18	55
Base: 774++			

+Base: Respondents without current private pension provision.

++Base: Respondents with current private pension provision.

There was a considerable degree of correlation between agreement with the view of not being in favour of pensions due to not being able to access one's funds before retirement and predicted changes in one's own pension provision, were this not the case. Forty-five per cent of those without current pension provision who were not in favour of pensions, due to the lack of accessibility to savings, would save more into a pension were their savings accessible, compared to 30 per cent of those who valued the fact that pension savings were not accessible. .

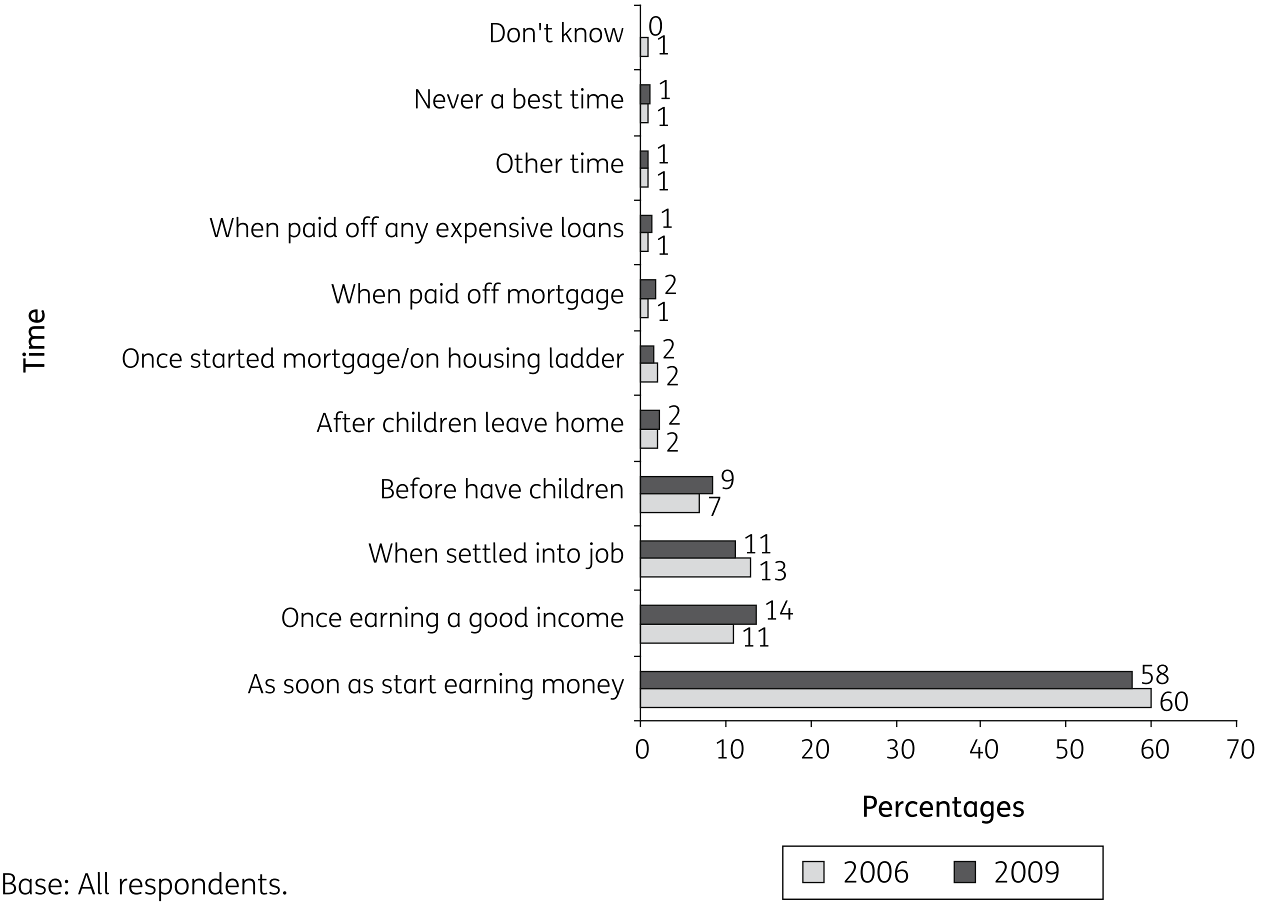
8.3 Pensions in practice

We next turn to examine public perceptions of how pensions work in practice, focusing on views about the best time to start paying into a pension and the comparable strengths and weaknesses of pensions as one of the available products for saving for retirement.

8.3.1 Best time to start paying into a pension

As in 2006, respondents were in little doubt that people should start contributing to pensions as soon as they could. Fifty-eight per cent thought the best time to start making pension contributions was 'as soon as they started earning any money'. A further one-quarter (25 per cent) suggested that a person might take time to settle into a job, or to earn a 'good' income, and these might permit a slightly later start to making pension contributions. Other answers such as giving priority to expensive loans, or buying property, were not at all popular. These views indicate that people appear to believe that starting to contribute to a pension early is good and that this assumption remains very stable over time, even between the two very different economic climates in 2006 and 2009.

Figure 8.4 Best time to start making payments into a pension, 2006 and 2009



Base: All respondents.
Note: Only one answer could be given.

Whilst respondents in all age groups favoured paying into a pension as soon as they started earning, younger age groups gave relatively more weight towards being settled into a job or earning a good income, as in 2006.

8.3.2 Different ways of saving

Thus far, we have examined attitudes to pensions in isolation. However, individuals have a range of financial products available to them to utilise for saving for retirement and it likely that decisions regarding which to take up are informed by an assessment of their comparative strengths and weaknesses. For this reason, there was an interest, as in 2006, in exploring public attitudes to the range of available methods of saving for retirement.

Respondents were asked to select the one financial product they believed provided the 'safest way' to save for retirement, and the one which would make the most of their money. Table 8.1 presents their responses, alongside those obtained in the 2006 survey. A number of changes in public perceptions of this issue have occurred over the past three years. Whilst in 2006 employer pensions and investing in property were regarded as the safest way for saving for retirement (with around one-quarter selecting each response), in 2009 employer pensions attract the most support – with 26 per cent selecting this answer, whilst support for investing in property has declined by seven per cent points. Support for saving into an Individual Savings Account (ISA) or tax-free saving account as the safest way to save for retirement has increased by four percentage points since 2006.

Investing in property is still regarded by the largest proportion as the best way of making the most of your money – yet here support has also fallen dramatically. Forty-seven per cent of respondents in 2006 identified this as the best way of making the most of your money, compared to 31 per cent now. It is likely that recent uncertainty in the property market and a decline in prices throughout 2009 has reduced public confidence in this method of saving for retirement. Perhaps as a consequence of this, support for employer pensions as the way to make the most of your money has almost doubled, from nine per cent in 2006 to 16 per cent now.

Table 8.4 Options for saving for retirement

	Safest way to save for retirement		The way to make the most of your money	
	2006	2009	2006	2009
	%	%	%	%
Paying into an employer pension scheme	26	26	9	16
Paying into a personal pension scheme	17	19	6	8
Investing in the stock market by buying stocks or shares	*	*	8	9
Investing in property	26	19	47	31
Saving into an ISA (or other tax-free savings account)	15	19	13	15
Saving into a high rate savings account	10	9	10	13
Buying premium bonds	2	3	1	1
Other (please specify)	12[1]	2	1	1
Don't know (or refused)	2	1	4	4
Base	*1,950*	*1,654*	*1,950*	*1,654*

Base: All respondents.

Note: * means less than 0.5% but more than zero.

1 No individual 'other' answer was given by more than a few respondents.

8.4 Trust and confidence in pension providers

Those individuals who opt for a pension as a method of saving for retirement have a large number of products to choose from. One of the key considerations would inevitably be the identity of the pension provider and, for this reason, questions were included to measure trust and confidence in different pension providers. Whilst attitudes to pensions as products have changed little since 2006, it may be that views of particular providers have altered more dramatically.

8.4.1 Confidence in pension providers

As demonstrated by Tables 8.5 and 8.6, there were varying degrees of confidence that different pension providers would guarantee an income and deliver a sufficient income in retirement. It should be noted at the outset that not all pension providers or all products they offered would have the aims of guaranteeing an income or providing a **sufficient** income for retirement – and that this may have affected respondents' perceptions. In addition, respondents will inevitably have different perceptions of what constitutes a 'sufficient' income in retirement, and would have answered this question with their personal definition of this concept in mind.

Overall confidence levels in different organisations were determined by calculating the percentage point difference between those who provided a positive and a negative response for each question – in other words, between those who placed themselves at points '4' and '5' on the five-point Likert scale ('very confident' or 'fairly confident')' and those who placed themselves at points '1' and '2' ('not at all confident' or 'not very confident') on the scale. Those who expressed an opinion that could be interpreted as neutral (point '3') did not effect the calculation of confidence levels, In other words, the overall confidence levels reflect the balance of opinion across the sample as a whole, rather than the range of answer provided. It was anticipated that confidence levels might reflect views about both the security and risks of the pensions provided by different organisations, and views about the reliability and effectiveness of the organisations more generally.

There was most confidence in respondents' own employers to guarantee an income, with a confidence level of 21 per cent. Respondents had slightly positive levels of confidence in the Government (five per cent) but were least confident in financial companies (-15 per cent) and employers in general (-19 per cent). This may have resulted from a lack of knowledge of what employers generally provide; 36 per cent placed themselves on the mid-point of the scale in relation to other employers. In practice, only the Government could potentially be regarded as guaranteeing an income in retirement, although this interpretation could be disputed; the data in fact suggests a degree of confusion and scepticism among respondents regarding this assumption.

Table 8.5 Confidence that organisations will guarantee an income in retirement

	Your employer	Government	Financial companies	Employers in general
	%	%	%	%
Confident	47	37	18	21
Neither confident or unconfident	24	30	46	36
Unconfident	26	32	33	40
Overall confidence level	+21	+5	-15	-19
Base	*926+*	*1,654*	*1,654*	*1,654*

Base: All respondents.

+ Base: All current employees.

In each case, there was less confidence in providers to deliver a sufficient income than to guarantee an income. With the exception of the individuals' own employer (who attained a confidence level of +7 per cent), overall confidence levels relating to the delivery of a sufficient income were all negative. Contrary to what we found in relation to the guarantee of an income, the public were less confident in financial institutions than employers in general (with confidence levels of –30 per cent and –25 per cent respectively). There was also low confidence in the Government, with a confidence level of –30 per cent.

Table 8.6 Confidence that organisations will deliver a sufficient income in retirement

	Your employer	Government	Financial companies	Employers in general
	%	%	%	%
Confident	37	19	15	14
Neither confident or unconfident	31	30	37	44
Unconfident	30	49	45	39
Overall confidence level	+7	-30	-30	-25
Base	*926+*	*1,654*	*1,654*	*1,654*

Base: All respondents.

+ Base: All current employees.

As shown in Table 8.7, there have been a number of changes in public confidence in pension providers between 2006 and 2009. There is a greater level of trust in the individual's employer (with the confidence levels that they would guarantee an income and deliver a sufficient income having risen by five per cent and ten percentage points respectively since 2006). On the other hand, confidence in financial companies to guarantee an income has fallen dramatically (by 20 percentage points), and to a lesser degree in terms of confidence in their ability to deliver a sufficient income (13 per cent). This may be a direct result of the experience of recession, with public trust in financial companies falling due to the involvement of banks and building societies in the financial crisis. Confidence in the Government to deliver a sufficient income has also declined by 11 percentage points since 2006. One possible explanation for this change is that confidence in the individual's employer has risen as a result of confidence in the Government and financial companies falling (perhaps enhanced by the fact that the individual is closely associated with their own employer whilst the government and financial companies might feel more alien). However, it should be emphasised that this interpretation is suggested, rather than being proven, by the data.

Table 8.7 Confidence that organisations will guarantee an income/deliver a sufficient income in retirement, 2006 and 2009

	To guarantee an income		To deliver a sufficient income	
Overall confidence level	**2006**	**2009**	**2006**	**2009**
Your employer	+16	+21	-3	+7
Government	+3	+5	-41	-30
Financial companies	+5	-15	-17	-30
Employers in general	-19	-19	-33	-25

8.4.2 Trust in pension providers

Respondents exhibited varying levels of trust in different pension providers, as shown in Figure 8.5. When considering trust in pension providers, a distinction is often drawn between two attributes – **competence** and **care**. In this survey, competence was defined as being financially competent (the question referred to this as 'making the most of your money) and care was defined as 'acting in your best interests'.

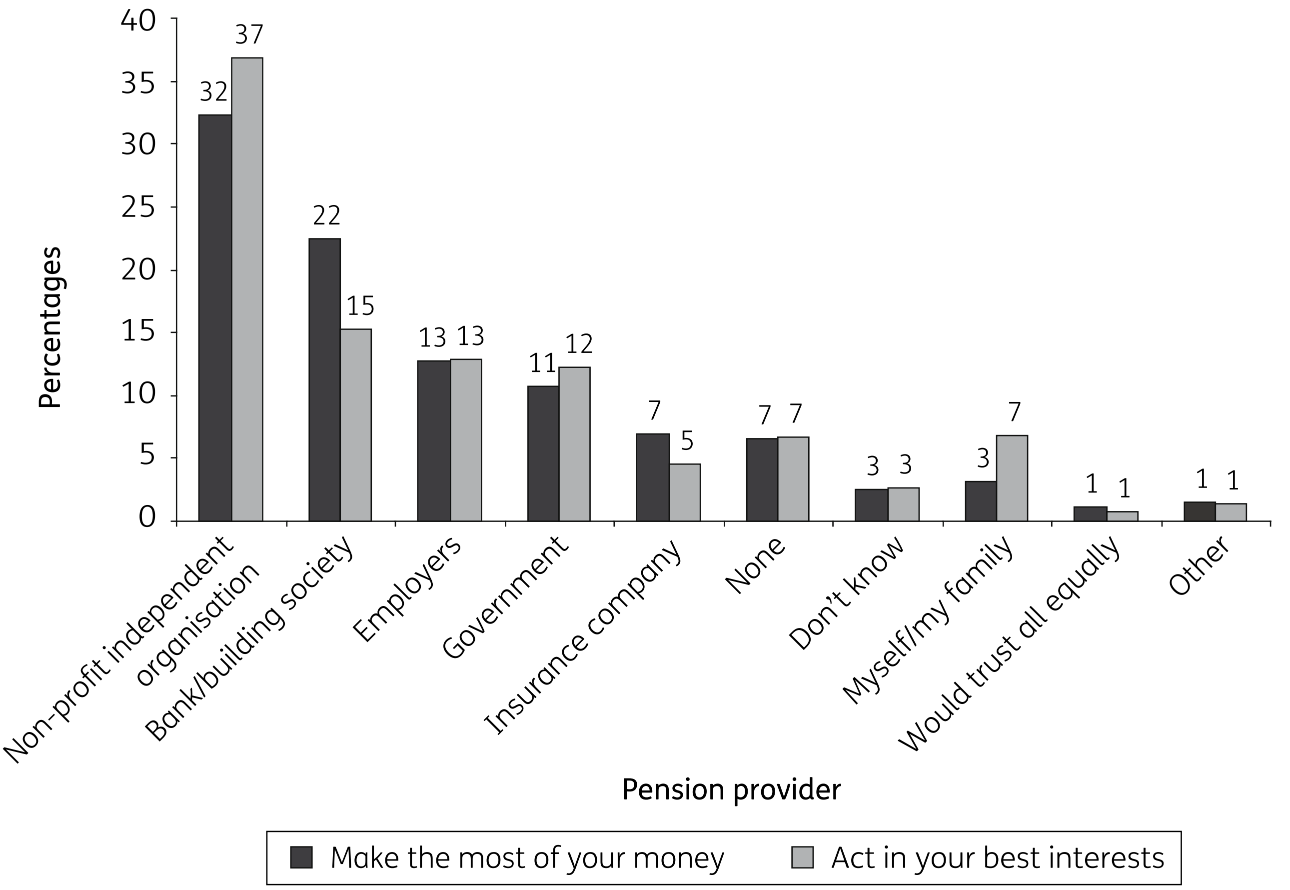
Respondents were most likely to trust a non-profit organisation or a bank or building society to be competent; around one-third (32 per cent) and one-fifth (22 per cent) respectively trusted these organisations the most to make the most of their money. Employers (13 per cent) and the Government (11 per cent) were the only other organisations trusted the most by a tenth or more of respondents.

In relation to the 'caring' role of pension providers (acting in their members' best interests), the picture was slightly different. Respondents were most likely to trust a non-profit organisation the most; more than a third (37 per cent) stated this. Fifteen per cent trusted a bank or building society the most while 13 per cent trusted employers and 12 per cent trusted the Government the most.

Respondents might have perceived an organisation making them money and acting in their best interests as analogous, explaining similarities in assessments of the competence and care of different providers. However, a comparison of the ratings of each provider shows an indication of their perceived strengths and weaknesses.

Respondents were more likely to trust non-profit organisations to act with care than with competence (five per cent more indicated this). Banks or building societies and insurance companies were more likely to be trusted to act with competence (seven per cent and two per cent more indicated this).The primary purpose of the latter organisations is to generate money; hence, they may have been viewed as mainly skilled in this area. Assessments of the care and competence of employers and the Government did not differ substantially, which could potentially suggest that the public do not differentiate between these two roles when assessing their effectiveness as pension providers.

Figure 8.5 Trust in the care and competence of pension providers



Base: All respondents.

Table 8.8 presents comparable data for 2006 and 2009 for the four pension providers regarded most widely as acting with competence and care. The most notable change since 2006 is an increase in the negative perception of banks and building societies; the proportions who anticipate that they will act with competence and care have declined by six and 18 percentage points respectively. These changes, as with those in relation to financial companies noted above, are likely to stem from the involvement of banks in the recent financial crisis, and reflect an erosion in public trust. The only other significant change to note is that trust in non-profit independent organisations to act with care has increased by 15 percentage points since 2006. Whilst these organisations do not generally provide pensions, with the exception of pension trust funds (and have been included as a barometer against which to measure perceptions of other organisations), it is likely that this change directly results from the decline in trust in banks and building societies. Assessments of the care and competence of the Government and employers remain unchanged, suggesting that the increase in negative perceptions of banks and building societies has not necessarily meant that public attitudes to these institutions have become simultaneously more positive.

Table 8.8 Confidence in pension providers' competence and care, 2006 and 2009

	Competence (to make most of money)			Care (to act in best interests)		
	2006	2009	Change	2006	2009	Change
Non-profit independent organisations	30	32	+2	22	37	+15
Bank or building society	28	22	-6	33	15	-18
Employers	12	13	+1	13	13	-
Government	10	11	+1	13	12	-1

8.5 Conclusion

Attitudes to pensions have not become universally more positive or negative since 2006. Perceptions of engaging with pensions have grown slightly more positive while the proportion who view these products as the most secure way of saving for retirement has declined. The non-accessibility of pensions is generally viewed positively although, for some groups, this factor appears to be limiting engagement with this product. Changes in attitudes to individual pension providers and methods of saving for retirement are likely to be attributable, at least in part, to the recent economic crisis and the loss of trust in financial institutions, and in the property market as a way of making money.

9 Views on the Government's role and pension reform

- Fifty-six per cent believed that it is mainly up to individuals to ensure that they have enough to live on in retirement, while 38 per cent believed that the main role was with the Government. Those with higher economic resources were more likely to argue for individual responsibility.
- Forty-two per cent agreed and the same proportion disagreed that topping-up the incomes of low-income pensioners, through schemes such as Pension Credit, would discourage them from saving – an almost identical distribution of attitudes to those observed in 2006.
- Eighty-eight per cent of respondents would consider working after State Pension age (SPA), if this meant a better standard of living. In general, age was not viewed as a key factor which should determine when an individual stops working – with health, individual circumstances and one's ability to do the job being more widely regarded as important factors.
- Thirty-two per cent thought that the Basic State Pension (BSP) should increase in line with prices, an increase from the 26 per cent in 2006 who thought this.
- Although 42 per cent of the self-employed claimed that they would enrol in a Personal Account, due to be introduced in 2012, just eight per cent were definite that they would do so.

9.1 Introduction

This chapter explores attitudes towards the role of the Government in pension provision, focusing, in particular, on the State Pension. It considers attitudes to long-term pension reform and more recent developments including the 2012 Workplace Pension package.

9.2 Role of the Government

In this section we examine what people consider the role of the Government to be in relation to pension provision – specifically the extent to which pensions should be an individual or a collective responsibility.

9.2.1 Responsibility for pensions

As in 2006, a small majority (56 per cent; 52 per cent in 2006) of respondents felt that it was **mainly** up to individuals to ensure they had enough to live on in retirement. A further four in ten (38 per cent) believed that the main responsibility was with the Government. Just five per cent of respondents thought it should mainly be the responsibility of the person's employer.

Views on responsibility for pension provision varied significantly by a number of key demographic variables. First we consider personal income which shows a link between higher incomes and the belief that individuals are mainly responsible for incomes in retirement. Seven in ten (67 per cent) of those earning £44,000 or more per year suggested individuals should be responsible for their own retirement income compared to four in ten (45 per cent) of those earning less than £12,000. Correspondingly, those on the lowest incomes (under £12,000) were the most inclined (46 per cent) to believe that the Government should be mainly responsible for ensuring people have enough to live on in retirement.

Table 9.1 Views on who should mainly be responsible for ensuring people have enough to live on in retirement, by household income[42]

	Income (£ per annum)				
	<12,000	12,000-25,999	26,000-43,999	44,000+	All
Who	**%**	**%**	**%**	**%**	**%**
Mainly the Government	46	39	35	29	38
Mainly a person's employer	7	5	4	4	5
Mainly a person themselves	45	55	60	67	56
Don't know	2	1	1	1	1
Base	*265*	*338*	*340*	*419*	*1,654*

Base: All respondents.

Table 9.2 shows a link between views on responsibility for pension provision and the level of savings respondents held. Seven in ten (69 per cent) of those with savings of £50,000 or more suggested individuals should be responsible for their own retirement income compared to four in ten (44 per cent) of those with no savings at all. Correspondingly, those with no savings were the most inclined (46 per cent) to believe that the Government should be mainly responsible for ensuring people have enough to live on in retirement.

Table 9.2 Views on who should mainly be responsible for ensuring people have enough to live on in retirement, by level of savings[43]

	Level of savings					
	No savings	Up to £2,499	£2,500-£9,999	£10,000-£49,999	£50,000+	All
Who	**%**	**%**	**%**	**%**	**%**	**%**
Mainly the government	46	40	34	32	28	38
Mainly a person's employer	8	5	5	3	3	5
Mainly a person themselves	44	54	60	64	69	56
Don't know	1	0	1	1	1	1
Base	*271*	*441*	*279*	*283*	*218*	*1,654*

Base: All respondents.

[42] The percentage results in this table, and all tables in the report, are displayed as column percentages and should be read down the column.

[43] 'Savings' could include one or a combination of the following types of savings or investments:

- current account in a bank or building society;
- savings account in a bank or building society;
- ISAs/TESSAs;
- stocks/shares/bonds/investment trusts/unit trusts;
- insurance/endowments.

Having considered income and level of savings, there is also evidence to suggest that:

- females (41 per cent) were more inclined than males (35 per cent) to believe it is mainly the Government's responsibility to ensure that individuals have enough to live on in retirement;
- being male and having paid into a workplace pension both increase the chances of a respondent believing responsibility for pension provision lies mainly with individuals.

In 2006 most survey respondents (82 per cent) felt that the Government should be encouraging people to be making their own provision for retirement. Table 9.3 shows that attitudes have remained unchanged since that point. Eight in ten (80 per cent) 2009 survey respondents agreed that the Government should encourage people to save something for their retirement. One in ten (11 per cent) disagreed with this view and eight per cent neither agreed nor disagreed.

Those on a higher income (above £26,000) were more likely than those on lower incomes (below £26,000) to think that the Government should be encouraging self-provision.

Table 9.3 Agreement that the Government should encourage people to provide something for their own retirement, by household income

	Income (£ per annum)				
	<12,000	12,000-25,999	26,000-43,999	44,000+	All
	%	%	%	%	%
Agree strongly	15	19	34	43	27
Agree	55	58	51	46	52
Neither agree nor disagree	14	8	7	5	8
Disagree	12	12	7	6	10
Disagree strongly	3	3	0	0	2
Agree	70	77	85	89	80
Disagree	16	15	7	6	11
Base	*265*	*338*	*340*	*419*	*1,654*

Base: All respondents.

There is a strong correlation between income and savings held, so it is not surprising that those with a high level of savings, like those with the highest incomes, were more likely than those with no savings to think that the Government should be encouraging self-provision.

Table 9.4 Agreement that the Government should encourage people to provide something for their own retirement, by level of savings[44]

	Level of savings					
	No savings	Up to £2,499	£2,500-£9,999	£10,000-£49,999	£50,000+	All
	%	%	%	%	%	%
Agree strongly	13	20	25	37	52	27
Agree	56	61	52	50	36	52
Neither agree nor disagree	12	7	10	5	5	8
Disagree	15	9	11	8	5	10
Disagree strongly	3	2	1	0	2	2
Agree	69	82	78	87	88	80
Disagree	18	11	12	8	7	11
Base	*271*	*441*	*279*	*283*	*218*	*1,654*

Base: All respondents.

Having considered income and level of savings, there is also evidence to suggest that men are more likely than women to think that the Government should encourage people to provide something for their own retirement.

Respondents were also asked to indicate whether or not they agreed with the following viewpoint:

> *I already pay my tax and National Insurance (NI) contributions to help fund my State Pension – I shouldn't have to make my own private provision too.*

The view is sometimes expressed that the payment of NI (and tax) towards state social security should preclude any need for self-provision. If people already pay these taxes for benefits, it is considered that they should not need to put in place private provision in addition.

Half of those asked (53 per cent) did see the need to make their own provision for retirement. However, about one in three (32 per cent) thought that because they pay tax and NI to fund the State Pension they should not have to make their own provision. One in seven (15 per cent) were unsure either way. These figures have remained virtually static since 2006.

Unlike in 2006, views towards private pension provision varied according to whether or not respondents had previously contributed towards a pension. Perhaps unsurprisingly, those who had paid into an employer (59 per cent) or personal pension (56 per cent) were more likely than those who had never paid into a pension (37 per cent) to see the need to make their own provision for retirement.

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44 'Savings' could include one or a combination of the following types of savings or investments:

- current account in a bank or building society;
- savings account in a bank or building society;
- ISAs/TESSAs;
- stocks/shares/bonds/investment trusts/unit trusts;
- insurance/endowments.

Table 9.5 Agreement with view that shouldn't have to make own private provision as already pay tax/NI contributions, by pension provision

	Pension provision			
	Has current or past employer pension	Has current or past personal pension	No current or past pension	All
	%	%	%	%
Agree strongly	4	5	8	5
Agree	24	26	36	27
Neither agree nor disagree	14	14	19	15
Disagree	53	51	34	48
Disagree strongly	6	5	3	5
Agree	28	31	44	32
Disagree	59	56	37	53
Base	*656*	*127*	*240*	*1,040*

Base: All respondents in paid work

There was a general belief that the Government should be encouraging people to save for their retirement. But in both 2006 and 2009 there was less agreement that the State should be playing a role in advising people about the best means of doing so. The issue tended to divide respondents with sizeable proportions agreeing and disagreeing that the Government should advise people how to save. Those aged 65-69 were the least supportive of the idea that this was the appropriate role of the Government, with those aged 18-24 being most in favour of this.

Table 9.6 Agreement that it's not the Government's job to advise people on how to save, by age group

	Age group						
	18-24	25-34	35-44	45-54	55-64	65-69	Total
	%	%	%	%	%	%	%
Agree strongly	6	3	2	5	3	5	4
Agree	28	22	26	31	36	49	30
Neither agree nor disagree	8	16	14	13	11	10	12
Disagree	51	50	51	47	45	34	47
Disagree strongly	6	9	7	4	5	2	6
Agree	34	25	28	37	39	54	34
Disagree	57	58	58	50	49	36	53
Base	*231*	*314*	*364*	*324*	*290*	*130*	*1,654*

Base: All respondents.

Attitudes towards State advice on how to save for retirement also varied according to the household incomes of respondents (see Table 9.7). Those with a household income of less than £12,000 were the least likely to be in favour of the Government playing an advisory role. Correspondingly, respondents with a household income of £44,000 or more were the most likely to be in favour of the Government offering information on how to save for retirement.

Table 9.7 Agreement with view that it's not the Government's job to advise people on how to save, by household income

	Income (£ per annum)				
	<12,000	12,000-25,999	26,000-43,999	44,000+	All
	%	%	%	%	%
Agree strongly	3	4	4	3	4
Agree	37	32	28	24	30
Neither agree nor disagree	16	14	12	9	12
Disagree	38	45	48	56	47
Disagree strongly	5	4	7	8	6
Agree	40	36	32	27	34
Disagree	43	49	55	64	53
Base	*265*	*338*	*340*	*419*	*1,654*

Base: All respondents.

9.2.2 Means-testing in retirement

One of the key concerns of recent governments has been the incomes of the poorest pensioners and how these might be increased. Introduced in October 2003, Pension Credit effectively tops up the incomes of low-income pensioners, whilst providing some reward (in the savings credit) for having some savings or other sources of private income. However, targeting benefits in this way presents some difficulties; not everyone eligible claims it, and incentives for self-provision may be reduced, if individuals know that this benefit will be available to them regardless of their own saving behaviour. We looked at knowledge about Pension Credit in Chapter 4, and present the respondent's own likelihood of applying for it in Chapter 8. Here we focus on attitudes towards the principles of means-testing.

Overall, and exactly as in 2006, 85 per cent of respondents thought increasing the income of low-income pensioners was the right thing to do, with two in ten (23 per cent) agreeing strongly. Across both survey years just seven per cent disagreed with this view, illustrating very low levels of opposition to the objectives of this key Government reform.

A follow-up question asked respondents to consider the possible effect of Pension Credit on the incentive to save – recording whether or not people agreed that topping up incomes in this way would discourage people from saving for their retirement and would increase reliance upon the State shows just how polarised responses to this question were, with equal numbers of respondents agreeing (42 per cent) and disagreeing (42 per cent) with the statement posed. These proportions are almost identical to those which were obtained in 2006.

Previous analysis has pointed to the fact that respondents were relatively well aware of Pension Credit and that the majority would be interested in applying for this benefit in the future. Nevertheless, the figures below show that, in an abstract context, a sizeable minority can perceive a potential downside to this benefit being made available.

Table 9.8 Attitudes to Government's role in relation to low-income pensioners

	Government should top up income of low-income pensioners	If Government tops up income of low-income pensioners this discourages saving
	%	%
Agree strongly	23	3
Agree	62	39
Neither agree nor disagree	8	15
Disagree	6	40
Disagree strongly	*	2
Don't know	0	1
Agree	85	42
Disagree	7	42
Base	*1,654*	*1,654*

Base: All respondents.

9.3 Pension reform

This short section on pension reform looks at attitudes towards more recent changes to pension provision. We examine three key policy areas: 1) increasing the SPA; 2) the uprating of the value of the State Pension; and 3) the introduction of the 2012 workplace pension package aimed at increasing private pension saving amongst those on low to median incomes.

9.3.1 State Pension age and working beyond it

One of the proposed measures for financing pension provision in the longer term is raising the SPA. This strategy has already been implemented to a degree, with SPA for men and women being equalised between 2010 and 2020, and the SPA for all increasing incrementally to age 68 between 2024 and 2046. As seen in Chapters 4 and 7, there is some evident confusion among the public regarding the changes to SPA and how these might affect them personally. A related alternative, for some, is working beyond the SPA. Respondents answered two questions on these themes. Specifically they were asked how much they agreed or disagreed with the following:

When I reach SPA I'd do some work if it meant a better standard of living.

With people living longer on average, it's right that people should have to work longer before retiring.

Overall responses to each question are shown in Table 9.9.

Respondents seemed willing to work beyond the SPA if it meant a better standard of living. Overall, 86 per cent of respondents who had not yet retired agreed with this, including 25 per cent who agreed strongly. Clearly there has been very little change in attitude since 2006 when 85 per cent were in agreement. Strikingly, just seven per cent of those asked (across both survey years) would prefer not to work past the SPA to ensure a better standard of living. However, it should be noted that this is considerably higher than the proportion who would be willing to carry on working in 'exactly the same job' beyond age 65, as detailed in Chapter 8. The reasons for this could be two-fold – respondents might imagine that they would be working in a different job, or more flexibly, and women might be considering the age of 60 when responding to this question, whereas the question regarding continued working in the same job specifically states age 65.

Whilst the large majority of individuals expressed an interest in choosing to work later themselves, this did not mean they supported a higher SPA imposed on all. Just under half of respondents (49 per cent) disagreed that an increase in life expectancy means that it is right that people should have to work longer, while a third (33 per cent) agreed.

Table 9.9 Attitudes towards SPA and working beyond it

	When I reach SPA would do some paid work if it meant a better standard of living	With people now living longer on average, it's right that people should have to work longer
	%	%
Agree strongly	25	4
Agree	61	29
Neither agree nor disagree	7	17
Disagree	6	43
Disagree strongly	1	7
Don't know	*	1
Agree	86	33
Disagree	7	49
Base	*1,327*	*1,654*

* means less that 0.5% but more than zero.
Base: Respondents not defined as retired (statement 1); all respondents (statement 2).

Staying with the theme of extended working, respondents were asked which factors (from a pre-defined list on a showcard) they thought should determine when a person stops working. Table 9.10 shows the distribution of answers to this question, and perhaps the most striking finding is that only one in five of those asked (20 per cent) thought that age should determine when someone stops working. A worker's health was the most cited answer, seven in ten respondents (69 per cent) suggesting that this factor should determine the point at which people retire. Two-thirds (66 per cent) mentioned 'ability to do job'. Half of those asked, were of the opinion that the factor(s) which should determine when a person stops working depend upon the individual in question.

Table 9.10 Factors which should determine when a person stops working

Factors which might determine when someone stops working	Total %
Health	69
Ability to do job	66
It depends upon the individual	49
Willingness to adapt and learn new things	21
Age	20
The availability of jobs for younger employees	11
Other	1
Base	*1,654*

Base: All respondents.

The figures in this table do not sum to 100 per cent as respondents could cite more than one factor.

9.3.2 Uprating the State Pension

Until 1980 the State Pension was raised annually by the higher of price inflation or earnings growth. Since then the BSP has been linked to prices which generally rise more slowly than earnings, with there additionally being an underpin in the annual increase, currently set at 2.5 per cent and originally introduced in 2001. More recently, the June 2010 Budget put in place a specific triple guarantee that the BSP will rise with whichever is the highest of prices, earnings or a 2.5 per cent increase.

It has previously been argued that the value of the State Pension would be higher, in real terms, today had it been linked to earnings instead of prices. Restoration of the link between pensions and earnings growth became a topical issue in the 1990s and has continued to invoke dispute ever since.

In this study, respondents were asked to consider which of two statements was closest to their own view. Specifically:

> *The State Pension should be increased in line with prices (this means taxes could stay the same, but there would be less money available for the State Pension).*
>
> OR
>
> *The State Pension should be increased in line with earnings (this means taxes would have to increase, but there would be more money available for the State Pension).*[45]

As in 2006, people favoured the second option of indexing the State Pension to earnings growth rather than to price inflation. Some 64 per cent suggested that the State Pension should rise in line with earnings; 32 per cent said in line with prices (and with a lower tax take); and four per cent were not sure. The 32 per cent who took the view that the State Pension should increase in line with prices represents an increase since 2006, when 26 per cent took this view; support for an increase in line with earnings has decreased to a comparable degree. It is possible that this decline is driven by the link between earnings and taxes, as people might be less willing to pay higher taxes with no immediate benefit at a time when finances are tight. However, as noted above, current Government policy represents a departure from earlier approaches, where either earnings or prices determined State Pension increases – with both factors now being taken into account.

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45 The information provided to respondents included what is shown in the brackets.

9.3.3 The National Employment Savings Trust

Questions were included on both the 2006 and 2009 surveys examining public attitudes to the National Employment Savings Trust (NEST), to be introduced by the Government from 2012[46]. The Government estimates that around seven million people are not saving enough to meet their retirement aspirations at present.[47] In response to this challenge the Pensions Act 2008 set out a series of measures that will be put in place from 2012 aimed at encouraging wider participation in private pension saving. The aim of these reforms is to overcome the decision-making inertia that currently characterises many individuals' attitudes towards pension saving and to make it easier for individuals to save for their retirement. They are particularly targeted at low to median earners, amongst whom under-saving for retirement, not just in terms of membership of private pension schemes but in relation to levels of liquid savings, is currently widespread (although the scheme does not address the latter tendency directly).[48]

The key elements of the proposed workplace pension reforms include:

- a duty on employers to automatically enrol their eligible employees, from 2012, into a qualifying workplace pension scheme. Eligible employees will be those aged 22-SPA, earning over £5,035 per annum[49] who are not already members of a qualifying scheme. If they wish, employees can opt out of pension saving after automatic enrolment;
- employer contributions. Employers must contribute a minimum of three per cent of an employee's salary (on a band between £5,035 and £33,540[50]) to their pension pot if the employee chooses to remain saving.[51] Overall contributions should total a minimum of eight per cent. This means that the minimum a participating employee will have to contribute to their pension will vary from zero to four per cent, due to tax relief (depending on the amount contributed by their employer). Both employers and employees can contribute more than the minimum if they wish;[52]
- the establishment of a new, low-cost pension scheme, NEST. The intention is that the scheme will operate like any other trust-based, multi-employer, defined contribution (DC) occupational pension scheme – but it will have a public service obligation to take on any individual employee who wishes to use it to comply with their new duties. This scheme will be run at arm's length from Government by the NEST Corporation, a non-departmental public body.

DWP have commissioned a separate survey to asses the attitudes and likely behaviour of employees under the reforms, however, one of the purposes of this survey was to assess the likely reactions of self-employed individuals who are also eligible to choose to save in NEST. So that respondents could give an informed decision about their likely behaviour they were provided with showcards outlining the key features of the proposed personal accounts.

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46 At the time of fieldwork for the 2009 survey, this initiative was referred to as Personal Accounts, and the questions asked on the survey used this terminology.

47 This figure is based on Department for Work and Pensions (DWP) modelling using data from the English Longitudinal Study of Ageing (ELSA) and was published in the May 2006 White Paper, *Security in retirement: towards a new pension system*.

48 *Pension Trends*, Office for National Statistics (ONS), May 2009.

49 The earnings figure is in 2006/07 terms and will be updated for 2012.

50 ibid.

51 Minimum contributions apply only to money purchase pension schemes. Defined benefits (DB) pension schemes can also be used.

52 However, contributions into a workplace pension will be capped at £3,600 (in 2006/07 earning terms). The contribution limit will be uprated in line with earnings using the Average Earnings Index.

Eligible, self-employed respondents were told that on the basis of the information they had given they could choose to enrol themselves into the personal account scheme (now known as NEST) if they wished, once it comes into place in 2012. Respondents were then told they could contribute an amount of their choosing providing it falls within the annual limit.

Individuals were asked *'based on what you currently know about the Personal Accounts scheme, if it came into place tomorrow, do you think you would choose to enrol yourself?'*

Four in ten (42 per cent) self-employed respondents said that they would choose to enrol into a personal account, although only one in ten (eight per cent) were definite they would do so. Three in ten (30 per cent) anticipated definitely/probably choosing not to enrol. Twenty per cent of people were unsure of what they would do, saying 'it depends', and a further eight per cent did not know what they would do.

Table 9.11 Whether respondent would choose to enrol into a Personal Account

Decision	Total %
Definitely would	8
Probably would	34
Probably would not	16
Definitely would not	14
It depends	20
Don't know	8
Would	42
Would not	30
Base	*181*

Base: All self-employed respondents.

9.4 Conclusion

Throughout this chapter we have seen evidence that those who have fewer resources (who are on a low income and have lower levels of savings), are amongst those with the greatest expectation and potential reliance upon the Government to provide them with an income in retirement. One way for this group to provide for a better standard of living in old age could be for them to work past the SPA. Encouragingly, almost nine in ten respondents reported that they were happy to do this – though in the current financial climate there may be an issue of jobs for those in this age group being available, that might prevent these aspirations becoming reality. Additionally, age was not viewed, by the large majority, as a factor which should determine when a person stops working, suggesting that extended working may be a viable solution to the pensions crisis.

10 Technical details of the survey

This chapter summarises key details about the methodology, questionnaire design, sampling and weighting used for the 2009 Attitudes to Pensions survey. Full details, including all fieldwork documents and the interview questionnaire can be found in the separate technical report (Clery *et al.*, 2010).

10.1 Sample

The sample for the 2009 Attitudes to Pensions survey was designed to be representative of the general population of Britain aged between 18 and 69 years and living in private households.

The sample for the 2009 Attitudes to Pensions survey therefore covered England, Wales and Scotland and included 5,250 Postcode Address File (PAF) addresses. The sample was drawn from the PAF sample. At each sampled address the interviewer screened for households containing at least one person aged between 18 and 69 years. Households not containing any individual in this age range were not eligible for the survey. At eligible households, interviewers selected one individual aged between 18 and 69 years at random to be interviewed.

10.1.1 Drawing the sample

The sample was drawn from the 'small user' PAF[53], a list of all addresses (delivery points) in Britain that receive less than 25 items of mail per day.

The sample was drawn in two stages: at the first stage the Primary Sampling Units (PSUs) were selected, at the second stage addresses were selected within the sampled PSUs. Each PSU was defined as a postcode sector or group of sectors. Postcode sectors containing fewer than 500 addresses were grouped with neighbouring sectors, this was to ensure selected addresses were not too close to one another. The grouped sectors were treated as a single PSU.

The sample file was sorted prior to sample selection. The stratifiers used were Government Office Region (GOR), the proportion of the population in owner occupied households and the proportion of the eligible population aged 60 or over. The latter two stratifiers were based on 2001 Census data.

The first stratifier was region; the PSUs were first sorted into 11 regions (nine GORs, plus Scotland and Wales). Postcode sectors that spanned regional boundaries were allocated to the region containing the most addresses. Within each of the 11 regions the PSUs were then listed in increasing order of the proportion of owner occupied household. Cut-off points were drawn to create three equal sized bands (in terms of addresses). Within each of the 33 bands the PSUs were listed in increasing order of the proportion of the eligible population (adults aged 18-69) aged 60 or over.

Once the sampling frame had been stratified, 175 PSUs were selected with probability proportional to the number of addresses within them[54]. Thirty addresses were then selected systematically from each sampled PSU, giving a total of 5,250 addresses.

53 The version of the PAF used was Royal Mail postcode update 46.

54 Expanded by the Multiple Occupancy Indictor (MOI) in Scotland.

A reserve sample was also drawn, due to a low screen-in rate when the survey was first fielded in 2006. However, this additional sample was not used in the fieldwork.

10.1.2 Historical database

The sampling contractor flags any addresses previously sampled for any National Centre for Social Research (NatCen) general population surveys. These addresses are then excluded from subsequent surveys for a period of three years. This is to prevent respondents from being sampled too often. Any addresses flagged on the NatCen historical database were excluded before sampling addresses for both the initial and additional samples. The selected addresses for the initial and additional samples were both added to the NatCen historical database.

10.2 The questionnaire

The questionnaire was designed to be administered face-to-face using Computer Assisted Personal Interviewing (CAPI). As one of the key aims of the survey series is to examine continuity and change in attitudes to financial planning for retirement over time, the majority of questions replicated exactly those asked on the 2006 Attitudes Pensions survey, the first in the series. However, in a number of instances, existing questions needed to be amended – due to recent or planned policy changes or a shift in Government priorities or interests. In addition, a number of sets of questions were developed exploring new topics of interest of current prominence of relevance – including extended working beyond age 65 and the Government's Personal Accounts scheme.

The questionnaire consisted of 14 modules:

Household grid and demographics
The interview started by asking for demographic information about the respondent and their household.

Information
This module collected details of any information respondents had received or requested about pensions from a variety of sources, their trust in different sources and their preferences for receiving information on this topic in the future.

Pensions knowledge
This module comprised a true/false quiz on various components of the pension system. It aimed to find out about respondents' knowledge – or lack of knowledge – about pensions.

Attitudes to pensions
This module collected respondents' views on many different aspects of the pension system, including views about the State Pension and how it works. It covered personal and general attitudes to pensions.

Attitudes to savings
Following the attitudes to pensions topic, this module looked at personal and general attitudes to saving.

Economic activity
Various details about respondents' current or recent job were collected, allowing the coding of Standard Occupational Classification (SOC) and Standard Industrial Classification (SIC) at the data processing stage.

Pension provision
This module collected details of any pension the respondent had including employer, personal and stakeholder pensions. If they had no pension provision then they were asked a question on why they did not have a pension. Self-employed respondents were also asked about the Government's planned Personal Accounts scheme.

Taxation
This module examined respondents' knowledge, attitudes in behaviour in relation to aspects of the tax system that relate to pension provision.

Other savings
This module collected details about any savings or investments the respondent had.

Debt
This was a very short set of questions about any debt the respondent had.

Trust and confidence
This module collected information on respondents' levels of trust and confidence in the Government and other pension providers in guaranteeing and providing a sufficient income in retirement.

Expectations for retirement
This module asked respondents when they expected to retire (if not already retired), and then the computer calculated if it was before, at or after State Pension age (SPA). Respondents were then asked why they expected to retire then and whether they knew what their income in retirement would be. The module also asked about attitudes to and expectations for extended working.

Demographics
This interview finished by collecting some additional demographic information and consent for a possible follow-up study.

The average interview length was 49 minutes.

10.3 Piloting

The minority of questions for the survey which were new underwent an extensive process of development and testing. A paper-based pilot of a questionnaire comprising the newly developed questions plus those existing questions required for context or routing took place in July 2009. The primary aim of the pilot was to test how well the new questions worked and whether respondents had any difficulties in understanding and responding to them. Five interviewers worked on the pilot and all of the interviewers attended a face-to-face briefing before starting work and a face-to-face debrief at which to feed back to researchers. Interviewers selected respondents on the basis of age, gender and employment status quotas. Following this exercise, the CAPI questionnaire was finalised in August 2009.

10.4 Fieldwork

Fieldwork was carried out between September and November 2009. All interviewers received a face-to-face briefing from researchers and were given comprehensive project instructions. An advance letter explaining the purpose of the survey was sent to all selected addresses, prior to the interviewer calling. Both the NatCen and Department for Work and Pensions (DWP) logos were on the letter in order to encourage response. The survey was entitled *Your views about planning for retirement* – which omitted the word 'pensions' which was included in the title of the 2006 survey.

It was felt that 'planning for retirement' broadly covered the scope of the survey, whilst mention of 'pensions' could potentially put off potential respondents who knew little about this area. The decision was taken not to produce a respondent leaflet for use on this survey as it was felt that providing respondents with additional background information about pensions and planning for retirement could influence some of the answers they gave during the interview, particularly those seeking to measure their knowledge of these areas.

All respondents who took part were sent a £5 high street voucher and a thank you letter after taking part.

10.5 Response rates

Response rates on any survey can be presented in a number of different ways. Here, we present summary outcomes for the sample (Table 10.1). The last column of the table calculates a response rate which is the response rate of all 'definitely' eligible cases (i.e. all where eligibility has been established). The table also presents comparative response rates (of issued sample and eligible sample) for the 2006 Attitudes to Pensions survey.

Calculated in this way, the response rate was 48 per cent, compared to 57 per cent in 2006. The main unproductive outcome was refusals – at 40 per cent of the eligible sample. This represents an increase of eight percentage points since 2006 – and is likely to be attributable, in part, to the changed content of the advance letter – which emphasised to respondents that participation in the survey is voluntary and highlighted a number of ways to refuse participation. This category includes office refusals and refusals to the interview, from the selected respondent and from someone else (a 'proxy' refusal). Non-contacts accounted for seven per cent of the eligible sample, with a further four per cent covered by other unproductives, such as being away or ill during fieldwork; the proportions allocated to both of these outcomes remain unchanged since 2006.

Table 10.1 Response rates, 2009 and 2006

		Percentage issued sample		Percentage eligible sample (maximum response rate)	
	Number	2009	2006	2009	2006
Issued sample	5,250	100	100		
Ineligible					
Deadwood (not residential/occupied)	471	9	8		
No-one aged 18-69	875	17	14		
Unknown eligibility					
Unknown whether deadwood (residential/occupied)	82	2	4		
unknown whether anyone aged 18-69	385	7	5		
Definitely eligible sample+	**3,437**	**65**	**70**	**100**	**100**
Unproductives					
Non-contact	247	5	5	7	7
Refusals	1,388	26	22	40	32
Other unproductives	148	3	3	4	4
Productives	**1,654**	**32**	**40**	**48**	**57**

+= issued minus ineligible minus unknown eligibility.

10.6 Weighting

Prior to analysis, the data were weighted to take account of the sample design, the probability of an individual being selected and the differential response and non-response rates. rates.

10.6.1 Selection weights

At each address the interviewer established the number of dwelling units (DU) and selected one at random.This design meant that DUs at addresses with more than one DU were under-represented in the sample. A DU selection weight was required; this was equivalent to the number of DUs at the address. For the majority of cases (99 per cent) this was equal to 1.

Within each responding DU, a single person aged 18-69 was selected at random. Persons in large households were therefore under-represented in the sample. An individual selection weight was needed to address this. This weight is equivalent to the number of eligible persons in the household. The total selection weight is the product of the DU and individual selection weight.

10.6.2 Modelling household non-response

The response behaviour of the sample members was modelled using logistic regression and the results used to generate a non-response weight. A number of area-level variables were used to predict whether or not the household took part in the survey[55]. Area level variables include the 2007 Index of Multiple Deprivation (IMD), urban/rural indicators[56], GOR, data from the 2001 Census and information recorded by the interviewer on barriers to entry.

The logistic regression model generates the probability of a case participating in the survey given their characteristics. The non-response weights are then calculated as the inverse of the predicted probabilities. Hence, respondents who had characteristics associated with being reluctant to take part will have a smaller probability of being a respondent and a larger weight. Variables not strongly related to a household's propensity to respond to this survey were dropped from the analysis. The variables included in the final model are given in Table 10.2.

Table 10.2 The response model

	B	S.E.	Wald	df	Sig.	Exp(B)
Percentage households who do not own a car (quintiles)			10.2	4	0.04	
1 (least)	0.4	0.23	2.4	1	0.12	1.43
2	0.3	0.21	1.7	1	0.19	1.32
3	0.5	0.18	7.5	1	0.01	1.66
4	0.3	0.15	3.2	1	0.07	1.32
5 (most)					(baseline)	
Government Office Region			46.6	11	0.00	
North East	0.6	0.22	7.9	1	0.00	1.87
North West	0.6	0.19	11.4	1	0.00	1.88
Yorkshire and Humber	0.2	0.19	1.0	1	0.32	1.20
East Midlands	0.3	0.20	3.0	1	0.08	1.42
West Midlands	0.2	0.19	1.4	1	0.24	1.25
South West	0.5	0.20	6.4	1	0.01	1.66
East of England	0.1	0.20	0.2	1	0.68	1.09
Inner London	0.1	0.22	0.2	1	0.68	1.10
Outer London	0.1	0.21	0.1	1	0.79	1.06
South East	0.4	0.20	4.0	1	0.04	1.48
Wales	0.9	0.21	16.1	1	0.00	2.35
Scotland					(baseline)	

Continued

55 We had planned to also include interviewer observation variables in the analysis. These variables should have been collected for all addresses except deadwood outcomes. The information collected includes the interviewer's record of dwelling type and general condition of the selected address and surrounding area. However, we found that there were large numbers of missing cases for non-responding households. This meant the variables could not be used in the modelling.

56 Urban/rural indexes exist for England and Wales and Scotland consequently the variable included in the model is derived by combining both indexes.

Table 10.2 (Continued)

	B	S.E.	Wald	df	Sig.	Exp(B)
Barrier to entry			30.7	1	0.00	
Barrier	0.7	0.13	30.7	1	0.00	2.03
No barrier					(baseline)	
Urban/rural indicator			10.9	3	0.01	
Hamlet and isolated dwellings	-0.3	0.21	1.8	1	0.18	0.75
Town and fringe	0.1	0.22	0.2	1	0.68	1.10
Urban >10k	-0.2	0.23	0.8	1	0.38	0.82
Village					(baseline)	
Percentage of households that are rented from the council			6.6	4	0.16	
1 (least)	-0.4	0.20	3.5	1	0.06	0.69
2	-0.2	0.18	1.4	1	0.24	0.81
3	-0.3	0.17	3.8	1	0.05	0.72
4	-0.3	0.14	3.9	1	0.05	0.76
5 (most)					(baseline)	
Percentage of households that are owner occupied			3.4	4	0.49	
1 (least)	-0.2	0.25	0.4	1	0.51	0.85
2	0.1	0.20	0.3	1	0.61	1.11
3	0.1	0.15	0.3	1	0.57	1.09
4	0.0	0.12	0.0	1	0.89	1.02
5 (most)					(baseline)	
Constant	-0.5	0.34	2.3	1	0.13	0.60

Notes:

1. The response is 1 = household responding to the survey, 0 = non-response
2. Only variables that are significant at the 0.05 level are included in the model, with the exception of the last 2 as their inclusion improved the model fit.
3. The model R^2 is 0.030 (Cox and Snell).
4. **B** is the estimate co-efficient with standard error **S.E.**
5. The **Wald** test measures the impact of the categorical variable on the model with the appropriate number of degrees of freedom **df**. If the test is significant (**sig** < 0.05) then the categorical variable is considered to be 'significantly associated' with the response variable and therefore included in the model.
6. The **Wald** test for each level of the categorical variable is also shown. This tests the difference between that level and the baseline category.

Variables related to response were: GOR, urban/rural indicator, whether there were barriers to the address, the proportion of households renting from the council, the proportion of households that are owner-occupied and the proportion of households who do not own a car. Response was lowest for households in areas where there are few to very few council houses and very few owner-occupied houses. Response was lowest in Scotland and highest in Wales. It was also significantly higher in the North East, North West, South East, South West and East Midlands when compared to Scotland.

The range of the weights was checked and the top one per cent weights were trimmed. The non-response weights were combined with the selection weights to create the final non-response weight.

10.6.3 Calibration weights

The final stage of the weighting was to adjust the final non-response weights so the weighted sample matches the population in terms of age, sex and region.

Only adults aged 18-69 years were included in the sample, therefore, the data were weighted to the Great Britain population in this age range. The best population figures available were the 2008 mid-year population estimates from Office for National Statistics (ONS)/General Register Office for Scotland (GROS). We weighted to the marginal age, sex and Government Office Region (GOR) distributions using raking-ratio (or rim) weighting.

Table 10.3 Weighted achieved sample, by region

	Unweighted achieved sample	Achieved sample weighted by Non-response (NR) and selection weight	Achieved sample weighted by final weight	Population aged 18-69[1]
	%	%	%	%
Age group				
18-24	9.4	11.3	14.0	14.0
25-34	16.4	16.2	19.0	19.0
35-44	22.9	22.4	22.0	22.0
45-54	20.7	21.4	19.6	19.6
55-64	22.4	21.8	17.5	17.5
65-69	8.2	6.9	7.9	7.9
Sex				
Male	45.9	48.8	49.7	49.7
Female	54.1	51.2	50.3	50.3
Government Office Region				
North East	4.9	4.2	4.3	4.3
North West	12.5	10.5	11.5	11.5
Yorkshire and the Humber	7.4	8.4	8.7	8.7
East Midlands	7.7	7.5	7.4	7.4
West Midlands	8.8	9.3	9.1	9.1
South West	9.3	8.3	8.7	8.7
East of England	9.7	11.0	9.6	9.6
London	9.7	12.7	12.8	12.8
South East	14.8	15.1	14.1	14.1
Wales	6.2	4.7	5.0	5.0
Scotland	8.9	8.5	8.7	8.7
Total	**1,654**	**1,654**	**1,654**	**40,426,960**

1 Population figures are the mid-2008 population estimates from ONS/GROS.

There is only one level of weighting as only one person is selected per household; therefore, only an individual level weight is required. The weighted data exactly matches the population in terms of the calibration variables. This calibration weight will be the final non-response weight to be used in any analysis of the data. This weight has been scaled to the final responding sample size.

10.6.4 Effective sample size

The effect of the sample design on the precision of survey estimates is indicated by the effective sample size (neff). The effective sample size measures the size of an (unweighted) simple random sample needed to provide the same precision (standard error) as the design being implemented. If the effective sample size is close to the actual sample size then we have an efficient design with a good level of precision. The lower the effective sample size is the lower the level of precision. The efficiency of a sample is given by the ratio of the effective sample size to the actual sample size Samples that select one person per household tend to have lower efficiency than samples that select all household members.The effective sample size of this sample is 1,363, with an efficiency of 82 per cent.

10.7 Comparison with other studies

Given the decline in response since the 2006 survey, there was a concern as to whether the achieved sample was representative of the population of Britain aged 18-69 as a whole. To check how far our achieved sample could be taken as representative of this population and whether it contained any potential bias, our achieved sample was compared against the achieved sample on some other well established general population surveys with relatively good response rates. Comparisons were made with regard to a number of demographic variables that serve as key analytic variables throughout the report. These comparisons are presented in Chapter 12.

Reassuringly, this analysis indicates that respondents to the 2009 Attitudes to Pensions survey were broadly similar to the respondents to these other studies, suggesting that we need not be unduly worried about possible bias in the data.

11 Characteristics of survey respondents

11.1 Introduction

This chapter describes the main characteristics of the survey respondents and how these compare to the samples achieved on a number of similar surveys. The purpose is two-fold – to provide an understanding of the characteristics of the sample in relation to the measures that have served as key analytic variables throughout the report – and to consider whether the lower than anticipated response rate attained is likely to have contributed to any bias in the achieved sample. Analysis focuses on respondents' social and economic situation and their demographic status. The chapter concludes by explaining in detail the segmentation of survey respondents into five broad groups defined by particular types of behaviour in relation to planning for retirement, which has served as a key analytic variable throughout the report.

11.2 Economic activity and demographic characteristics

11.2.1 Background: a weighted dataset

As detailed in Chapter 10, the dataset has been weighted to ensure that the resulting analysis is representative of the population of Great Britain aged 18-69 in mid-2009. The weighting itself is based on techniques widely used in Government and academic surveys. It is used to adjust for unequal selection probabilities, and for non-response, because some groups (such as those living in London) are more likely to refuse to be interviewed. It contains a final adjustment, also used in the main Government surveys, to ensure that the sample mirrors Great Britain in terms of numbers of men and women, the distribution by age and the numbers living in each region. Therefore, analysis of the sample numbers by age, sex and region will be virtually identical to the same analyses run using the Family Resources Survey (FRS) and other key Government studies.

So, for instance, a total of 1,654 people were interviewed – 759 men and 895 women. This reflects a lower response rate amongst men. However, the weighting ensures that the proportions of men and women in the analysis reflect their distribution in the relevant population.

This survey differs from many others, as it involved interviewing only one person in each household, rather than all the individuals living there. Attitude surveys, such as the British Social Attitudes (BSA) survey, generally interview only one person per household, as here, where there is no need to sum answers across a household, which would need to be done when measuring family incomes, for example. However, some information about other household members is collected (such as whether or not the respondent has a partner and/or dependent children). This ensures that individual answers may be placed in their proper family and household context.

The numbers interviewed by particular combinations of age and sex are presented in table 11.1. This table implies that percentages based on the youngest age group (18-24) are subject to greater uncertainty than for other age groups, because of the proportionately smaller number of interviews conducted. Part of the reason for the smaller numbers is a lower than average response rate amongst younger people, and in the analysis this is dealt with by having weights that give the right degree of representation to the younger and older age groups.

Table 11.1 Sample numbers, by age group and sex

Age group	Men numbers	Women numbers	Total numbers
18-24	71	84	155
25-34	102	169	271
35-44	177	201	378
45-54	164	178	342
55-64	184	187	371
65-69	61	75	136
Refusal	0	1	1
Base	*759*	*895*	*1,654*

Unweighted base: All respondents.

11.2.2 Economic activity

Access to pensions and particularly to private pensions, is greatly facilitated by being in paid work. Two-thirds (66 per cent) of survey respondents were in paid work at the time of their interview, with men significantly more likely than women to be so (69 per cent compared to 63 per cent of women). In addition, three in ten (30 per cent) were not working but had previously had a paid job, leaving only four per cent with no experience of paid work.

A range of different economic activities was being undertaken by men and women. Around one in ten (11 per cent) of those asked described themselves as being retired, whilst six per cent were disabled or sick and unable to work. Overall, eight per cent of respondents were looking after their family or home, although a clear gender difference was evident – 15 per cent of women reported that they were looking after their home or family compared to just one per cent of men.

Table 11.2 Work status, by sex

	Men %	Women %	Total %
Work experience			
Doing any work, or about to start work	69	63	66
Not currently working, but has worked in the past	28	32	30
Never worked	3	5	4
Current economic activity			
Doing any work, or about to start work	69	63	66
Looking for work or training/on a Government training scheme/ in unpaid work	7	2	5
Sick/disabled	7	5	6
Retired	11	11	11
Other (looking after home, or in education)	7	18	13
Of which, 'looking after home/family'	*1*	*15*	*8*
Base	*822*	*832*	*1,654*

Base: All respondents.

11.2.3 Socio-economic status

The National Statistics Socio-economic Classification (NS-SEC) is now the preferred method for measuring socio-economic status in social surveys. The NS-SEC is an occupationally based classification but has rules to provide coverage of the whole adult population, by asking about the last job undertaken by the individual. It can be collapsed into three, five or eight classes depending upon the analytic aim and quality of data available. Here, due to the relatively small size of the data-set, we report to three classes.

One in three (35 per cent) survey respondents were in the managerial or professional occupational group. One in five (19 per cent), were in the intermediate occupational group and a further one in three (34 per cent) were in the routine or manual occupational group. In around one-tenth of cases, it was not possible to allocate the individual to one of the three groups.

Table 11.3 NS-SEC – three analytic classes

NS-SEC	Total %
Managerial and professional	35
Intermediate occupations	19
Routine and manual occupations	34
Never had a job/not enough information collected	11
Weighted base	*1,654*

Base: All respondents .

11.2.4 Housing tenure

Owner-occupation is potentially quite important in framing options for income in retirement. Home-owners may be able to release financial resources by moving to a cheaper home or by using various equity release methods. Such options would not be available to the 16 per cent who were social housing tenants or the 14 per cent who were private tenants – at least not at their current life stage (for younger respondents later tenure changes could be of importance).

Two-thirds of respondents (66 per cent) were home owners and, unsurprisingly given the proportion of heterosexual couples in the population, housing tenure varied little on the basis of gender. Forty-four (44) per cent were buying with a mortgage, and 22 per cent were outright owners.

Those in middle age (25-54) were particularly likely to be buying a home with the help of a mortgage. Those aged 55-69 were the most likely – by a significant margin – to own their home outright, whilst those aged under 35 represented the highest proportions of private renters.

By way of comparison, respondents to FRS 2008/09 include 69 per cent of home owners. Although this headline finding shows the proportion of home-owners to be almost identical across the surveys, the 22 per cent of outright owners in this survey is slightly lower than the 33 per cent in the FRS 2008/09. Correspondingly, the proportion of respondents buying with the help of a mortgage for this survey, 44 per cent, is higher than the 36 per cent in the FRS. The proportion of social housing (16 per cent) and private tenants (14 per cent) are fairly indistinguishable with that of the FRS (18 per cent and 13 per cent respectively).

The slight variation of patterns of housing tenure in this survey, compared to the FRS 2008/09, may be the result of two factors: Firstly, we must highlight the different question wording across surveys. The FRS asked respondents, *'in which of these ways do you occupy this accommodation?'* whilst this survey asked *'which of these best describes the accommodation you are living in at the moment?'*. This suggests something of a shift from the person, to the address, in the style of questioning – although it is difficult to know what kind of effect this might be expected to have. Secondly, the FRS conducts individual interviews with all household members aged over 16, and there is no upper age criterion for qualification for an interview. In contrast, this survey interviews only those aged 18-69. It is arguable that those aged over 69 are more likely to be outright home owners than younger age groups, which may in part explain the higher proportion of outright home owners amongst the FRS 2008/09.

Table 11.4 Housing tenure, by sex

	Men	**Women**	**Total**
	%	**%**	**%**
Owned outright	22	23	22
Being bought, including shared ownership	45	43	44
Home owners	67	66	66
Social tenant	16	17	16
Private tenant	13	14	14
Others, including rent-free	4	3	4
Base	*822*	*832*	*1,654*

Base: All respondents.

Table 11.5 Housing tenure, by age group

	Age group						
	18-24	**25-34**	**35-44**	**45-54**	**55-64**	**65-69**	**Total**
	%	**%**	**%**	**%**	**%**	**%**	**%**
Owned outright	6	4	8	22	51	71	22
Being bought, including shared ownership	24	50	66	52	32	8	44
Home owners	30	54	74	75	83	80	66
Social tenant	24	15	14	17	13	17	16
Private tenant	31	26	10	8	2	1	14
Others, including rent-free	14	5	2	0	1	2	4
Base	*231*	*314*	*364*	*324*	*290*	*130*	*1,654*

Base: All respondents.

11.2.5 Educational qualifications

Grouping together a range of different vocational and academic qualifications, it is possible to divide the sample into four groups of roughly equal size:

- graduates, with a degree or higher (23 per cent);
- those with 'A' level or further education (30 per cent);
- those with GCSE (or equivalent) qualifications (26 per cent); and
- those with no qualifications or those below GCSE standard (21 per cent).

In looking at results by qualification level, it is important to note the strong correlation between educational attainment and economic activity. Some 28 per cent of those in work at the time of this survey held a degree level qualification (or higher). That compares to 18 per cent amongst those looking for work and 12 per cent of the economically inactive. Only 14 per cent of workers had no qualifications, compared with 27 per cent of those looking for work and 36 per cent of the inactive. This is not entirely surprising, as the inactive group included the retired, most of whom would have have left school before 1973, at a time when it was not compulsory to take any formal secondary qualifications.

Table 11.6 Work status, by highest educational qualification obtained

	Work status			
	In work or about to start work	**Looking for work, in Government training, unpaid work**	**Inactive – retired, disabled, sick, looking after home**	**Total**
Qualification	**%**	**%**	**%**	**%**
None (of those on card)	14	27	36	21
GCSE or equivalent	25	36	26	26
A level or further education	32	19	26	30
Degree or higher	28	18	12	23
Base	*1,081*	*76*	*486*	*1,643*

Base: All respondents.

11.2.6 Dependent children

The increased responsibility of having one or more dependent child may, hypothetically, increase the likelihood of individuals assessing their financial future. A dependent child may make an individual more disposed to consider a pension arrangement, as they may be more inclined to look ahead to consider their child's and consequently their, future financial needs. Conversely, pension payments could be viewed as increasingly unaffordable against competing spending priorities. Less hypothetically, being in full-time paid work, and in a good position to contribute towards a pension, is often more difficult for certain groups – for example, women with dependent children.

Seven in ten respondents (69 per cent) had no dependent children, with 13 per cent having one child. A further 13 per cent had two children, with the remaining five per cent having three or more children. Unsurprisingly, numbers of dependent children varied by age. Six in ten (61 per cent) of those aged 35-44 had one or more dependent child. That compares to just one in ten (14 per cent) of those aged 18-24.

By way of comparison, seven in ten (70 per cent) FRS 2008/09 respondents were also found to have no dependent children. In retrospect we might have expected this proportion to be lower, as the FRS includes a substantial number of respondents in their 70s and beyond whose children will in almost all cases be over 18.

Table 11.7 Number of dependent children, by age group

	Age group						
	18-24	**25-34**	**35-44**	**45-54**	**55-64**	**65-69**	**Total**
Number	**%**	**%**	**%**	**%**	**%**	**%**	**%**
0	86	56	39	68	97	96	69
1 or more	14	44	61	32	3	4	30
1	11	19	17	16	2	3	12
2	2	16	30	12	1	0	12
3+	1	9	14	4	0	0	6
Base	*231*	*314*	*364*	*324*	*290*	*130*	*1,654*

Base: All respondents.

11.2.7 Health and disability

A measure of self-rated health and disability was included in the survey for the first time in 2009. The measure proved useful for undertaking analysis in a number of areas, especially in relation to expectations regarding retirement.

Specifically, respondents were asked whether they had any long-standing physical or mental impairment, illness, or disability. 'Long-standing' was defined as a period of at least 12 months.

Two in ten respondents (21 per cent) reported a long-standing disability, with the remaining eight in ten (78 per cent) having no enduring health problems. One per cent of those asked refused to provide health information.

Table 11.8 Self-rated health/disability

	Total
Long-standing disability	**%**
Yes	21
No	78
Refused	1
Weighted base	*1,654*

Base: All respondents.

Although incidences of long-standing illness varied little by gender and social class, they were unsurprisingly more common with age. Four in ten (38 per cent) of those aged 65-69 reported long standing ailments compared to just less than one in ten (eight per cent) of those aged 18-24.

11.2.8 Ethnicity and religion

One in ten of those interviewed described themselves as being part of an ethnic group that was not white.

Respondents were quite evenly divided on whether they were Christian or had no religion (44 per cent and 49 per cent respectively). A much smaller group (seven per cent) said they were part of some other religion. These proportions have remained virtually static since 2006 when 46 per cent of respondents defined themselves as Christian, 47 per cent had no religion and seven per cent said they were part of some other religion.

Table 11.9 Religious and ethnic grouping

Religious or ethnic group	Total %	Numbers interviewed Sample N
Religion		
No religion	49	806
Christian	44	718
Other	7	120
Ethnic group		
'White'	90	1475
All other responses	10	170
Weighted base		*1,654*

Base: All respondents.

11.2.9 Planning for retirement; key groups

The 2009 survey included a set of four questions which were designed to explore people's confidence and financial preparedness for retirement. These behavioural traits are of particular interest as they are considered to be important in people's decisions around planning and saving for later life. Combining the answers to the four questions allowed for the placing of respondents into one of four key groups: a) prepared and confident; b) prepared but not confident; c) not prepared but confident; and d) not prepared and not confident. This classification has been used throughout this report to explain the variation in attitudes to pensions and planning for retirement amongst the sample. Combining the questions did also produce a fifth category representing inconsistent views on this matter but this group has not been used in the analysis as it is not of central interest to the report.

Specifically, the four questions put to respondents (of working age) were:

> *Do you currently have any financial plans, savings, work or personal pensions specifically for your retirement?*
>
> *Would you say that you currently have plans (not just financial) in place for your retirement?*

Which of the following, if any, do you have specifically for your retirement?

i. A company/work pension in your name that is currently being paid into.
ii. Additional voluntary contributions being made to a work pension.
iii. A personal pension that you or your employer are currently paying into.
iv. An ISA.
v. Premium bonds.
vi. Other investments.
vii. Other savings.
viii. A main home you could sell and downsize or release money from.

Thinking about your current situation and current retirement plans, would you say that you were worried or confident about the future?

Individuals were classified under one of the four categories based on the following answers to the questions set out above:

Table 11.10 Key groups

	Answer to question			
Question	**Prepared and confident**	**Prepared but not confident**	**Not prepared but confident**	**Not prepared and not confident**
1	Yes	Yes	No	No
2	Yes	Yes	No	No
3	Any of i-iv	Any of i-iv	None of i-iv	None of i-iv
4	Confident	Worried	Confident	Worried
Typical characteristics	Aged 35+. High income.	Aged 40+. Moderate income.	Low income. Unlikely to be self-employed.	Aged 40-64. Low income. Carers with less experience of work.

So, for a respondent to be classed as 'Prepared and confident' they must answer 'Yes' for question 1 and 'Yes' for question 2 and any of 1-4 for question 3 and 'Confident' for question 4. As discussed above, it was also necessary to create a fifth analytical group for those respondents who cannot be placed in one of the four groups, due to the provision of inconsistent answers.

Amongst our sample, the most prevalent group was 'prepared and confident' (39 per cent). This group are likely to have made some provision for their retirement (via financial products) and, crucially, are confident about their financial plans for the future. Two in ten (20 per cent) were classified as 'not prepared and not confident'. Respondents in this group are most likely to have an aversion to thinking about their financial situation. One in ten (ten per cent) were categorised as 'not prepared but confident'. The majority of this group will have no provision for their retirement, although being young, remain optimistic about their financial future. Just six per cent of respondents were defined as 'prepared but not confident'. Most respondents in this group will have made some provision for their retirement. However, they are also likely to have competing spending priorities and are anxious about the various demands on their income. It is of note that this survey found higher proportions of this group to be aged under 40 than above 40. This is in contrast to the 'typical characteristics' of this group. The remaining 25 per cent either had no clear group membership (13 per cent), or were already retired and so out of the scope of this analysis. The fact that the two most common segments are 'prepared and confident' and 'not prepared and not confident' suggests, to some degree, a correlation between the public's level of preparedness for retirement and their level of confidence about this – indicating that in the majority of cases individuals' confidence or lack of confidence may well be justified.

Table 11.11 Planning for retirement key groups

Segment	Total %
Prepared and confident	39
Prepared but not confident	6
Not prepared but confident	10
Not prepared and not confident	20
No clear group membership	13
Missing – retired	12
Base	*1,654*

Base: All respondents.

11.3 Conclusion

Clearly then, respondents to the 2009 Attitudes to Pensions survey reflect the diversity evident in the population of Great Britain aged 18-69 as a whole, in terms of their socio-demographic characteristics and broadly defined approaches to planning for retirement. The different measures presented above are likely to serve as key analytic variables throughout the remainder of the report, to explore and explain public attitudes to pensions and planning for retirement.

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This report presents the findings from a 2009 survey that explores people's attitudes towards pensions and their expectations for retirement as well as views on other topics related to planning and saving for later life. The findings update and expand on the first Attitudes to Pensions Survey which was conducted in 2006 and present a detailed picture on how attitudes to pensions and financial planning for later life have remained stable or changed since 2006.

The findings are based on a representative sample of 1,654 adults in Great Britain aged 18-69.

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