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Pension Freedoms – a qualitative research study of individuals’ decumulation journeys

By NatCen Social Research

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Glossary of terms

Accumulation	The phase during which a consumer saves into a pension pot during their working career to build up a pension pot for retirement.
Annuity	A form of insurance policy that consumers can buy with their pension pot. This will typically provide the consumer with a guaranteed income for life, or for a fixed number of years.
Automatic Enrolment	A legal requirement that every employer must automatically enrol its workers into a qualifying pension scheme subject to certain criteria. Employers have gradually enrolled all eligible workers into qualifying pension schemes between 2012 and 2018.
Decumulation	The process of converting pension savings into a retirement income
Defined Benefit (DB)	A scheme in which the benefits are defined in the scheme rules and build up regardless of the contributions paid and investment returns. The benefits are most commonly related to members’ earnings at the point they leave the scheme or retire, and the length of their pensionable service. These are also known as ‘final salary’ or ‘salary-related’ schemes.
Defined Contribution (DC)	A scheme in which a member’s benefits are determined by the value of the pension fund at retirement. How much is in the fund depends on how much the individual member pays in and any investment returns.
Income Drawdown	Flexi-access income drawdown products involve investing a pension pot into a fund or funds which allow the consumer flexible access. Income drawdown providers offer a range of different investment funds, with different investment objectives, risks, and levels of charges.
Pension Freedoms	In April 2015, the tax rules were changed to give people greater access to their pensions. Drawdown of pension income is taxed at marginal income tax rates rather than the previous rate of 55% for full withdrawals. The tax-free lump sum continues to be available. To support their decisions, individuals have access to free and impartial guidance via the phone or face-to-face, Pension Wise, to help them make the choices that reflect their needs in retirement. There are six options available including, leaving the pension pot untouched, purchasing an annuity, getting an adjustable income (Flexi Access Drawdown), taking cash in chunks (Uncrystallised Funds Pension Lump Sum), cashing in the whole pot in one go and mixing any of the options.
Self-Invested Personal Pension (SIPP)	A pension ‘wrapper’ that holds investments until an individual retires and draws a retirement income. It allows individuals to make their own investment decisions from a range of investments approved by HM Revenue and Customs (HMRC).
State Pension Age (SPa)	The age at which an individual can claim their state pension.
Uncrystallised fund pension lump sum (UFPLS)	UFPLS is not strictly a product, but an option through which consumers can access their pension savings. UFPLS features allow consumers to take partial or full withdrawals of cash from their accumulation pension savings. When making partial withdrawals, 25% of each withdrawal is tax-free, with the remaining 75% of each withdrawal subject to tax.

Summary

Before the enactment of the Pension Freedoms legislation in April 2015 consumers were restricted in how they could access Defined Contribution (DC) pension pots. Upon retirement, after a tax-free cash withdrawal allowance of 25%, the remaining part of any pension savings had to be taken as a regular payment for life, typically an annuity to avoid incurring a significant tax penalty. Those who met eligibility criteria of having a guaranteed pension income of at least £20,000 per year could opt for a drawdown product.

The Pension Freedoms legislation enabled consumers to flexibly access their DC pension pots from the age of 55 and use the funds for a wider range of options including cash withdrawal, retirement income products, or a combination of the two. Tax liabilities were reformed to reduce the penalty for withdrawing all of the funds in a pension pot. Since the introduction of the policy, over £37 billion of taxable flexible withdrawals have been made from DC pensions.¹ Most commonly this has been full or partial cash withdrawals, followed by drawdown products that have been taken out but not fully withdrawn.

To support consumers in making their choices under Pension Freedoms, the Government introduced Pension Wise, a national pensions guidance service offering free and impartial guidance for people aged 50 and over. The service operates face to face via Citizens Advice services, by telephone through The Pensions Advisory Service and online via the Pension Wise website.² But evidence suggests that a considerable proportion of consumers, particularly those from low income households, are taking decumulation decisions without accessing free information or guidance or seeking professional financial advice.³ The FCA Retirement Outcomes Review found that the proportion of consumers purchasing drawdown products without advice rose from 5% before the Pension Freedoms legislation to 30% in 2016. The report raised concerns that over half of the fully withdrawn pension pots were not spent but transferred into other savings or investments, sometimes due to a mistrust in pension products.⁴

The Department for Work and Pensions (DWP) commissioned NatGen Social Research to conduct a large qualitative study to better understand people's experiences of, and influences on, pension decumulation. The four research questions were:

¹ HMRC, Flexible Payments from Pensions, July 2020

² The Pensions Advisory Service is now part of the Money and Pensions Advisory Services (MAPS).

³ Citizens Advice, 2016

⁴ FCA, 2017

- What are individuals' experiences, views, expectations and aspirations regarding adequacy of income and wealth in retirement?

In the light of these experiences and expectations:

- What decisions are people making in relation to their DC pension pots?
- What factors influence those decisions?
- What support do individuals receive and/or need to make decisions about DC pension pot decumulation?

The research will support wider work by the Department to inform policy decisions relating to planning and preparing for later life.

The study comprised 81 in-depth, usually in-home, interviews with participants aged between 50 and 72. Most were aged 55-65 to capture the experiences and views of those who were approaching retirement. Over half of the sample were selected because they had accessed their DC pension pot, which enabled us to explore their decision-making journeys. We compared this to a smaller group who had left their DC pot untouched. The study also included a group of 50-55 years olds to gauge their awareness of the Pension Freedoms and their intentions as they approached eligibility. We oversampled participants who would be predominantly reliant on their DC pension(s) in retirement as will increasingly be the case for future cohorts. Most of the sample were therefore above the lowest income levels, which could make them mainly reliant on their State Pension in retirement, but below the highest incomes, with possibly a portfolio of investments to draw on as well as their DC pension.

When thinking about their retirement lifestyle participants considered: financial security to be able to pay for essentials; financial freedom to enable a lifestyle that was consistent with or better than their current one; and the ability to support their adult children. Beyond these general aspirations, there was little evidence of people giving detailed consideration of the length of their retirement or their needs beyond the independent phase of later life.⁵ In turn, few had thought through the level of income or wealth they might need to support themselves. Instead, participants tended to hold optimistic views of the likely adequacy of their retirement income and of their ability and opportunity to work up to their chosen retirement age. They also focused on the independent phase of their retirement until prompted to consider the longer-term picture. Those that did talk about potential health or social care needs were influenced by their own current health or the experience of family.

Among those who decided to decumulate their pensions, their stated rationale for doing so fell into four main categories.

- **To top up income**, whether to meet stated essential needs after a financial shock, such as job loss, divorce or ill health or to fund lifestyle choices, such as a holiday.

⁵ As defined by the Pensions Policy Institute, in the independent phase of later life individuals have low or no physical limitations and can engage in retirement activities (PPI, 2019).

- **To support adult children**, either their essential needs in difficult times or to help at major life stages such as a wedding or buying their first home.
- **To invest in other plans for financial security in retirement**. This included paying off mortgages, purchasing property or transferring funds into other types of savings.
- **To fund imminent or current retirement or semi-retirement** by purchasing either annuities or drawdown policies.

We used Stern's Attitude Behaviour Context (ABC) model to frame our understanding of the factors affecting pension decision making. Drawing on this model, we looked at how pension decumulation decisions (**behaviour**) are driven by a complex array of **attitudes** – shaped by circumstances, perceived capabilities, beliefs, values and dispositions – in the **context** of the Pension Freedoms policy. Key aspects of this policy context were the choices now available under Pension Freedoms and, since 2018, the support provided by the Pension Wise service. By definition, given the sampling focus on those who had decumulated, most participants were aware of the options under Pension Freedoms policy through media coverage, colleagues or communication from their pension provider. However, those who had not accessed or had only made a cash withdrawal were less aware of retirement income options available under Pension Freedoms.

We found that whether an individual went ahead with accessing their pot(s), and in what way, depended on a complex interaction between their circumstances, personal beliefs, values and capabilities. This included how they viewed their potential life expectancy and years of independent retirement, their attitudes to financial risk, trust in financial institutions, preferences for supporting adult children, proximity to planned retirement age, health and employment status, perceived financial capability and, where applicable, how they took their partner's plans into account.

There were a range of types of participants who were triggered to access their pension pot, usually through a cash withdrawal. Some participants were motivated by changes in their personal circumstances, such as a reduction in employment income, a divorce or an adult child in financial difficulty. Others said they had taken the decision to fulfil an aspiration, such as funding a holiday. Across all types of participant, simply approaching retirement age or engaging with information from pension providers led people to think about how they wanted to use their pension pots. But across these groups people consistently viewed their DC pension more as a component of their overall savings from which they may draw, rather than specifically reserved for the purchase of an income product in retirement. Those with several DC pots demonstrated mental accounting, feeling that a small pot was a minor part of their overall investment and could be liquidated, even if the amount might be greater than their immediate need.

Those who had not accessed their pensions might not have had the financial need or aspiration to consider doing so yet. But there was also evidence of participants whose pension pot was primarily their source of retirement income. Some in this group were reluctant to seek information, guidance or advice about their options for

fear of being tempted to access it early, rather than saving it to constitute retirement income.

Sources of information used included media coverage, their pension provider, money advice websites and the Pension Wise service. This could be supplemented by targeted guidance about pension freedom options from a provider, employer or government source. Engagement with paid financial advisers varied from an initial free consultation to comprehensive pension planning advice. Among those who did not seek paid advice, people turned to Pension Wise, their employer, or personal contacts they thought knowledgeable.

A group of participants acted on the basis of no support or minimal information and guidance. Where these participants reported high perceived financial capability, they knew what they wanted to do and simply wanted information on how to operationalise their plans. Others did not seek advice because they were wary of the complexity of pensions decisions and proceeded to decumulate despite lacking confidence in their understanding of the consequences. For those on lower household incomes, the perceived cost of personal financial advice could be a barrier to seeking professional advice. Others were put off by the perceived burden of engaging with support on top of busy lives or health conditions. Participants with all levels of perceived financial capability could also present a mistrust of financial advisers and the pension industry as a rationale for their decision making. This could either underpin not seeking advice or not acting on the advice.

When asked what support would be helpful, participants expressed a desire to have more information and guidance across all their pension pots in one place. Some had achieved this by paying for advice, others felt they could not get the full picture.

This study did not set out to evaluate whether pension decumulation decisions made by participants were appropriate for their circumstances. Instead we sought to understand what brings people to consider accessing their pots and what shapes the details of their final decision. We found consumers in different circumstances who might be taking potentially detrimental decumulation decisions without seeking guidance or advice. Consumers need different types of support to navigate the guidance available and encouragement that the time and cost they might have to invest in advice will help them make the most beneficial decisions.

Decisions about the amount to decumulate could be determined by the total amount in a small pot rather than the expenditure needed, and participants could discount the importance of liquidating a whole pot if it was relatively small. Consumers may be less likely to decumulate, or decumulate more precisely according to need, if they have consolidated their pension savings into one large pot.

Younger participants, aged under 55, demonstrated a similar disposition to viewing their DC pension pots as part of their savings, although they were less aware of the details of pension freedom options. They talked in terms of needing more general information and guidance about pensions at an earlier stage of their working lives. However, given the high levels of disinclination to engage in retirement planning or consider the financial risks in detail, information needs to focus on the immediate

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positives of pension saving behaviour and help consumers to see the combined value of their DC pots and the potential retirement income they will generate.

1 Introduction

This chapter describes the policy context for this study and gives a brief overview of the methodological approach.

1.1 Policy context

The United Kingdom’s population is ageing. The proportion of people estimated to be 65 and over is forecasted to rise from 18% in 2018 to 24% by 2037 (ONS, 2019). At the same time, the structure of the working population is shifting. Employment rates for those aged 65 doubled from 1998 to 2018 from 5% to 10%, and the State Pension Age (SPa) is rising – reaching 67 for all by 2028.⁶

Against this backdrop, the way in which people finance their retirement has also changed. Following the introduction of automatic enrolment into workplace pensions in 2012, participation in workplace pensions among private sector employees almost doubled from 42% in 2012 to 85% in 2019.⁷ The growth in numbers is a result of a rise in membership of Defined Contribution (DC) schemes from just over one million in 2012 to 6.4 million in 2016, compared to membership of Defined Benefit (DB) schemes which fell from around 1.7 million to 1.3 million over the same period.⁸ Therefore, while most employees are now saving, they are dependent on how much they contribute to DC schemes, how much their employers contribute, the performance of their pension investment as it accumulates and when they wish to decumulate.

Moreover, the changing nature of work could also affect the level and pattern of saving for retirement. People change jobs and consequently schemes more often. Plus, fewer are working as employees, while self-employment and jobs in the ‘gig economy’, characterised by people working as contractors on a short term or single piece of work basis, are rising. Estimates produced for the Department for Business, Energy and Industrial Strategy (BEIS), indicated that 4.4% of the population of Great Britain had worked in these insecure types of jobs in the 12 months prior to a survey conducted in 2017. Rates were much higher among younger age groups.⁹

In the 2014 budget, the Coalition Government announced that individuals aged 55 and over would be able to make withdrawals from their DC pensions savings, how and when they want, subject to their marginal rate of income tax in that year. Before then, tax legislation strongly encouraged most people with DC pension savings to buy an annuity otherwise they faced a 55% tax charge on lump sum withdrawals.

⁶ ONS, 2019

⁷ The Pensions Regulator, 2019

⁸ ONS, 2018

⁹ Lapanjuuri and others, 2018

Where authorised, lump sum or flexible payments were allowed in limited circumstances.

From 6 April 2015, individuals have been able to take flexible payments from their DC savings, even where the scheme rules did not allow them to do so in the form of a statutory override. After the introduction of these Pension Freedoms reforms, individuals with DC pensions have more (potentially complex) options available to them from the new normal minimum pension age (age 55). The options now available to them are:

- Leaving their pot untouched
- Taking the whole pot
- Buying an annuity or guaranteed income product
- Taking out a flexi-access drawdown product
- Taking a series of lump sums – known as uncrystallised funds pension lump sum (UFPLS)
- A combination of the above

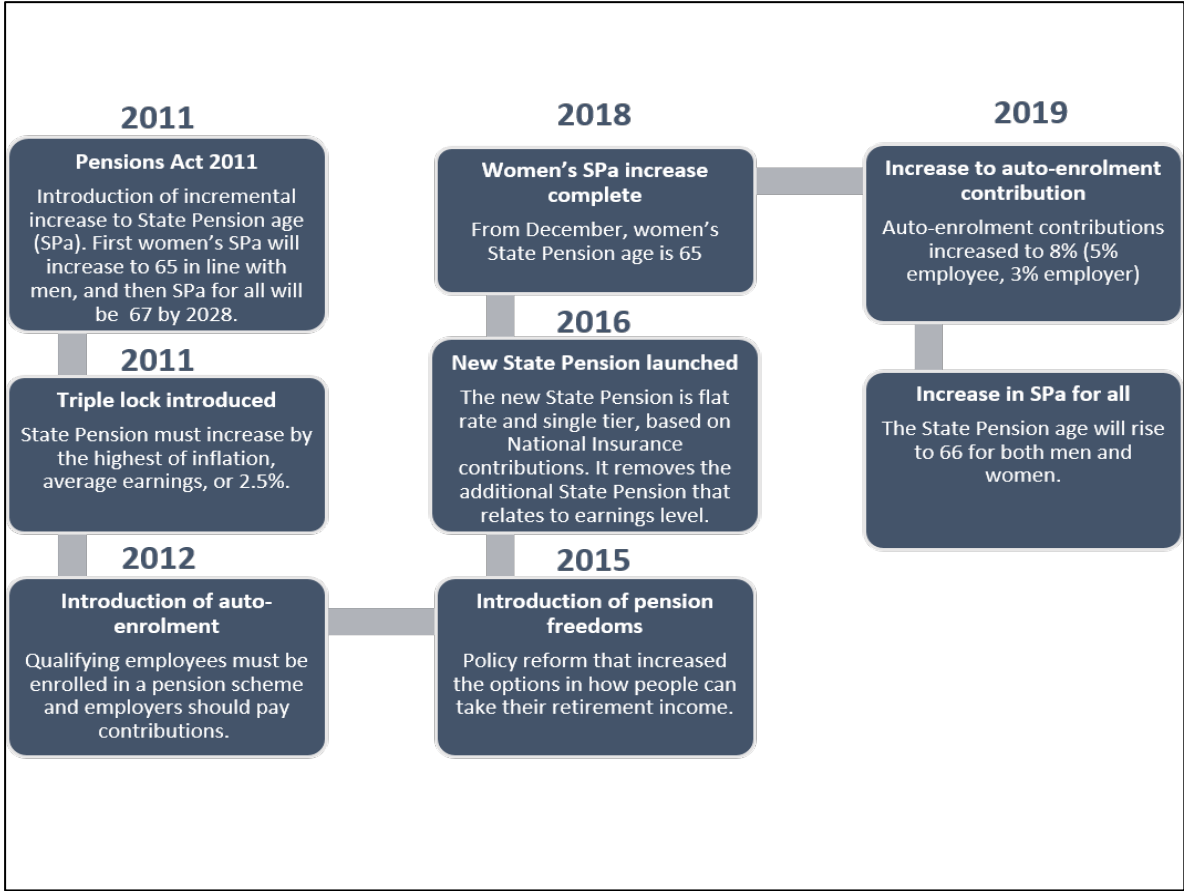
Individuals with DC pensions can still take up to 25% of the pension pot as a tax-free lump sum.¹⁰ This is paid out as a single lump sum when they purchase a pension product (an annuity or flexi-access drawdown product). Alternatively, if the product is an UFPLS, a tax-free allowance is permitted with each withdrawal and all savings are only crystallised once all are withdrawn. By the end of 2019, the total value of flexible withdrawals from pensions since the introduction of these freedoms had reached almost £35.4 billion.¹¹

Figure 1 summarises the relevant changes that have occurred across pension policy in recent years. In this context, Pension Freedoms has been a part of wider changes that have aimed to raise participation in pension schemes, expand pension planning choices, adapt the State Pension to demographic change and ensure that it will keep pace with the cost of living.

¹⁰ The Pension Commencement Lump Sum (PCLS), it is available from normal minimum pension age.

¹¹ HMRC, 2020; HMRC, 2015

Figure 1 Pension policy changes timeline



Source: Authors, information adapted from PPI Pensions Primer (2019)

Following these reforms, the Government recognised that people would need support navigating the expanded range of options. Through the Pension Schemes Act 2015 a new guidance service – Pension Wise – was set up in 2018 to provide free and impartial guidance to DC savers from age 50 onwards. The Pension Schemes Act 2015 also prohibited transfers (other than in very limited circumstances) from unfunded public service Defined Benefit (DB) schemes into schemes with DC arrangements; and introduced a new safeguard to ensure individuals with pension benefits that offer guarantees of a secure income not available elsewhere, (such as those in DB schemes or DC schemes with guaranteed annuities) seek appropriate financial advice before they access the new flexibilities.

However, there is a concern that many people are accessing their pension pots without engaging with information, free guidance or paid-for advice. Indeed, recent FCA data for 2019/20¹² indicates that 50% of pension plans were accessed without advice or guidance being taken by the plan holder.

Another concern is that people approaching retirement tend to underestimate their life expectancy which could influence pension decumulation decisions. This is particularly important for individuals who have a flexible pension product and who face greater longevity/inflation risks than those with annuities. Analysis by the

¹² See: <https://www.fca.org.uk/data/retirement-income-market-data>

Institute for Fiscal Studies found that people in their 50s and 60s underestimate their probability of survival to age 75 by around 20 percentage points. Pension products based on actuarial estimates of life expectancy, such as annuities, can therefore look unattractive to people who do not expect to live as long as the estimates used for these products.¹³

1.2 Purpose of this research

The Department for Work and Pensions (DWP) commissioned NatCen Social Research (hereafter referred to as ‘we’) to investigate the ways in which people across Great Britain predict their financial needs in retirement and the factors that influence their pension withdrawal decisions following the introduction of Pension Freedoms. The findings will also be shared with Her Majesty’s Treasury (HMT) and associated Arm’s Length Bodies, such as the Pensions Regulator and the Financial Conduct Authority.

This is part of wider research and analysis aimed to inform policy and operational decisions regarding pension decumulation, individuals’ later life journeys and financial outcomes. It contributes to the evidence base explaining the drivers of the decumulation decisions that pension scheme members are making, set in the context of their wider expectations and aspirations. It will support wider work to inform policy decisions relating to planning and preparing for later life. This research will additionally inform future policy on advice and guidance as it will provide further understanding of how individuals go about accessing information, the types of information that inform decision making and individuals’ level of engagement with their pension pots.

These efforts relate to the DWP’s objective to ensure financial security for current and future pensioners.¹⁴

1.3 Research questions

The four research questions were:

- What are individuals’ experiences, views, expectations and aspirations regarding adequacy of income and wealth in retirement?

In the light of these experiences and expectations:

- What decisions are people making in relation to their DC pension pots?
- What factors influence those decisions?
- What support do individuals receive and/or need to make decisions about DC pension pot decumulation?

¹³ O’Dea and Sturrock, 2018

¹⁴ See: <https://www.gov.uk/government/publications/department-for-work-and-pensions-single-departmental-plan/department-for-work-and-pensions-single-departmental-plan-2018#ensure-financial-security-for-current-and-future-pensioners>

1.4 Methodology

1.4.1 Design

The study was designed to be exploratory and iterative in nature. We conducted 81 qualitative in-depth interviews. This qualitative approach allowed participants to fully articulate and contextualise their pension planning and behaviours. In these extended interviews, researchers could follow up through probing and prompting to capture detailed insights into pension journeys.

We also took a staged approach to ensure that the design and data collection built on previous learning. A Rapid Evidence Assessment informed a pilot stage of fieldwork to test the sampling strategy and research instruments. The mainstage fieldwork was divided into two stages with a pause to reflect on the implications of initial findings for the remaining interviews.

1.4.2 Sampling and recruitment

Recruitment was conducted through on street recruitment techniques using a screening questionnaire to find people with DC pension pots. Within this group we screened to achieve an agreed mix of participants who were at least 50 years old, had at least one DC pension pot and had an agreed range of individual incomes. The study excluded those who only held a DB pension but included participants with both DC and DB pensions. Our participants typically entered the labour market in the 1970s and 1980s at a time when DB pensions, although already declining, were still widely available through workplace pension schemes. Since then, particularly in the private sector, the availability of DB pensions has continued to fall to a point that in the decade to 2018 the number of active members of DB schemes halved from 2.7 million to 1.3 million.¹⁵ Many of our participants therefore had a combination of DB and DC pensions upon which to base their retirement planning, something future cohorts will be less able to do.

Over the same decade, those who might have previously not joined any pension scheme were included from 2012 in auto-enrolment into workplace pensions, typically relatively low-cost DC pensions. This meant that some participants who might have previously been solely reliant on the State Pension were now saving through a DC pension scheme. Future cohorts will be both more likely to have been auto-enrolled into a DC pension and to have accumulated more pension wealth this way.

We agreed with DWP to limit the number of participants we recruited who were earning at the point of retirement less than £19,000 per year or more than £32,000 per year. This enabled us to concentrate on consumers who would neither be predominantly reliant on their State Pension in retirement, nor would have significant other investments outside their DC pension to support them in later life. Given recruitment was on street we did not attempt to establish household income at the

¹⁵ Pension Policy Institute (2019) [Approaching the endgame: the future of Defined Benefit pension schemes in the UK.](#)

screening stage. During the interview we captured current household income and describe our findings according to these figures. Beyond this we aimed to achieve a mix of participant by gender, ethnicity, tenure and household status – including whether living with a partner or children.

As the main focus of the study, we prioritised finding participants who had accessed their pension pots under Pension Freedoms. These individuals formed well over half of the final sample. The remainder of the sample comprised one group of 50-54 year olds to examine awareness and intentions prior to eligibility, and another group of those over 55 who had not accessed their pension pot.

Although we oversampled those who had accessed their pensions, the range of their decumulation behaviours were consistent with evidence on patterns of decumulation in 2018/19 found by the FCA.¹⁶ Over half of them had made cash only withdrawals, some partial, others closing down their pension pot entirely. The remainder had taken out an annuity or drawdown product, often accompanied by an initial lump sum. We discuss these pension access behaviours in more detail in Chapter 3.

The 81 interviews were across 15 locations in England, Scotland and Wales with individuals aged from 50 to 72. Nearly all participants were working full or part-time. The small number who were not in work were either unemployed or retired. When we conducted the in-home interviews, we recorded household income level. For many in couple households, this understandably took them into a higher total income bracket. Reflecting both their age and income levels, nearly all of the sample were homeowners. Here we aimed to interview a mix of those who owned their home outright and others who still had a mortgage.

We summarise the characteristics of the sample in Table 1. It is important to note we excluded anyone who had only accessed their pension pot before 2015, prior to the introduction of Pension Freedoms.

¹⁶ See: <https://www.fca.org.uk/print/data/retirement-income-market-data-2018/19>

Table 1 Achieved sample

Sampling		Achieved sample	
Gender	Female	43	
	Male	38	
Age	50-54	11	
	55-59	24	
	60-64	29	
	66 -72	17	
Ethnicity	White British	62	
	Black, Asian and Minority Ethnic	9	
	Not self-reported at screening	10	
Household composition	Living alone	20	
	Living as a couple, no children at home	46	
	Children at home – with participant living alone or as a couple	15	
Tenure	Homeowners	72	
	Private renters	4	
	Social renters	5	
Region	England	60	
		London and the South East	17
		Midland	21
		North East	22
		Scotland	9
	Wales	12	
Retirement status	In employment or seeking employment	73	
		Working up to SPa	62
		Working beyond SPa	11
	Unemployed	1	
Retired	7		
Household income (aggregate household income at the time of interview - self-reported during interviews)		Couple	Single
	Up to £19,000	5 ¹⁷	5
	£19,001-31,999	5	10
	£32,000-44,999	9	4
	£45,000-59,999	12	2
	£60,000-89,999	9	0
	£90,000 and above	7	1
Undisclosed	11	1	
Pension provision	Single pension plan (DC)	27	
	Two or more pension plans (up to 7 plans, inc. combination of DC and DB)	54	
Decumulation decision	Unable to access yet (under 55)	11	
	Not accessed pension	22	
	Accessed pension	48	
		Annuity ¹⁸	13
		Drawdown	10
		Lump sums only	16
Full pot withdrawal	9		
Total achieved sample		81	

¹⁷ Here the reported household income at interview could be lower than the reported individual income at screening: individual income at screening referred to employment income, while household income asked in interview was retirement income, when the participants was retired or semi-retired.

¹⁸ Annuities and drawdowns could also include lump sums being taken out when the product is purchased

1.4.3 Fieldwork

Interviews were conducted between August 2019 and February 2020. Most were in participant's homes, although some were in public venues (such as coffee shops) or via telephone if more convenient for the participant. Interviews lasted between 45 and 90 minutes depending on the mode of interview and complexity of the participant's pension provision. Participants were given the option of conducting the interview alone or through a paired interview, whereby someone such as a partner or friend was there in a supportive capacity.

NatCen researchers conducted the interviews using a detailed topic guide agreed prior to fieldwork with the Department. The discussion focused on the participants decision making in relation to their own pensions, although this sometimes led to insights into joint-decision making in couple households. We used enabling tools such as timelines to help participants recall pension changes and decisions alongside important life and labour market events. All interviews were audio recorded and transcribed verbatim for analysis.

Appendices 1 and 2 provides the research instruments used in this study.

1.4.4 Analytical Approach

Interpreting the findings

The study provides a thematic analysis of the experiences of pension savers and the motivations for pension decumulation decisions. However, qualitative insight must always be interpreted appropriately, taking into account the nature of the design and the reliance on participants' own understanding.

Potential for generalisation

Qualitative samples are designed to illustrate the diversity of experiences and views but cannot be considered representative of the population. Moreover, by purposively oversampling consumers who had accessed their DC pension pots and were in middle income groups, the findings cannot be broken down into any proportions or counts that could be taken as representative of the population. Instead we aim to understand the processes by which people make decisions and identifying the factors that affect these decisions.

Relying on participants' perceived financial capability and understanding of pensions

The study encountered a range of participants with varying levels of perceived financial capability and understanding of pensions. Those that took part in screening sometimes struggled to identify whether they had DC or DB pensions, despite the use of tested field materials to explain the difference. In the interviews themselves, we took time to explore the details of participants' pension investments, using tools to aid recall and correctly identify different schemes, but we were ultimately reliant on the participants' own knowledge of their finances and pensions. Equally, we report on the participants' own judgement of their financial capability and pension awareness,

and do not attempt any assessment of whether their financial decision making was appropriate for their circumstances or optimal for their financial security in later life.

Trust in pensions and financial institutions

Even at the recruitment stage, many people were wary that the research could be part of a sales drive or scam. Participants required high levels of reassurance regarding the purpose and independent nature of the study. Others reported low levels of trust in pension providers generally, or reluctance to engage in the subject of pension planning (discussed further in Chapter 3).

Using an analytical framework

All the transcribed data was managed using the Framework approach to qualitative analysis developed by NatCen.¹⁹ This approach allows us to identify emerging themes in how people are making their decumulation decisions. Additionally, we organised our analysis of factors affecting different decumulation decisions using Stern's Attitude-Behaviour-Context (ABC) Model of behaviour.²⁰ In this scenario, the policy context is Pension Freedoms and the guidance available through Pension Wise, the behaviour is decisions over pension decumulation and the attitude is the drivers of those choices, whether views, capabilities, previous experiences or current circumstances. We provide further details in Chapter 3.

1.5 Report structure

Chapter 2 describes the range of expectations and aspirations people have for income adequacy in their retirement. We explore how people arrive at these expectations and what they think they need to do to achieve them.

Chapter 3 then applies Stern's ABC framework to outline the different types of attitudes that influence pension decumulation.

Chapter 4 describes the different types of advice and guidance that people sought or might want in making their decumulation decisions.

Chapter 5 brings the findings of the previous chapters together in case studies to illustrate how these attitudes interact in people's complex pension journeys.

Chapter 6 concludes by looking at opportunities to better support pension decumulation decisions in the light of the findings.

¹⁹ Ritchie and others, 2014

²⁰ Stern, 2000

2 Income and wealth adequacy in retirement

This chapter explores participants' perceptions of an adequate lifestyle in retirement and the income and wealth required to achieve this. It provides the backdrop against which we later consider people's pension decumulation decisions, as well as how participants' lifestyle aspirations fed into those decisions.

2.1 Perceptions of an adequate retirement lifestyle

In this study we explored what participants considered to be their desired lifestyle in retirement and what income or assets they would need to support this. We should remember when discussing expectations and aspirations that the sample was purposively designed to avoid the lowest and highest income groups.

Both retired and non-retired participants took three features into account when deciding upon their desired lifestyle in retirement.

- **Financial security:** freedom from anxiety about being able to afford to pay bills and buy food. This was essential to participants across income groups.
- **Financial freedom:** being able to travel and engage in leisure activities, such as going to the pub with friends, eating out, or going to the theatre or cinema. While participants from all income groups considered holidays and leisure activities to be important, the types of activities reflected what participants could presently afford.
- **Intergenerational transfers:** being able to help their children out financially, spend money on treating their grandchildren, and perhaps leave them money or property as an inheritance. This was not mentioned, however, by participants in the lowest household income group.

The types of expenditure that people identified as necessary to meet their desired lifestyle were consistent with previous research on retirement living standards carried out by the Pensions and Lifetime Savings Association (PLSA).²¹ There was little variation between those approaching retirement and those already retired.

²¹ PLSA, 2019

As we illustrate below, participants focused on the independent phase of retirement, for example, covering holidays and leisure activities.²² Participants typically did not consider their possible needs at later stages of retirement unless prompted by the interviewer – this was true for both non-retired and retired participants, who tended to be in the early years of their retirement. A lack of consideration for later life also crossed all types of socio-economic groups.

Researcher: Do you see your need for income changing in the course of your retirement at all, or will it stay more or less the same?

Participant: I would imagine it would probably rise with inflation or whatever, but more or less stay the same. Well, actually it'd probably go less because my daughter will be independent, yes.

Researcher: Can you see any other factors for it changing in any way?

Participant: No, there's just the possibility of your health, I'm not that bothered. Nothing on the horizon that I'm expecting to change.

(Male, 60-64, accessed, retired)

We're happy. We'd like to spend more time playing golf, when [my wife] retires obviously. That's about the only thing.

(Male, 65-74, accessed, retired)

For non-retired participants across socio-economic groups, there was a desire to both maintain good health and retain their current lifestyle in retirement. This was either through continuing to live on their present income or on a lower income if they expected their expenditure to decrease, for example after paying off their mortgage or their children moving out. Descriptions of an adequate lifestyle in retirement therefore reflected current living standards:

I would still want to have my holidays. I would still want to be able to survive and pay bills. ... Still living to the standard that we've set, that's the goal. Always has been the goal anyway, to try and make sure that when we finish work, we'll still have the same type of lifestyle that we've got.

(Male, 55-59, not accessed, working)

I'm not bothered about going on holiday or anything because we don't bother doing that now anyway really. Just to be able to go for a drink now and again. We're always careful with money anyway. Just carry on as we are really.

(Female, 55-59, accessed, working)

On the other hand, there was a group of non-retired participants who aspired to enhance their lifestyle in retirement. Those who currently did not have enough disposable income to spend on leisure activities aimed for a higher income to do so.

²² As defined by the Pensions Policy Institute, in the independent phase of later life individuals have low or no physical limitations and can engage in retirement activities (PPI, 2019).

Others were thinking about how to achieve a better quality of life within their likely retirement income, potentially by relocating.

I've not done a cruise yet, I want to do cruises, I want to travel more than I do now, when you get five weeks' holiday a year, I want to get out there, I'd love to do cruises ... just more money for holidays.

(Female, 50-54, not yet eligible to access, working)

I would probably go and live somewhere like France. Live quite a simple life, eating fresh food and fresh bread and drinking a glass of wine Now, I say that in a humorous way, but I don't need an awful lot. I don't need the fancy travel, I don't need the cruises, I don't – because I've been extremely privileged in that I've done it through work and various other things. But I do want to enjoy myself and I don't want to be in a position where I'm conscious too much of money.

(Male, 55-59, not accessed, working)

Lifestyle aspirations were also motivated by feelings of deservingness. Both retired and non-retired participants who expressed this felt that they had earned a decent life in retirement through hard work – they did not want to penny-pinch or worry about being able to afford necessities.

I've seen [my mum] work so hard. Like she's retired now and then she has to be watching on her heating. She's uncomfortable. She's cold. No, I don't want to have to - I've worked too damn hard to have to be - and then retire and then to have to be cutting down on certain things and cutting down on your food.

(Female, 55-59, not accessed, working)

On the other hand, there were participants keen to distance themselves from aspiring to an “excessive” lifestyle in retirement, which was considered “lavish” or “luxurious”.

I don't want to be able to just, have to think, I can't afford that, and we've got to sit at home. I don't want no lavish lifestyle, but I don't want us to think, I can't go and play golf or go to the cinema or do this or do that. I want us to be able to do things. Nothing lavish, but just be able to do things

(Male, 55-59, not accessed, working)

2.2 Consideration of income adequacy

Participants tended to have only thought, or intended to only think, about retirement income and expenditure needs at the point of retirement. Participants below the age of 65, who had not yet retired, talked about being prepared to work longer if necessary and would prefer to only consider the details of their retirement lifestyle closer to the time.

I'd like to think I'll live until I'm 80, I don't know. I wouldn't sit down and say, 'I'm going to live until I'm 82, right, I've got 20 years, that'll equate to £2,500 a month, oh, I'll do it now'. I quite enjoy working, to be honest, and I'll work as long as I want to, until something happens where I can't work anymore, or I get bored of it, or we just decide enough's enough.

(Male, 60-64, accessed, working)

It's a hope that I can retire at 65, and it's a hope that it all comes together. As I say, when I get to 65 and suddenly I want to retire, and I think I can't do without my salary I may not, but in my head that's my plan. I haven't written it down, I haven't put it in a spreadsheet, I haven't put it to a financial adviser, that's just my outline. I'm kind of one of those that I won't worry about it yet until it gets closer. I don't need to worry about it at the moment, I'm working. If I have to stay working after I'm 65 then that's what I'll do. If I have to go and get another job, I will do.

(Female, 55-59, accessed, working)

As demonstrated by these quotes, participants' conceptualisations of their own longevity were highly contingent on the ability to work into their later life. Participants, however, did not deliberate on the possibility of factors like deterioration in health or care responsibilities preventing them from working in the future. Exceptions included participants with personal health problems or close friends or family members whose health prevented them from working.

2.3 Income requirements

During interviews, all participants were asked to suggest the level of household income they would need to achieve what they considered to be an adequate lifestyle in retirement. Participants' estimates tended to reflect the money they would need for particular types of expenditure (see 2.3.1 for further detail).

The net income ranges that non-retired participants thought they would need are reported in Table 2.²³ These are presented alongside thresholds for a minimum, moderate and comfortable lifestyle, estimated by PLSA.²⁴ Participants aspired to incomes within the minimum and moderate thresholds according to their partnership status and location. Only a few participants anticipated an income requirement below the minimum or above the comfortable threshold.

²³ A small number of participants reported their adequate income as a proportion of their current gross income. These incomes are not reported here, as they are not comparable with the PLSA expenditure-based thresholds. Current employment income, on the other hand, tended to be reported in gross terms. Replacement rates of employment income are not calculated here to avoid comparison of gross employment income with expenditure-based retirement income aspirations.

²⁴ PLSA's thresholds for a minimum, moderate and comfortable lifestyle are expenditure measures. They are monetary values given to baskets of expenditure that, to PLSA's focus group participants, represented minimum, moderate and comfortable retirement lifestyles (PLSA, 2019).

Table 2 Range of non-retired participants’ suggested annual income requirements against PLSA thresholds for minimum, moderate and comfortable retirement lifestyles*

Area	Household composition	Annual income requirement range (£)		PLSA thresholds (£)		
		Low	High	Minimum	Moderate	Comfortable
London	Single	14,000	24,000	12,400	24,100	36,300
London	Couple	24,000	55,000	19,800	33,300	49,300
Outside London	Single	7,000	18,000	10,200	20,200	33,000
Outside London	Couple	14,000	36,000	15,700	29,100	47,500

Source: authors’ analysis drawing on PLSA (2019) and respondent interviews

There was a small number of participants in the study who had already retired, all of whom lived outside London and in couple households. This group suggested a required income between £12,000 and £30,000 per year, which spans from under the PLSA minimum to just over the moderate income threshold.

For both retired and non-retired participants, the perceived required level of retirement income tended to reflect current income and expenditure patterns, together with how they were expected to change. We found no pattern of variation by age, gender, pension savings or mortgage status.

2.3.1 Methods for arriving at an estimate

Non-retired participants tended to have not thought about the income they would need for an adequate lifestyle in retirement. Additionally, when prompted, there was a group that cut across levels of income and perceived financial literacy, who still did not want to suggest a figure. These participants were either in the process of planning their retirement and felt they did not know yet; did not feel financially confident enough to give an estimate; or did not like to plan ahead. In broad terms, this group also aspired to either a similar or better lifestyle than they had currently.

I don’t know because I don’t like to look. I don’t like to make those kinds of calculations because I’ll probably find it’s not enough ... I’m thinking more maybe when I hit 60 I’ll want to look ahead a bit more and get a bit of a snapshot based on what’s in the pension fund, but for the moment I’m happy to keep trying to grow it and I suppose it’s a bit feeble minded not wanting to know the answer in case it’s the wrong one.

(Male, 55-59, not accessed, working)

For those prepared to suggest a figure, the main way to produce an estimate was by initially referring to their current net income or expenditure. They then added to, or deducted amounts from, these totals depending on their assumptions about how these totals might change in retirement. Assumptions included the effect of children

moving out; paying off the mortgage; lack of work-related costs, such as commuting or lunches; and giving up their car (either their only car, or one of their cars if the household had several). Some then considered whether the total fitted in within their anticipated pension income.

The mental maths is that I currently probably take home about, I'm guessing about that, £15,000, £18,000. ... I spend a lot on petrol, I have to buy my lunches, I have to clothe myself for work because I work in an office. I won't have all those expenditures ... so my outgoings will somewhat reduce. That's my estimate, and I still have my holidays on what I earn now, so I'm saying £15,000 to £18,000 should be fine.

(Female, 55-59, accessed, working)

We will be getting I think around £2,000 a month from what we're paying now... At the moment, I pay £100 a month for gas and electricity. So yes, that's still okay. So, our food and bills are around £1,000 a month so actually we've got £1,000 left to live on. So, we can do things. So, I think we could live quite well on that. We don't go over the top. We're not crazy. We don't spend lots. We only spend to our means. So, if we haven't got it, we don't do it.

(Female, 60-64, not accessed, working)

Participants felt that an increase in leisure time during retirement would play an important role in raising their expenditure. They anticipated having more opportunities in retirement for longer and more frequent holidays, hobbies such as golf, socialising in the pub or restaurants, and participating in cultural activities such as theatre or cinema. When probed about the long term, participants said they associated these costs with the early years of retirement after which they expected activity levels and associated expenditure to fall.

I'm not so bothered if I'm in a state where I can't really do anything ... In my mind, if you go 65 to 75 and you've done everything, and you've been everywhere you wanted to go, and you've done it and your kids have had a great time and all of that, then what else am I asking for out of life? ... That's where the money's mostly going to be because once you're 75, 80, 85, you might not even be able to get on a plane and go somewhere, for example.

(Male, 55-59, accessed, working)

Occasionally, participants (both retired or non-retired) considered health and social care costs as another expenditure that could increase in retirement, mostly at the later stages. This group tended to either have health conditions themselves; have friends with health conditions; or parents or other close relatives in receipt of social care. The likely impact of inflation on living costs was a further factor taken into account by participants.

Another way that participants arrived at an estimate of income requirement was to consider the retirement incomes of their parents or close friends. Others referred to benchmark retirement income figures they reported learning through the media.

I was talking to somebody over the road and they live on £1,000 a month, it's just the two of them and I thought £1,000, but they don't have much to pay out except their bills, but they just have to manage on £1,000 a month. I thought I could never do that really, so a minimum would have to be £20,000 [per year] as a couple and that would be a struggle, that would be not many holidays and not much treating the family, grandkids and whatever.

(Female, 50-54, not yet eligible to access, working)

Obviously, you probably need about £25,000 a year to live comfortably. ... I was reading about it the other day, actually, on the MailOnline. They say that's what you'd need. We don't want an extravagant lifestyle or anything, when you need £30,000-odd.

(Female, 60-64, accessed, working)

2.3.2 Expectation of achieving desired income levels and adequacy among the non-retired

Non-retired participants who wanted a better lifestyle in retirement and for whom their desired income level was higher than their current earnings either did not expect to achieve it or were unsure, unless their income was due to increase through, for example reaching, SPa.

Those who did not expect their lifestyle to change in retirement and therefore wished their income to stay the same were either confident of achieving this level of income or were unsure. This was also the case for those participants who aspired to an income less than half of what they earned at present, due to expected decreases in expenditure. It should be noted, however, that this research is unable to comment on whether this confidence was well-founded or not – indeed, even participants who were confident about achieving their required income had not always given much thought to how they would achieve this.

Across all groups by age and income level, those with concerns about funding their retirement also named other possible strategies to balance income and expenditure, including selling property or other assets, downsizing into a smaller property, or reducing spending on leisure activities, luxury items or tobacco.

Well, at the moment we have three or four foreign holidays a year. I think once I do retire, I wouldn't be able to afford four holidays a year. I think if you get one and then the use out of the caravan, then I'd be happy with that.

(Male, 60-64, not accessed, working)

2.3.4 Income levels and adequacy among retired participants

In line with previous research on retirement income adequacy²⁵, the small group of retired participants in our study tended to consider their retirement income to be adequate. In some cases, participants had made this judgement by lowering their expectations to match their income:

Let's put it this way; your expectations come down to where the reality is! What I was expecting to do was spend six months abroad and six months here. That's not really been a practical proposition, because the sums of money that would have been needed at that stage to have purchased something abroad.

(Male, 65-74, accessed, retired)

However, there were retired participants who felt their current income was insufficient. These were participants in couple households with an income of £20,000 or below, or participants whose illness had made them retire earlier than expected. In these cases, participants voiced a need for additional income to accommodate leisure activities, holidays, home repairs and giving to others. These participants did not differ from the rest of the sample by tenure or mortgage status.

Now I'm very restricted because my finances, I may be only able to go out once a month ... sometimes you've got to try and get a taxi or something and obviously you've got to have money for that. A few years back I could have afforded that. I was working all the hours, 12, 14 hours a day ... now I basically spend my time in the house. I read a lot of books, I listen to music, but there's only so much reading and things you can do.

(Male, 65-74, accessed, retired)

2.4 Summary

This chapter explored participants' views of an adequate lifestyle in retirement. Participants conceptualised an adequate retirement lifestyle in terms of not having to worry about basic needs and being able to afford leisure activities. Those who were more financially comfortable also wanted to be able to have the financial means to help their adult children. These needs translated into a perceived adequate income, calculated on the basis of present income and expected changes in expenditure. The types of expenditure desired reflected a tendency to focus on the independent phase of retirement and a lack of consideration of later stages of retirement, including health and social care costs.

In line with previous research, there was limited evidence of planning for retirement. Non-retired participants were optimistic about their health and ability to continue working, which justified pushing back retirement planning. This contrasts with

²⁵ Brancati and others, 2014; Kotecha and others, 2011

participants who had to retire early due to a health condition, who perceived their retirement income inadequate.

3 Factors affecting decumulation decisions

This chapter applies Stern’s Attitude Behaviour Context (ABC) model to help understand pension decumulation decision making. We examine the wide range of factors that interacted to shape each individual’s choices.

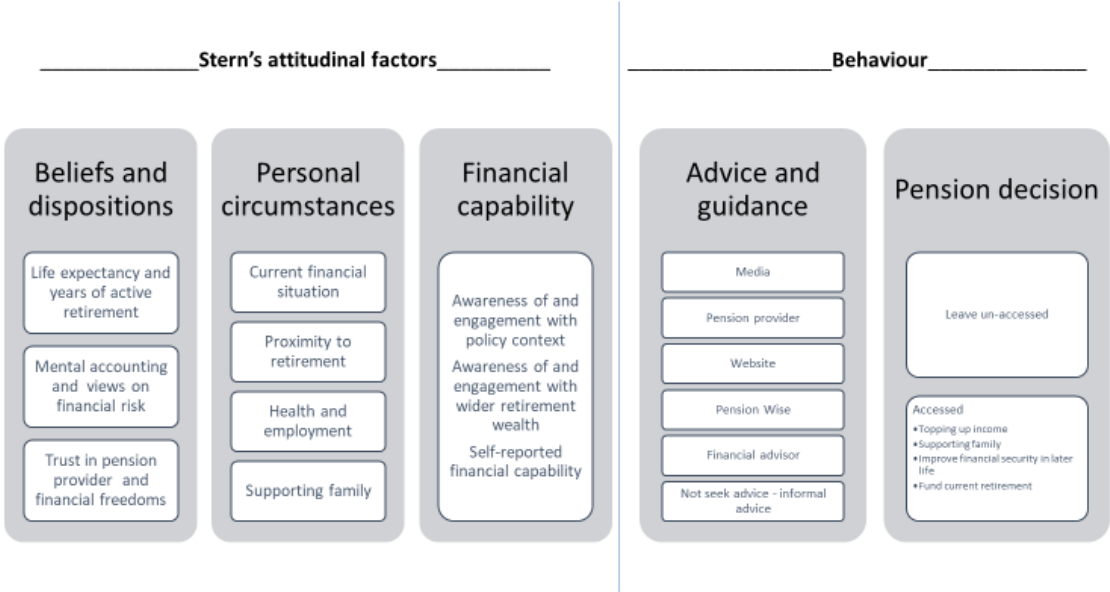
This research aimed to describe and analyse people’s DC pension decumulation decisions. As described in Chapter 1, we purposively sampled mostly participants who had accessed their pension savings. Alongside this group, we also selected smaller groups of people who were eligible but had not accessed their pension or were aged 50-54 and therefore not yet eligible. These groups allowed us to make some attitudinal comparisons between those who had, and had not, accessed their pension, and consider the likely behaviour of younger cohorts once they are eligible for Pension Freedoms.

Stern’s Attitude Behaviour Context (ABC) model captures how internal and external influences on behaviour interact for each individual, so that behaviour is a “function of the organism and its environment”.²⁶ This approach speaks clearly to the complexity of pension decision making as it allows us to see how **behaviour** (B) (a pension decumulation decision) is an outcome of the complex interaction between external **context** (C) (here, the Pension Freedoms policy) and internal **attitudes** (A). In Stern’s model, attitudes refer not just to the individuals’ mindset but to a broader range of factors, including personal circumstances, beliefs, norms and disposition. Furthermore, this approach also avoids reducing reasons behind pension behaviours to a single cause, such as an individual’s socio-demographic characteristics. Rather, it points to pension decision making as a dynamic process in which individuals make multiple decisions on their pension pots based on the range of factors that comprise their attitudes at a given point in time.

This chapter describes the different factors that made up the array of attitudes contributing to pension decumulation behaviours in the context of Pension Freedoms and wider pension provision, as summarised in Figure 2 below. In Chapter 5 we go on to use a case study approach to illustrate the different ways in which these factors can interact in unique ways for individuals.

²⁶ Stern, 2000

Figure 2 An overview of the factors influencing pension decision making



3.1 Stern’s context: Pension Freedoms and the State Pension

The Pension Freedoms policy context refers specifically to the new flexibilities introduced for people aged 55 and over in 2015, to make a variety of types of withdrawals from their DC pension pot, as described in Chapter 1. This policy context also includes Pension Wise which, as noted earlier, was introduced in 2018 to provide free and impartial guidance to support people 50 and over to navigate these new flexibilities.

The types of withdrawals people can make from their DC pension pots include:

- Buying an annuity or guaranteed income product
- Taking out a flexi-access drawdown product
- Taking a series of lump sums – known as uncrystallised funds pension lump sum (UFPLS)
- A combination of the above

Alternatively, people can cash in their entire pot to take advantage of the reformation of tax liabilities, which reduced the penalty for withdrawing all the funds in a pension pot.

This policy operates within the broader context of State Pension policy determining an individual’s age at entitlement to State Pension and its value. At the time of writing, this was 65 for both men and women and was due to gradually increase to 67 by 2028.

3.2 Stern's behaviours: accessing and not accessing pension pots

Where participants had accessed their DC pots, they used the money in numerous ways. In three of these ways, they viewed their pension as a savings pot that they could access to either meet immediate needs or wants or place in other investments, sometimes with financial security in later life in mind. These ways were:

- To **top up their employment income**, using cash withdrawals, whether partial lump sum or full withdrawals. Participants looked to top up their income either to pay bills or clear debts after a financial shock, such as job loss or a deterioration in health or to meet lifestyle aspirations, such as funding a family holiday. Where small pots were cashed in, participants tended to withdraw an entire pot, even where this amounted to more than the expense they intended it for.
- Participants also made cash withdrawals on their pension savings to **support their adult children**. This was either again to support their child following a financial shock or period of low income or to help with life events such as a wedding or house deposits.
- Cash withdrawals were also made to fund investments that the participant considered would **improve their financial security in retirement**. Here we found examples of people who invested in property. There was a perception that this was spreading risk. Although participants were thinking of retirement when they did this, it is important to note that they did not use their pension as a product to provide income in retirement, but as a savings pot they could use to invest.

The fourth and final way participants used their DC pot money was to **fund their imminent or current semi-retirement or retirement**. Here both DC and, where participants had these, DB pension funds were viewed mainly as a source of retirement income. Although sometimes combined with cash withdrawals, this group purchased annuities and flexible drawdown policies with their DC pots.

As mentioned earlier in the chapter, decision making was dynamic, which made it difficult to slot participants into simple profiles based on their pension behaviours. The dynamic nature of decision-making process meant that a participant with multiple DC pension pots could make different access decisions for different pots or for the same pot, sometimes to top up their income and other times to fund their retirement. Consistent with previous research²⁷, we encountered people who had cashed in a small DC pot, but either left their other pots untouched or taken out a retirement income product. Their definition of 'small' depended on their total financial circumstances. Participants also returned to the same pot to make partial cash withdrawals multiple times, or selected more than one option at the point of decumulation, such as taking a lump sum and annuity out together.

²⁷ ABI, 2017; FCA, 2018b; PLSA, 2016

The remainder of the sample had not accessed their pension, either because they were eligible but had not considered or taken up their Pension Freedoms options or were not yet eligible because they were under 55. We considered their attitudes alongside those who had decided to decumulate.

3.3 Stern's attitudes: Beliefs and predispositions

Among all types of participant, we found beliefs and predispositions across three themes that determined attitudes to pension decumulation. These were participants' thoughts on life expectancy and independent retirement years, as well as views on financial risk taking and trust in financial institutions.

3.3.1 Life expectancy and anticipated years of independent retirement

Participants found it challenging to engage with the issue of life expectancy spontaneously and tended to do so only after being prompted during the interview. When prompted, there were participants whose attitudes to decumulation were shaped by a pessimistic view of how many years of retirement they would enjoy. This was because they had significant health issues that they considered likely to lower their own life expectancy, or they based their idea of longevity on examples that came to mind of family or friends with health conditions who were not able to live long into or enjoy their retirement. An example of the latter was a participant who retired in her late 50s because, although she did not have a specific health condition herself, felt conscious of the possible limits of her own healthy life expectancy due to a relative's health problem. She took out a lump sum and a drawdown to help her transition to retirement, as she wanted to enjoy retirement while her health still permitted.

You work till you're 65 to spend the next ten years getting your dream home, the retirement, the bungalow, the this, the that, and then you die within five years. What's the point? That's if you don't get dementia and that's slowly crept up.

(Female, 55-59, accessed, retired)

Others had simply not reflected on how many years they may live beyond retirement age, even among the older participants aged 60 and over. Both groups tended to be most focused on meeting their immediate needs and wants. They wanted, and felt they deserved, to enjoy their money while they could. This often resulted in accessing their DC pension pot prior to SPa, usually as partial cash withdrawals.

Another type of participant accessed their DC pension pot early due to an optimistic view of their future income. These were particularly younger participants under the age of 60 who wanted and expected to be able to continue to work, earn and contribute to their pension savings beyond SPa. Therefore, they were more willing to

make withdrawals believing that they would make up the funds over time and/or be able to have a salary later in life. They used terms such as “insignificant” about withdrawing what they perceived to be relatively small amounts (typically £10k or under) based on a positive view of their existing and future pension accumulation.

But an optimistic view of life expectancy could also be associated with caution about accessing funds. Those who talked of living well beyond retirement age were keen to ensure their pension savings met their perceived adequate lifestyle in retirement and provided for any health or care needs at later stages. These health needs were conceptualised in broad terms as the need to have access to carers or residential care. As noted in Chapter 2, these tended to be people who had personal experiences of health conditions or close relatives in care homes.

The focus on the present and the future has also been identified by other studies as important to decision making.²⁸ As noted, these orientations refer broadly in this study to whether present and/or future needs are prioritised and how this affects decumulation behaviour.²⁹ Further, these orientations are influenced by contextual factors as well as both beliefs and predispositions. We return to these themes throughout this chapter.

3.3.2 Mental accounting and views on financial risk

Mental accounting and perceptions of risk to retirement income also played a part in participants’ decision making, mirroring the findings of other studies.³⁰ Mental accounting refers to the subjective value placed on a pot of money by individuals that does not necessarily reflect its objective monetary value.³¹ In this respect, an important aspect of mental accounting was participants’ earmarking their DC pension pot as a savings pot among other savings that they could draw on to meet immediate needs and wants. This influenced how likely they were to access it instead of drawing on other savings. A participant, for example, described that she would rather dip into her pension pot than into the savings she has in her bank, as she considers the latter her “emergency fund”.

Another way they earmarked their DC pot was as a source of income in retirement among other retirement income sources. Where participants considered their DC pot(s) to be their most important source of retirement income and were focused on financial security in later life, they were cautious about whether and how to access their funds. They might just make a partial withdrawal, taking out a drawdown product or using a cash withdrawal to fund other investments. Those most focused on their long-term stable income took out an annuity.

²⁸ Philip and Byrne, 2016

²⁹ The concept of orientation or focus is therefore less specific than the concept of present of future biases used in other studies (cf Philip and Byrne, 2016 above).

³⁰ Ibid.; Benartzi and others, 2011

³¹ Thaler, 1999

But not everyone saw an annuity as a safe prospect. Some did not like the fact that they are based on calculations of life expectancy. They felt that an annuity might give them a relatively low annual income and that making their own investments with their DC savings pot would give them more control over their annual income.

For those participants whose DC pension pots were only one of an array of retirement investment plans, particularly if they were not contributing to these pots (i.e. they were 'inactive'), there could be more tolerance of risk to their future income. This group were more likely to access their DC pot to meet lifestyle aspirations such as home improvements and holidays.

Those who felt confident with financial decision making were more likely to shop around for products that could maximise the value of their investment even if that came with some risk.

3.3.3 Trust in pension provider and Pension Freedoms

The level of trust a participant held in pension companies and financial institutions such as banks and financial advisers could also influence a decision. This reflects the findings of previous studies.³² Participants with low levels of trust felt that they could not rely on their pension providers to give them an accurate forecast of retirement income and/or invest their pension pots appropriately. They were wary that the companies were simply trying to sell them their own products rather than what was best for them. This sometimes led to participants wanting to access their pension pots as soon as possible to take control of their retirement income, as summed up by the participant in the quote below.

[I am] not a big lover of pensions, I don't have trust in them. I would just like to do something with the money by choice [by withdrawing and investing it] as opposed to the pension [company] having the money and not giving it to me.

(Male, 50-54, unable to access yet, working)

Some decisions to make cash withdrawals were also motivated by lack of trust in the Pension Freedoms policy being sustained. These participants expressed a concern that the Government might change the rules at any point, preventing people from accessing their pension.

3.4 Stern's attitudes: personal circumstances

Mirroring the insights from other studies, personal circumstances were also important in informing attitudes to pension decumulation.³³ Four aspects of personal circumstance emerged as important factors. These were current financial situation, proximity to retirement, health and employment and supporting family. Any of these

³² Weir and others, 2017; FCA, 2017a

³³ Philp and Byrne, 2016; Citizens Advice, 2016

circumstances could change over time for a participant and, in turn, influence their attitude to their DC pension pot.

3.4.1 Current financial situation

There were both retired and non-retired participants in the sample who felt able to comfortably meet their day to day needs and pay bills as they had stable income and savings to draw on³⁴. Participants who felt financially secure were unlikely to have accessed their pot to meet current essential outgoings such as bills or home appliances. This group had either left their pot untouched or used it to purchase an investment product, such as a drawdown investment at the point of retirement or taken cash out to support their adult children with house deposits or weddings.

On the other hand, self-perceived financial security was also present in decisions to use some of the DC pot to meet present lifestyle aspirations. For example, a participant had made a partial cash withdrawal from what she considered a small DC pension pot to pay for a holiday to celebrate her husband’s milestone birthday. As well as a household income of around £100k per year, one of the highest in the sample, a recent inheritance had made her feel that her “finances [were] in a much better place” than before. These cash withdrawals among financially secure participants generally occurred at two points - either soon after becoming eligible for Pension Freedoms or at the point of retirement.

Participants could be affected by personal financial insecurity in two ways. First, there was a group who faced ongoing struggles to pay for essentials from their current income. As they became eligible for Pension Freedoms they considered whether accessing their pension savings was a solution. One approach among this group of participants was to access their pot, focusing on the savings they would make from not paying interest on debts or need to meet current living costs. For example, a participant found himself in mortgage arrears and in debt because he was unable to work for a period of time due to a stroke. He used significant cash withdrawals from his pension to meet the outstanding mortgage repayments and other loans, before eventually retiring. However, those with a strong future orientation did not access their pension savings to meet current needs because they wanted to protect their income in retirement.

Secondly, financial insecurity could suddenly arise from a life event such as divorce, job loss or a deterioration in health. These were events that previous research found to have significant influence on decision making.³⁵ In these circumstances, participants could find themselves having to take decisions that they had not anticipated and while dealing with complex circumstances. This again interacted with participants present or future focus. In one example, a participant in his early 60s became recently divorced. This left him struggling financially, as he had to buy his partner’s share of the mortgage and cope with living on a single income. He made a

³⁴ We report on participants’ perceptions of financial security rather than make any objective assessment.

³⁵ Philp and Byrne, 2016; Citizens Advice, 2016

partial cash withdrawal of his DC pot to cope with the resulting debt and mortgage payment difficulties. In a contrasting example, a participant found herself in a similar situation after a divorce, having to make mortgage and car payments by herself. However, she did not access her pension as she was also thinking about her income in retirement, particularly as her pension had been halved because of a divorce settlement with her ex-husband.

3.4.2 Proximity to retirement

The closer the participant was to retirement the more likely they were to have considered accessing their pension pot or to have done so. For those who felt prepared for retirement and were embarking on semi-retirement, either by downshifting careers or reducing hours, accessing funds from their DC pot could be a practical way to supplement their income.

3.4.3 Health and employment

Participants who felt they were in good health usually held optimistic views about their financial needs towards and during retirement. They were confident about their ability to continue working, often beyond SPa. For those who had engaged minimally in retirement planning, SPa and whether they would work up to or beyond it tended to be their focus. But whether they accessed their pot also depended on whether they were focused on their future and/or the present in their thinking. Although in good health now, the risk of it deteriorating in the future was seen by participants to be a reason to avoid accessing a pot for lifestyle reasons, in case they incurred health related costs in later life. For others who were focused on the present, current good health was a reason to make cash withdrawals to top up their employment income so that they could enjoy the benefits while they could.

Poor health had sometimes led to participants reducing their working hours or having to retire or semi-retire early. This led to decisions to decumulate to fund this unplanned (or involuntary) retirement or reduction in working income. For the more financially secure who were in poor health, the decision to access their pot early required some adjustment to their anticipated retirement income and lifestyle but they still found this to be a positive long-term choice. This is the case for the example presented in the quote below, where a participant could afford to decide to retire early by taking redundancy partly because of a health condition.

The thing is, I've got arthritis now and my back and all this and that and I feel like why should I work until I drop? When I took the redundancy in 2010, one of the women there she's a little bit older than me, she said, 'Why are you doing this? I don't want you to leave.' I said, 'I don't want to die in this place'.

(Female, 55-59, accessed, working)

For others less financially secure who found themselves unable to work due to poor health, access decisions were about making do with what they had to fund their retirement. These participants either did not consider their long-term income adequate in retirement or had accepted it would have to be much lower than they hoped. This is illustrated in the example below, where a participant was unable to

build his pension savings to quite where he would have liked but was forced to retire due a health condition.

I wasn't actually planning on retiring so early. As I say, my health went downhill for a short period, so I was planning on retiring early-ish, probably round about this time, when I would have actually built up the pot quite a bit more [...] I suppose I was forced into making the decision more than anything

(Male, 60-64, accessed, working)

Participants also used cash withdrawals as a way of using their pensions to top up their income to tide them over a period of unemployment until they found work, or to make up for fallow periods of low earning. This was particularly the case for those with multiple pension pots who, as discussed earlier, saw this as a low risk option in light of having other pots to fall back on in retirement. For example, a participant in his 60s was in-between work and has three DC pots. He accessed the full amount of £15k from one of his smallest (and inactive) pots to 'buy him' a bit of time to think about his career, as well as to help his grown-up children with a house deposit. He felt confident to do this as he did not see this pot as making a significant contribution to his total retirement income, and would instead rely on his other two larger DC pots for retirement.

Well, yes, just thought about that at the time because I remembered moving from one job to another, and I thought I needed some time to decide what I was going to do career-wise, and it'd [the full cash withdrawal] give me a bit of breathing space as well to decide that. Yes, a month or two's salary going in, so that was quite nice.

(Male, 60-64, accessed, working)

In another example, a participant in her 60s had variable income because she was on a zero hours contract. She lived alone, did not have any dependants and, up to this point, had relied on her savings to make up for shortfalls in her income. However, she was coming to the end of her savings at the time of the interview and so was considering taking a lump sum from one of her four pension pots to partly make up for this shortfall in income. She was confident that she would still have enough for the future from her other two DC and DB pots, which she felt had a significant amount in them for retirement.

...now I intend to take the cash lump sum because I don't have many savings left, so I'm going to live on the cash lump sum and my income from the [zero hour contract work].

(Female, 60-64, not accessed, working)

3.4.4 Supporting adult children

The changing circumstances of loved ones could affect a participant's attitudes to accessing their pension savings. Participants who were parents tended to feel that it was a 'moral duty' to consider their children's current and future needs when thinking about accessing their pot. They did this either to help them get through difficult financial circumstances, whether by giving them money or supplementing their income to take care of them in their own home or to support life events such as weddings or buying a home. They also often wanted to leave a legacy for their children. This could mean postponing accessing their pots in the hope of not using up their savings in retirement or choosing drawdown products over annuities to enable their children to inherit a lump sum. Those who had already used their pension pots to support their children were happy with their decision to spend their pension money in this way. Providing financial help to children was also mentioned as a reason for possible future decumulation, among those that had not accessed their pensions.

It's a no-brainer, really. If you've got two children and they're starting out in life and so forth, and you're able... If you can't do it, then you can't do it, but if you're able to help them, then I would have thought people would.

(Male, 65-74, accessed, retired)

3.4.5 Synching pension decisions with a partner

As noted, participants were asked about decisions relating to their own pensions in the interviews. However, where the participant planned their finances jointly with a partner, they sometimes looked at their combined pension savings when making decumulation decisions. For example, a participant, although retired, had not accessed her pension savings yet as they were comfortable on her partner's pension.

3.5 Stern's attitudes: Perceived capabilities

Although Pension Freedoms and the State Pension formed the policy environment for decision making, perceived financial capability related to participants' *awareness and engagement* with this policy context, as well as with their own wider retirement wealth. A further aspect of financial capability was participant's perceived confidence with general pension planning.

3.5.1 Awareness and engagement

Pension Freedoms

Given the sample design, nearly all of the participants in this study were aware of the main features of the Pension Freedoms policy. Their ability to articulate the details of the policy was shaped by their level of engagement with information, advice and guidance (discussed in Chapter 4) and the type of decumulation decision they had taken. For example, those who had made relatively straightforward cash withdrawals

without any retirement income product knew less about annuities or drawdown products.

Awareness was lower among the group of participants below the threshold age for Pension Freedoms although not exclusively. There were also examples of participants in the 60-64 group who thought the pension provider would automatically provide them with a product when they retire.

Participants felt that their decisions operated in the context of the flexibility and removal of the higher rate of tax for those wishing to withdraw more than 25% of their funds. Participants with all levels of pension savings framed their DC pensions as 'saving pots' that were available to them to access from the age of 55 if needed. They were no longer just their source of retirement income.

Participants were therefore positive about:

- Being able to access their retirement savings earlier, particularly to retire before State Pension age (SPa) or access cash.
- Being able to withdraw 25% of their pot free of tax and incurring less tax than before on higher proportions.
- Being able to raise money without incurring interest (in contrast to a loan).
- Widening their retirement investment options at an earlier age to include drawdown and annuities policies or using their money for other investments geared to retirement planning.
- Having no restrictions on the size of the DC pension pot from which to withdraw money.

State Pension

Where participants engaged with the State Pension, they sometimes used the current SPa of 65 as a marker for the point at which to retire and access their pension savings. This was particularly the case for participants whose retirement age was not influenced by poor health, redundancy or dissatisfaction with employment, as well as those who felt financially stable enough to stop working past this age.

However, not all participants viewed the State Pension as a certain part of their future retirement income. Those who were more wary expressed concerns about whether it would retain its relative value or whether the State Pension would still exist when they retired. These participants came from a variety of circumstances but their decumulation decisions meant they were less likely to rely on income from a State Pension.

Wider retirement wealth

Participants with a variety of sources of retirement income, often including a DB pension and investments as well as their State Pension, placed their DC pot(s) in a much wider context of provision for income adequacy in retirement. They viewed their pension decumulation decisions as less consequential because they believed they had sufficient provision elsewhere for the lifestyle they aspired to. Although this was

particularly the case where participants anticipated the combined income in retirement of these various sources to be between £70-£500k, this view was also shared by participants with less than this. In the latter group participants felt reassured by simply having other pots in addition to the one they were accessing.

Due to the ongoing phasing shift away from workplace DB pensions and towards DC pensions, it is important to note that participants' behaviour did not differ based on whether they had a DB pension alongside their DC pot(s). Participants with and without DB pensions were represented across all four access behaviours as well as among those who had not accessed their DC pots. As explained above, having a DB pension was one of many factors contributing to the feeling of financial security in later life, which in turn could influence decision making.

3.5.2 Perceived financial capability

Perceived confidence with pension planning was another driver of a participant's attitude to accessing their pension savings. This clearly interacted with their perception of risk about investments.

Participants with the lowest level of self-reported capability had limited knowledge about their type of pension plan, how much they had accumulated and the options that were available to them. While this group was represented across household income categories, those in the lowest household income group also reported low financial confidence, unless they had prior experience, for example, of running their own business.

Participants in this group felt confused by the complexity of pension decision making and had limited formal or informal support networks they could approach for more information. They were anxious about their future but wary of doing anything with their pension pots through lack of knowledge. Women, in particular, deferred decision making to others (whether a partner or financial adviser) and were most focused on minimising risk.

Participants who felt they were financially capable were more confident about their pension options. This is not to say that their choices were necessarily best suited to their financial needs, but that they were clear in their mind about a particular decumulation decision. This group tended to shop around for products, take on information and advice and choose investment products that they had some control over. We discuss use of advice and guidance further in Chapter 4.

3.6 Summary

This chapter set out to describe the factors that influence pension decumulation behaviours. We framed these factors within Stern's ABC model of behaviour, where a wide variety of attitudes (encompassing beliefs and predispositions, circumstances and capabilities) come together to shape different decumulation behaviours operating within their understanding of the context of Pension Freedoms.

Among those who had accessed their pension pots we found that these were seen as a source of savings that they could access to either meet immediate needs and wants or to have closer control over their retirement income planning than they felt they had with their pension. These participants took their decisions to decumulate based on their interpretation of the best response to their circumstances or aspirations, or those of their adult children. Those who left their pensions untouched or took out a retirement income product still viewed, or partly viewed, their pension funds as a source of retirement income rather than a lump sum to be accessed.

Our thematic analysis showed that although certain circumstances and life events could precipitate considering accessing pension pots, there were numerous factors that played into the decision of whether and how to do so within the choices available to them under Pension Freedoms. No single factor or group of factors was dominant across all participant types. Instead they interacted in many different ways. This is best illustrated by the case studies presented in Chapter 5.

4 Support to make decumulation decisions

This chapter focuses on the types of support that people turned to for information, advice and guidance when making their pension decumulation decisions. It considers what first triggered people to seek support and the barriers to doing so. It then examines how the type of support varied by the attitudes and circumstances of the participants. We look at the confidence and trust participants had in the support and its influence on their decisions. The chapter concludes with participants’ views on unmet information, advice and guidance needs.

4.1 The types of pension support available

In discussing pension support, we refer to the full range of information, guidance or advice available to consumers for their pension planning. In the financial services context ‘guidance’ refers to “information and/or options to narrow down consumers’ choices, without making an explicit recommendation” and ‘advice’ refers to recommending “a specific course of action based on consumers’ individual circumstances and goals”.³⁶ There were examples of participants who had engaged in support and who used these terms with an understanding of their distinction, but many referred to them interchangeably. In reporting access to support we have used the appropriate financial services terms for the type of support that we understood the participant to be discussing.

4.2 What triggered people to seek support?

4.2.1 To decide how to meet immediate financial needs and wants

The same personal circumstances, discussed in Chapter 3, that triggered people to consider accessing their pension were cited by participants as their reasons for seeking support. These participants were looking to raise funds to offset a financial shock, fund a lifestyle aspiration or support their adult children.

³⁶ Financial Advice Working Group, 2017

I knew that I didn't have the money to pay for [the family treat] but I knew I had the money in here to be able to pay for it. [...] The process was then [...] I spoke to my financial adviser.

(55-59, male, accessed, working - T2NC5)

4.2.2 Out of concern for income adequacy in retirement

Again, as introduced in Chapter 2, concerns about income adequacy in retirement could also be a trigger for seeking information. This could be motivated by an increasing proximity to retirement, conversations with friends or colleagues, or media coverage about retirement. For example, one participant became concerned about her levels of savings after comparing her circumstances to her colleagues.

I suppose [talking to] staff that have worked there for a long time and they'll get their lump sum and they'll get a really good amount to live on made me realise that wow, I'm not going to get a lump sum because I won't. I won't get enough in there [...] So I had some advice then from the pensions expert, not [from the employer]. It was separate.

(Female, 60-64, not accessed, working)

4.2.3 In response to information about Pension Freedoms

Previous research has found that the media coverage of the Pension Freedoms legislation prompted many consumers to explore their pension-related opportunities.³⁷ Similarly, in our study, participants reported how articles in the media or information from a pension provider or employer triggered them to act. A letter from a provider about eligibility can in itself be a trigger to finding out more about getting support and accessing their pot, even though they had not previously considered it.

...Just because I got the letter. If I hadn't known about the letter, then I wouldn't have enquired about it. I didn't even know until we got the letters that I qualified for it, do you know what I mean?

(Male, 65-74, accessed, working)

More generally, finding a pension statement hard to understand was an example of a reason to contact a pension provider that led to a conversation about Pension Freedoms or simply responding to invitations in pension information packs to seek further advice or guidance.

4.3 What support did people access?

The types of information, advice and guidance that all types of participants in our study engaged with were consistent with the categories identified in previous

³⁷ Citizens Advice, 2016

research by Citizens Advice.³⁸ Participants recalled articles or features in the media about pension management and correspondence from their pension provider about their pension performance and value, including the forecasts of projected retirement income.

Participants also accessed information about Pension Freedoms products online, either from provider websites, money advice/comparison websites or from the sites of other financial service companies. More actively engaged participants used the Pension Wise website either for general information or as signposting to more tailored advice and guidance. They most commonly found it via search engines. Table 3 summarises the sources of support that participants reported using when considering their pension options.

Table 3 Sources of support used

Online	Television, Radio and Print
Money Saving Expert	News coverage of the Pension freedoms legislation (all media)
Money Supermarket	Radio 4’s Moneybox programme
Which?	Money pages in newspapers
Pension Wise	
HMRC	
Pension Provider sites	
Motley Fool	
Savvy Woman	

Some participants engaged with print-based materials, including letters or leaflets accompanying pension correspondence, as receipt of guidance which described their options under Pension Freedoms. This was produced by their pension providers and employers, other financial services companies and/or by DWP.

Finally, a group of participants obtained formal, paid, personalised pension planning and access advice from a financial adviser. This could include advice on choice of pension provider, alternative pension options, such as SIPP’s, merging pension pots as well as consideration of products available under Pension Freedoms. Use of financial advisers varied from solely an initial consultation through to the adviser fully managing the participant’s pension pot withdrawal.

Among those that did not seek financial advice, people tended to turn to sources they perceived could offer informed advice. This could be by contacting the pension provider or Pension Wise directly, talking to someone at their workplace, seeking advice from solicitors or Citizens Advice, or talking to personal contacts who worked

³⁸ Ibid.

in financial services. In some cases, participants also turned to friends and family for informal advice.

4.4 What were the barriers to seeking support?

In this study, we found people who had made pension decumulation decisions without obtaining any information, guidance or advice. These decisions included taking out drawdown products and making cash withdrawals. Those who had not accessed their pots had generally not sought out support because they were not considering decumulation for their circumstances. This section examines the barriers to seeking support both for those who had accessed and not accessed it.

4.4.1 Perceived financial capability

We found that an important reason for participants not seeking advice or guidance on access decisions was due to feeling financially capable and wanting to make their own financial choices without influence. Sometimes this was linked to perceived knowledge or experience of financial services but in other cases, people were simply determined about what they wanted to do and did not want specialist advice.

A participant, who was a financial adviser and had contacted his pension provider for information on his pension value and performance, explained that he did not intend to obtain further support:

I totally understand the rules [...] and all the options that are available to me.
(Male, 65-74, accessed, working)

Another participant consulted both Pension Wise and a family member, but following this felt sufficiently confident to make her decision on that basis.

Did I have any advice from anybody else? [...] No, because I've been single all my life, I didn't. I made my own decisions, I didn't need to speak to anybody else.

(Female, 60-64, accessed, working)

There were also participants who felt confident to take lump sums out of their pension without any advice or guidance, basing their decision on knowledge of Pension Freedoms acquired through the media or through their pension provider.

4.4.2 Financial security

Reasons for not seeking support included perceived financial security, or a small DC pension pot.

[The amount] is so low, so what's the point in a way to work on it?
(Female, 50-54, unable to access yet, working)

This could even occur among participants who were aware they might achieve a higher retirement income if they sought professional advice.

I believe that if I paid a proper financial adviser to manage my funds, they would be managed properly and therefore increase, however I believe I will have enough funds to live on for the rest of my life. It's not essential for me to get the best deal really.

(Female, 60-64, not accessed, working)

We found that the less financially secure were put off from seeking professional advice due to the perceived cost. People who needed to access their pots because they had limited resources were discouraged by the upfront costs of advice. They also felt that the costs would reduce the amount they would benefit from a pension withdrawal. Participants for whom the cost of professional financial advice was a barrier turned to free sources including websites, media sources, friends, family members, pension providers, professional personal contacts and Pension Wise, or did not obtain any support at all.

4.4.3 Lack of trust and confidence in support

Participants across different levels of perceived financial capability were also sometimes wary of the independence and impartiality of financial advisers, especially if they thought they worked on a commission basis.

An independent [financial adviser] would probably get what they can, wouldn't they? It's like an estate agent, they don't care if they sell the house for £150,000 or £120,000. It might make £40 of commission difference, but they're still going to get their £1,100.

(Male, 60-64, accessed, working)

They're going to push you down a road which is going to gain them rather than you [...] They're just trying to make money from anybody and just say, 'Well, do this,' and it's not the best thing for me, it's not the right thing for me.

(Female, 50 – 54, unable to access yet, working)

A subgroup of participants who had decided not to use financial advisers reported concerns around receiving financial advice, such as data confidentiality-related worries when giving a financial adviser large amounts of personal information that could be passed on to a number of pension providers without their consent.

4.4.4 Anxieties about the burden

Participants could avoid seeking support because they did not want the stress, anxiety or time burden of taking advice or guidance. This could be because they were living with demanding health conditions or dealing with other stressful

circumstances, such as divorce. Others described caring or work responsibilities that left them little time to consider detailed options.

4.4.5 Reluctance to find out the facts

A variety of types of participant, whether they had accessed their pots or not, expressed similar views about not wanting to know the details of their pension provision. An example of a reason given included feeling secure enough with other assets such as property that they did not need to worry about the details of their pension savings. A participant also described feeling wary of being presented with the total value of their pension and being tempted to access it like savings at the expense of their eventual retirement income.

Ignorance is bliss sometimes because you don't know [the size of the pension], although I should know and I get the reasons why I should know because if there is a shortfall and it's not very good then I can fix it and do something about it [...] I'd be too tempted to draw on it because I'm that type of person because I haven't got any savings left any more, so I'd maybe think don't worry, I've got that there and I can draw on it, it's probably the worst thing for me if I'm honest.

(Female, 50 – 54, unable to access yet, working)

4.5 Variation in type of support sought by participant characteristics

The type of support people turned to reflected their circumstances and attitudes, mirroring the insights of other studies.³⁹

4.5.1 Level of financial security

An important reason for not accessing financial advice as part of the decumulation decision making was a lack of financial security and, therefore, the means to pay for the advice. This is entirely consistent with evidence that use of professional financial advice is concentrated among the financially better off.⁴⁰ Those that were put off by the cost of financial advice relied more on information from their pension providers or employers and the advice of friends and families.

4.5.2 Age and proximity to retirement

Generally, there were no discernible patterns in the type of support sought by age group. Only those getting close to retirement were found to be more likely to have

³⁹ Financial Conduct Authority, 2017a; Financial Conduct Authority, 2017b; GfK, 2014; Toomse-Smith and others, 2018

⁴⁰ Toomse-Smith and others, 2018

turned to their employers for more information about their pension scheme as part of their retirement planning.

4.5.3 Gender

We found no clear differences in the type of support that men or women turned to outside their household in making their decumulation decisions. Within the household, men and women living with a partner generally made their pension decumulation decisions as part of their joint financial planning for retirement. We found examples of women who were less confident about managing their money relying on their partner's advice about how to manage their pensions. Some men had decided what to do with their pensions in the best interests of the couple but had not consulted with their partner in detail on the decision.

4.6 Trust and confidence in the support

Trust in advice

Participants who chose to contact financial advisers or other professionals generally felt their knowledge and expertise made them a trusted source of advice. Furthermore, that trust was increased by an ongoing relationship with the adviser over time, which participants felt was easier to establish if they were local.

I've known [my financial adviser] for many years. I've used him for a long time, so I did trust him.

(Male, 65-74, accessed, working)

My brothers have got a very good financial adviser and they said you should just see what he says.

(Female, 55-59, accessed, working)

This trust and confidence were reinforced when the adviser provided comprehensive and tailored advice on decumulation options. People also valued the face to face and confidential nature of this advice.

However, not all participants reported these levels of trust in the advice of financial professionals. There were problems with a perceived poor quality of information, a reported tendency for advisors to agree with the participant's suggested course of action rather than challenge it, or participants feeling pressured to take out products, such as annuities, that could earn their adviser a commission. Although exceptional, there were even examples of participants suspecting their adviser of malpractice.

I had a bad experience. I gave my information to a company, and the person who took it then left, went to another company and tried to contact me from the new company. So, I said, 'No, that's not acceptable to me,' and I've not gone back to there [sic] because he was taking my information to another company without my approval, which I think is not good practice.

(Male, 55-59, not accessed, working)

Trust in information and guidance

When going online for more general information and guidance, people tended to trust the most well-known financial product comparison sites that are summarised in Table 3. Pension Wise and other online government sources were consistently trusted due to perceptions of impartiality based on this being a government source. Participants also tended to trust their pension provider, especially when they were a household name.

I feel I can trust [the pension provider] I'm with. I feel they're looking after my interest. I don't feel it's a company that, 'Hmm, not sure about you, might be a bit dodgy'. I feel quite secure with them

(Male, 65-74, not accessed, working)

Similarly, Pension Wise staff were consistently trusted given their perceived impartiality.

We went to see the Pension Wise person [...] Because they're government. They're impartial. They're not there to make money out of you and not there to do anything dodgy. They're there to advise you. It's like a charity Pension Wise, so they're not gaining anything are they?

(Female, 60-64, accessed, working)

For those seeking informal support, trust was based on their knowledge of that person's experience of pensions and how long they, or their family and friends, had known the person.

4.7 The influence of seeking support

4.7.1 The influence of information and guidance

Participants who felt financially capable, across all levels of financial security, tended to have taken pension decumulation decisions on the basis of information and general guidance alone. Those taking this path were more focused on the present, knew what they wanted the money for and just wanted to know how to access it.

All I wanted to know was how do I get it out. That's all [...] because it was quite complicated. I remember at the time just realising that I didn't know how to get hold of it, so I had to do some [research] to find out. But actually, about whether I should take it or not – no, I didn't ask anybody's advice.

(Female, 65-74, accessed, working)

In these circumstances, online guidance was generally reported to be clear and useful. Participants could access and return to information sites at their own pace and retrieve information when they needed it. Tools such as online retirement income forecasting enabled participants to check for themselves the likely consequences of

their decumulation decision. But not all participants found it easy to access the information they needed online and the government websites, including Pension Wise, were described as difficult to navigate. Participants also sought online assistance to ask questions as they digested information.

Others used pension information sources as a first step in considering their likely retirement income and products available to them before seeking further advice or guidance. On occasions participants felt that the lack of clarity at this initial stage was frustrating. They had expected more personalised support from either their pension provider or Pension Wise and were disappointed not to get it. Likewise, people did not always feel satisfied with the attention given to pension options on general money advice websites.

[That] Martin saving man, he'll tell you about every savings thingy there, but I don't hear him talking about pensions. I never hear him saying, 'If you're 55 and you work in this industry, blah, blah, blah, consider this.' I don't hear him promoting that side.

(Female, 55-59, accessed, working)

A group of participants had not accessed their pensions or acted upon general information, such as pension statements and other correspondence from providers, because they found it excessive in length, as well as detailed, confusing and hard to understand. Although they had different levels of financial security, they tended to have lower financial capability and had given less thought to their adequate income in retirement.

4.7.2 The influence of advice

There was a full range of responses to the advice given on what pension access choices were right for the participant depending on the source of the advice and the participants' own perceived financial capability.

Previous research has found an association between receipt of advice or guidance and a reduced likelihood of early pension access.⁴¹⁴² We found examples of participants who originally intended to withdraw money, change their mind following advice from advisers. For example, in one case the participant was advised they were close enough to SPa to make it worth waiting to this point before making longer term retirement income decisions.

Clients of financial advisers who did access their pots were better able to articulate the reasons as to whether and how they would access their pension. If they had received detailed, high quality, advice from the adviser, they were more aware of the different levels of cash or income that their options would give them. For more financially capable participants this could act as assurance for decisions they had already come to on the basis of their own research. For others who were less

⁴¹ Weir and others, 2017

⁴² Wilkinson and Pike, 2018

confident, the adviser had given them a clear steer on which option seemed to achieve their desired goals.

[The financial advice has] had quite an impact of late I'll be honest with you. Before that, I did take [pensions planning] seriously, but I wasn't as focused on it because it seemed so far in the future [...] So, yes, so it's focused my mind much more in the last few years.

(Female 55-59, accessed, working)

Even if a participant did not go on to use their pension freedom options they might change pension provider, merge pension pots and consider their savings more thoroughly.

Participants did not always act on their financial adviser's recommendation. Those with a very strong present focus and/or pessimistic view of their years of independent retirement ignored advice about the longer-term influence on their retirement income, in favour of funding immediate lifestyle aspirations.

Participants with low perceived financial confidence were most likely to only take informal advice based on the anecdotal experiences of others. Participants reported avoiding annuities or lump sum withdrawals because friends and family they trusted had told them to avoid these options, however they could not articulate how this related to their personal circumstances.

4.8 What more or different support did participants want?

A common theme across different types of participants was a desire for simpler, clearer information on pensions. Participants discussed wanting a single source of pension information and support. Those doing their own research felt that they had to navigate multiple sites including Pension Wise, that of their provider and other information sources.

Those who had not accessed a financial adviser were more likely to articulate a need for personal pension, investment and tax advice. Participants who relied on their own research reported difficulties in finding out about certain details, for example, the tax implications of their decisions.

Those who were concerned about the impartiality of financial advisers or pension providers looked to the Government to provide impartial support around best pension investment options or to increase the availability of publicly funded or affordable advice, whether in workplaces, or through citizens or money advice services. People felt more education about pensions at every life stage was important to future generations feeling better prepared.

4.9 Summary

This chapter focused on the information, advice and guidance people used to make decumulation decisions. Where sources of information were used, these included media coverage, participants' pension provider, money advice websites and the Pension Wise service. This could be supplemented by targeted guidance from a provider, employer or government source describing their pension freedom options. Engagement with paid financial advisers varied from an initial free consultation to comprehensive pension planning advice. Among those who did not seek paid advice, people turned to Pension Wise, their employer, or personal contacts they thought knowledgeable.

There was also a group of participants who acted on the basis of no support or minimal information and guidance. Within this group, some did so because they had a high perceived level of financial capability and so thought they knew what they wanted to do. Others were wary of the complexity of pension decisions and proceeded to decumulate despite not feeling fully confident that they had understood the consequences, or were put off by the perceived cost of accessing personal financial advice. The burden of engaging with support on top of busy lives and mistrust of financial advisors and pension industry were also barriers for either seeking advice or not acting on it.

5 Decumulation journeys

This chapter provides case studies to show how the attitudinal factors described in Chapter 3 interact with circumstances and use of support presented in Chapter 4 to shape the four main types of decumulation behaviour that we previously presented.

In this chapter we provide case studies to illustrate how and why participants chose to draw on their pensions as a savings pot in the four ways outlined in Chapter 3: to top up employment income; to support adult children; to improve financial security in retirement; and to fund retirement. We also look at reasons for not decumulating, as well as awareness and planning of those interviewed who were under 55 years of age and therefore unable to access their DC pot.

Under each type of decision, we outline the main interactions between policy context, personal circumstances and attitudes together with the type of support the individual sought, if any. We refrain from drawing out the relative importance of each factor, since it is not possible to rank factors based on participants' accounts of their decision making. Where relevant, socio-economic and demographic features that distinguish these groups are described although, as noted, the research found limited evidence of such patterns within the sample interviewed (see sample characteristics in Chapter 1). The research is not able to assess the outcomes of these behaviours. Participants' own reflections are included, but it should be noted that decumulation decisions were relatively recent and participants were still working or in the early years of retirement.

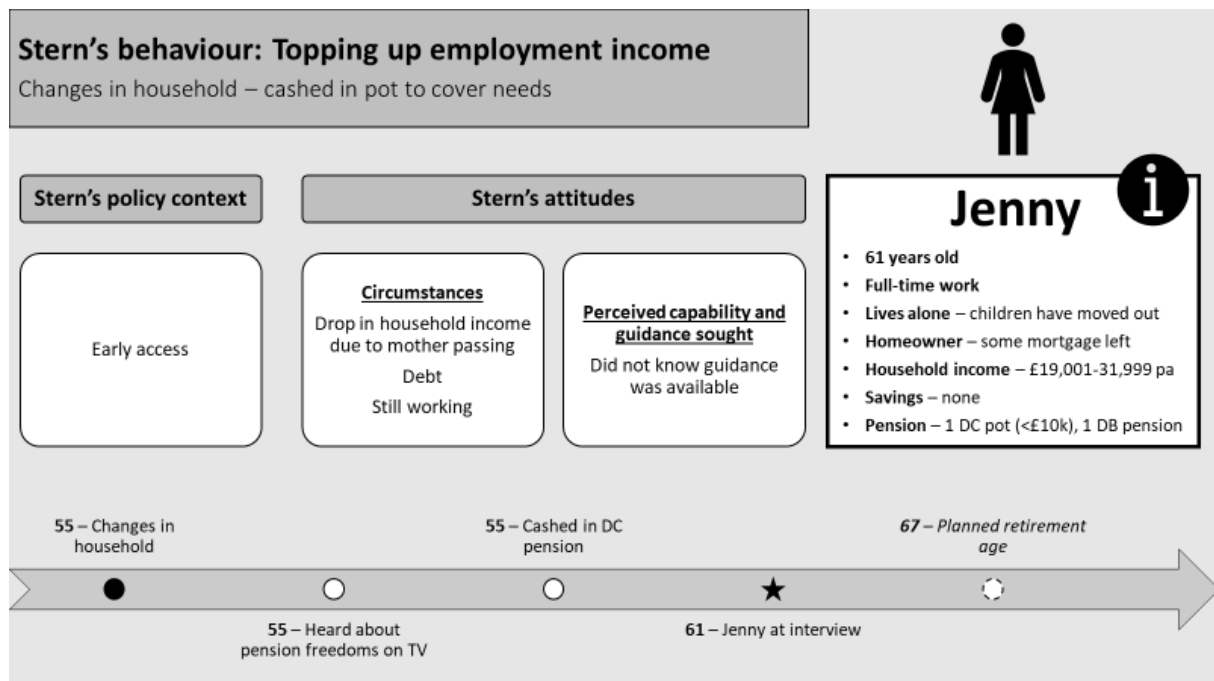
5.1 Topping up employment income

5.1.1 Financing essential expenditure

We described in Chapter 3 how DC pots were used to meet immediate financial needs. These decisions were triggered by financial shocks or immediate financial needs arising from changes in household circumstances or employment. This group were aware from the media that they had the opportunity to access the DC pot from 55. They turned to the flexibility of withdrawing a tax-free lump sum or cashing in an entire pension pot as a solution to their needs. Participants in this group either did not have high enough incomes to meet their needs or substantial levels of savings to draw on, or both. The case illustrations of Jenny and Sean illustrate the interaction between financial need, informational nudge and the policy context.

Jenny⁴³ was 61 at the time of interview, living on her own and working full-time, intending to retire around SPa at 67. She did not think she would ever be able to fully pay off her mortgage. Her mother was living with her and contributing to living costs until she passed six years previously. She found herself managing on one income and building up debt to meet her day to day expenses. Having heard about Pension Freedoms on TV she chose to cash in a small DC pension pot worth under £10,000. She did not access any guidance or personal advice as she was not aware that this was available. However, she felt confident with her decision to cash in her pension pot as she was struggling financially at the time and needed the money to cover her mortgage and overdraft costs. She still had a DB pension with her current employer, who she had been with for 20 years, and she is aware that this will provide her with an income in retirement – but she is unsure how much.

Case illustration 1 - Jenny



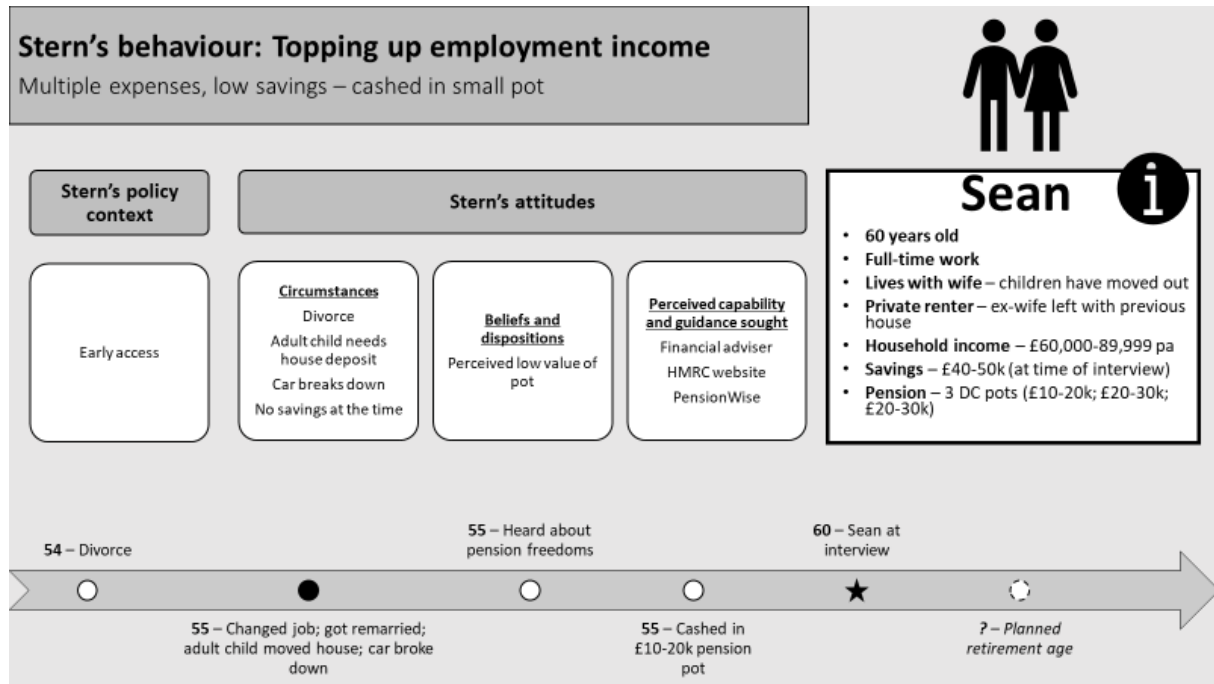
While Jenny’s income was not sufficient to cover her monthly expenditure, Sean, 60, had a reasonable income but not enough savings to pay for the one-off expenses that arose. Sean lived with his second wife in private rented accommodation with a comfortable income from working full-time. He had two adult children from his previous marriage. Within a year of his divorce aged 54 he changed job; was in between jobs for two months without employment income; he got re-married and had to pay for his wedding; one of his adult children wanted to buy a house and his car broke down and had to be replaced.

As he turned 55 in 2015, he received information about Pension Freedoms through his pension provider, TV advertising and his customers. He wondered if using one of

⁴³ All participant names have been changed, occupational details withheld, and financial details banded to protect the identity of participants.

his DC pots was the way to stabilise his finances and support his child. He sought information from the HMRC and Pension Wise websites and consulted a financial adviser about the implications. He then cashed his smallest DC pension pot, worth £10-20k, used some of it for living expenses while out of work, gave some to his child, paid towards his wedding and bought a new car. Sean considered that the pot was so small as to not yield much income in retirement. However, he did not reflect on the size of his overall future pension provision during the interview.

Case illustration 2 - Sean



Both participants were confident about their decision to access their DC pots. However, where Sean felt like he made a choice, Jenny felt that she had had no other option.

5.1.2 Financing nonessential expenditure

Pension pots were accessed to fund non-essential expenditure. Participants withdrew lump sums or cashed in smaller DC pots to pay for holidays, home refurbishments or to treat family members or themselves. Cash was either taken out in isolation before retirement or at the point of retirement together with an annuity or drawdown to provide monthly income.

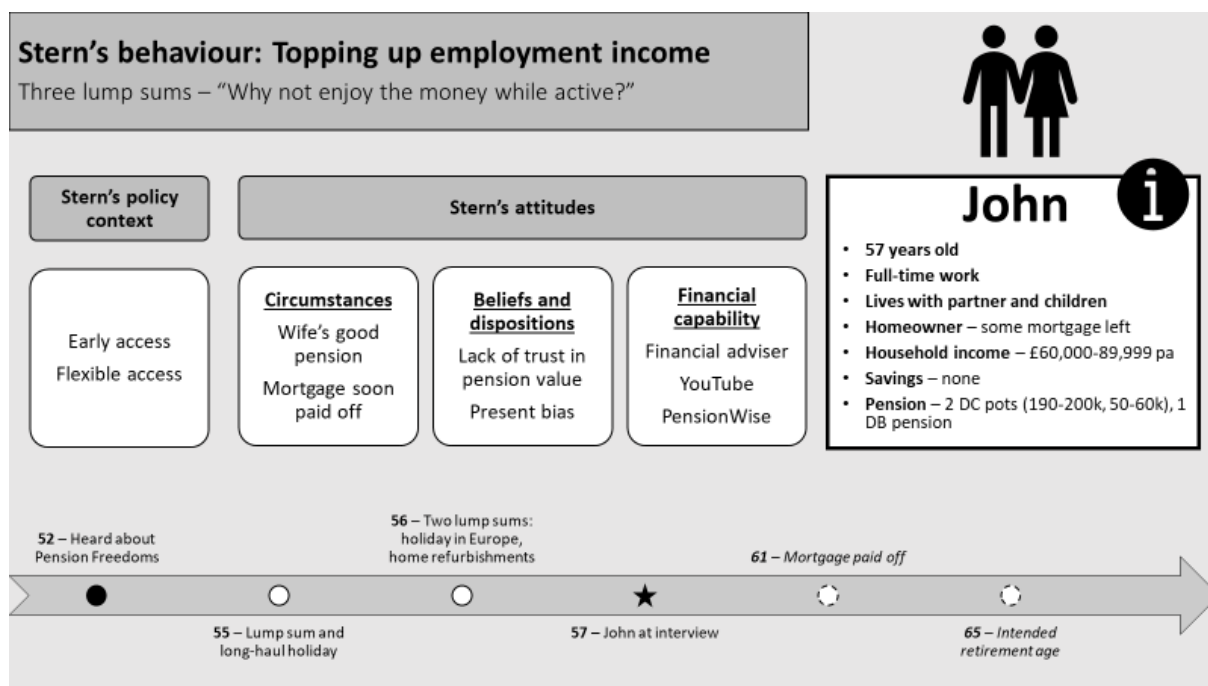
This group demonstrated an interaction between information nudges and a focus on their present aspirations. We discussed in Chapter 3 how the latter could be a result of both an optimistic view of later life, believing you will keep working and contributing beyond SPa, or a pessimistic one, fearing ill health in retirement and wanting to live for the moment. Participants also worried that the Government might change the rules at any point, preventing people from accessing their pension. Among this group there were both participants who did not have other savings and those who had other savings but used their DC pension pot instead of these.

Perceived financial security also informed these decisions in one of two ways:

- Participants considered themselves to have enough wealth to cushion their eventual retirement. This included DB pensions, property, inheritance or partner’s pension income. Where entire pots were cashed in, these were considered “insignificant” in the context of the participants’ overall pension wealth and perceived to not yield much income in retirement.
- Participants felt that they could make up the money through pension saving during their remaining years in employment.

John’s example characterises this type of decumulation decision. He described knowing that he wanted to take out a lump sum ever since he heard about Pension Freedoms. He demonstrated a strong present focus saying, “*why not enjoy the money while active?*” At 55, he accessed his DC pot to take his family on a long-haul holiday – something that he did not have the income or other savings to fund. He subsequently made two further withdrawals of lump sums within the 25% tax-free amount allowed to fund another holiday and home improvements. He was open to withdrawing above the 25% threshold in the future if it would support his children at university or enable him to do something important to him.

Case illustration 3 - John



John was not worried about the financial implications of taking money out of his pension, as his wife had a DB pension and the couple would have paid off their mortgage in a few years’ time. He was aware that there would be less in the pot at retirement as a result, but he and his wife felt comfortable about that. He also exemplifies the type of optimistic view of his continued health and ability to work and accumulate further pension savings. He had become aware of Pension Freedoms via the media around the time of its introduction. He felt he had sufficient information on the value of his pension pots and then sought information online, including the Pension Wise service and from a financial adviser before making his final decision.

He describes feeling happy about having spent the money on something tangible, like holidays and home improvements.

Summary

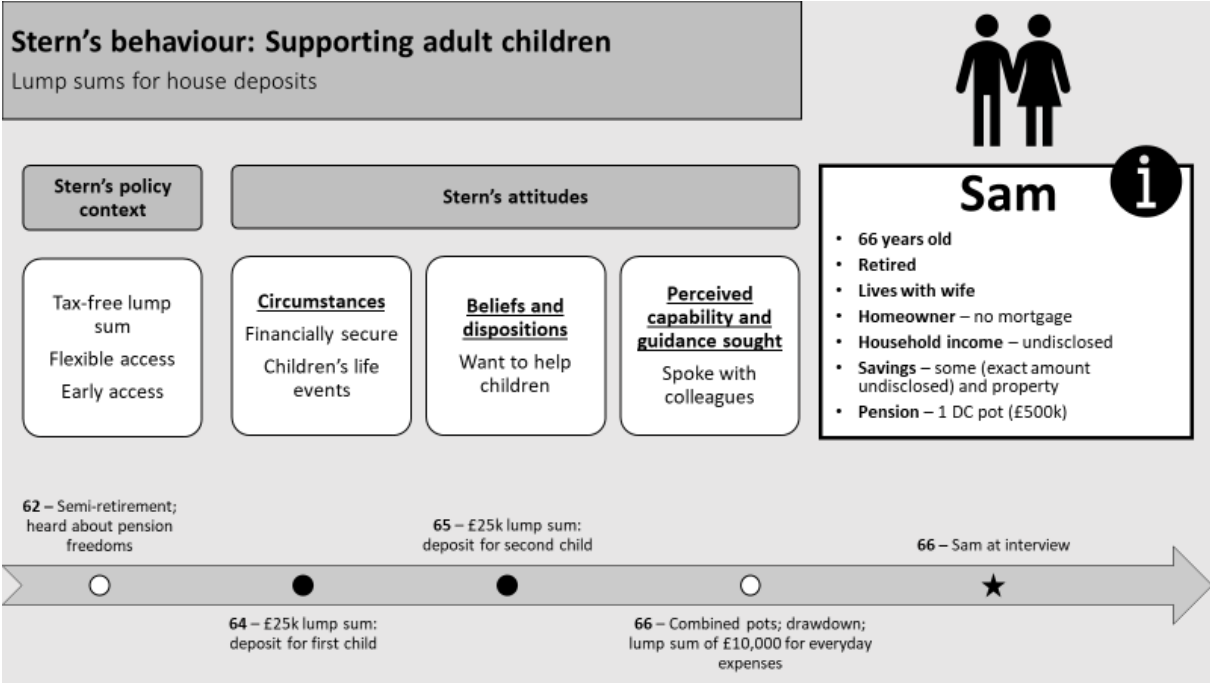
DC pension pots were accessed to top up employment income by participants who had a prior knowledge of Pension Freedoms, gained through media, friends or pension provider communications. Where participants accessed their pension to meet immediate financial needs, the decision was further motivated by a financial shock coupled with insufficient savings or income to cover for it. Where participants accessed their pension to finance nonessential expenditure, the informational nudge about Pension Freedoms interacted with a focus on the present, backed by perceived financial security in retirement. In each case, the policy context of being able to access from the age of 55 enabled these decisions.

5.2 Supporting adult children

Although we found examples of supporting adult children in difficult financial circumstances, a recurrent theme was helping with significant life events such as house deposits and wedding expenses. Participants wanted to help their children and often felt a 'moral duty' to offer financial support. Participants who supported their adult children in this way reported a comfortable level of income, although levels of pension and wider wealth varied. These participants considered the DC pension pot as one part of their total savings. They chose to access their pension pot even when they had other savings available to them.

Sam, 66, and his wife wanted to give their children a good start in life. He became semi-retired in 2015 and fully retired in 2019. In 2017, his oldest child wanted to buy a house with their partner, but their own savings were not enough to cover a deposit for a house in the area they wanted to move to. Sam and his wife wanted to help out, and having heard about Pension Freedoms, he withdrew a lump sum from his pension. A year later, his youngest child moved abroad and needed money to put down for a mortgage there, which Sam was willing to give. Sam reported talking to his wife and colleagues about these decisions but did not seek financial advice.

Case illustration 4 - Sam



When he retired fully at 66, he changed provider, combining his pension pots into one, and purchased a drawdown invested with medium risk. At this point, he drew a further lump sum of £10,000 for a new car and everyday expenses. He draws down £25,000 per year to provide him an income in addition to his State Pension. Sam is happy about his decision to use his pension pot to help out his children.

Summary

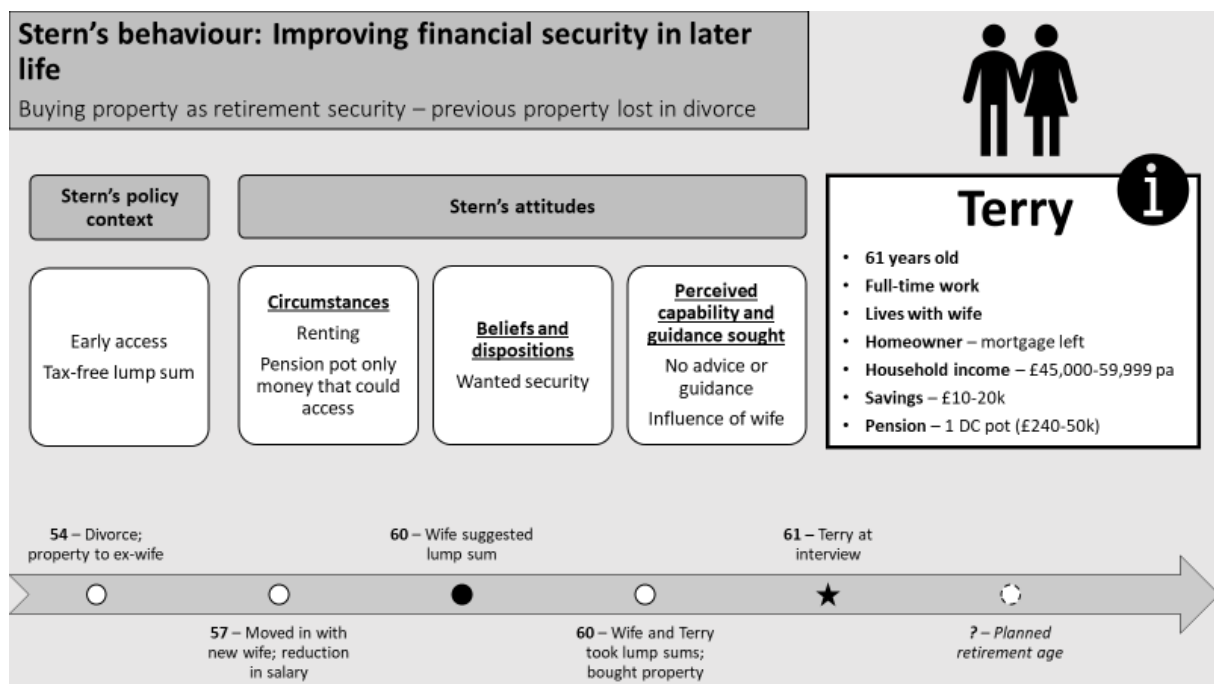
Pension pots were used to support adult children by participants with comfortable levels of household income, who were predisposed to help their children financially. The needs of the adult child triggered the decision – although some participants who had not yet accessed their pension were already prospectively planning to access it for this purpose before the need arose. These participants viewed their DC pension pot as a source of savings rather than retirement income, and the tax-free lump sum was the feature of the policy context that enabled them to, for example, contribute to an adult child’s house deposit.

5.3 Improving financial security in later life

These consumers accessed their pension savings in ways they considered would help improve their financial security in later life. This could be through paying off a mortgage, refurbishing a rental property or transferring their pension into other types of investment. Participants turned to their pension pot(s) either as their only source of finance or as their preferred source, compared to a loan, due to the lack of interest payments.

Terry had been renting for six years since he lost his previous property in a divorce and wanted the security of owning his own house. His new wife suggested pooling tax-free lump sums from their pensions to use as a deposit to buy a home together. Terry felt this was good idea, since his pension pot was the only money he could access at the time. Although he describes not understanding pensions, he did not feel the need to take advice, since he felt like he was spending the money on something useful and secure. This also makes him confident that the decision was the right one.

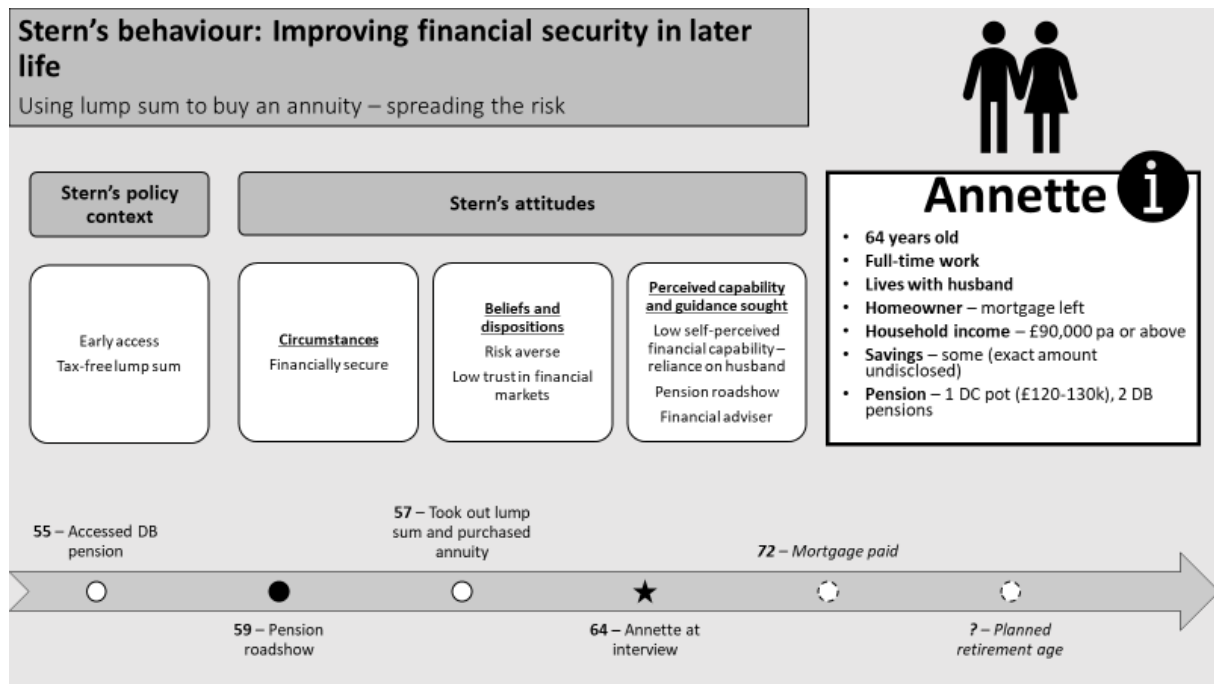
Case illustration 5 - Terry



On the other hand, Annette’s example below illustrates that pensions are used to increase feelings of financial security in later life in ways that do not involve property. Annette, 64, was keen on “*not keeping all her eggs in one basket*”. In 2015 she went to a pension roadshow with her company, where she spoke with a pension provider whose brand she considers trustworthy. They told her that she could take out a lump sum worth 25% of her pension without tax implications, if she preferred not to have all her money under one umbrella.

She spoke with her husband, who she considered more financially aware than her and consulted her financial adviser, however he was not a pension expert and told her to trust the advice of the pension company. Independently, she decided to take out a 25% lump sum and to use it to purchase an annuity to reduce some of the financial risk related to her pension. Although she did not know how her pension fund was invested, she had worries about what would happen to her pension if there was another stock market crash like 2008. She also felt that she was gaining an income through the annuity without being penalised for it, since the withdrawal was tax-free. She receives £250 per month from the annuity, that she uses to contribute towards her car expenses.

Case illustration 6 - Annette



Summary

DC pension pots were accessed to improve financial security in later life. Investing in properties was one way to do this. Mortgage payments and property purchases were made using DC pension money when pension savings were seen to be the only available or more financially preferable option. Participants also thought of improving financial security in later life in other ways, as Annette’s example of purchasing an annuity above shows. The main policy enablers in these decisions were early access and tax-free lump sum.

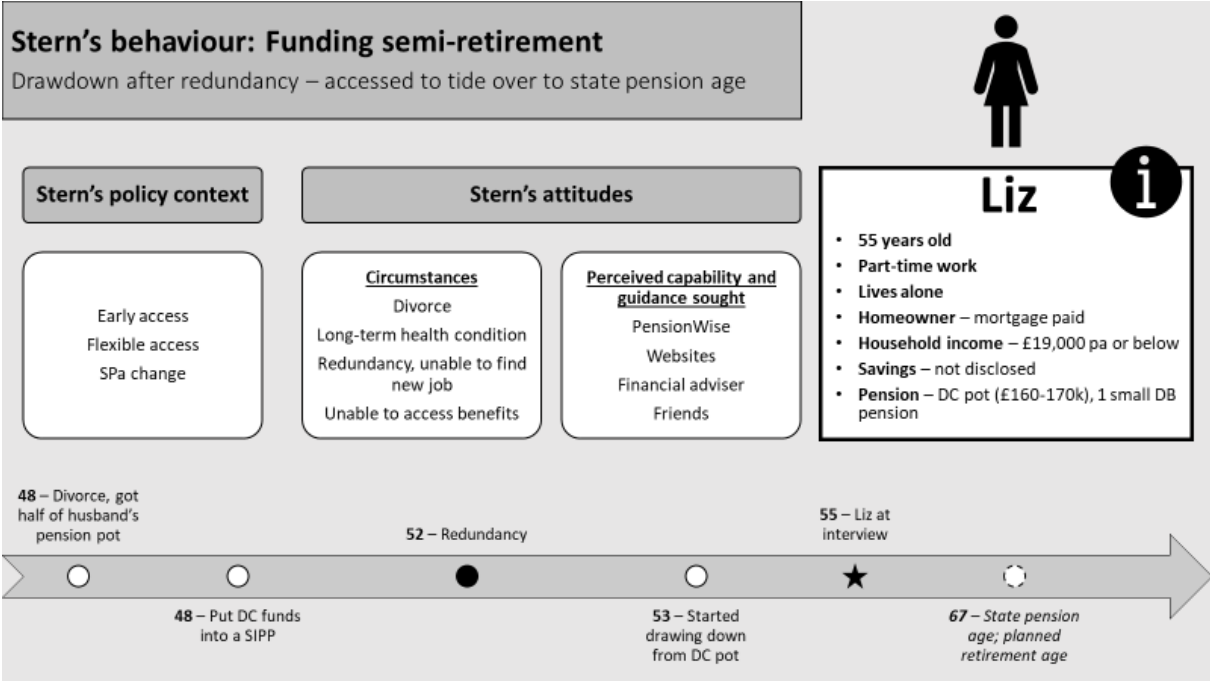
5.4 Funding retirement or semi-retirement

5.4.1 Funding involuntary retirement

This group of participants had accessed their pot to provide income for unplanned or involuntary retirement or semi-retirement. These decumulation decisions were triggered by redundancy or a deterioration in health. The DC pot acted as a bridge between retirement and SPa, when participants would start receiving their State Pension.

Liz, 55, is an example of decumulation triggered by redundancy. Seven years ago, she received half of her husband’s DC pot in a divorce and put in a SIPP. Three years ago, she was made redundant and has been unable to find a permanent job since. Her benefit entitlements were low, since she did not have enough national insurance contributions, and had some savings that disqualified her from means-tested benefits. She was living off the savings until she ran out, and to find a source of income she looked into accessing her pension. She was likely to access her pension before turning 55 because of a long-standing health condition.

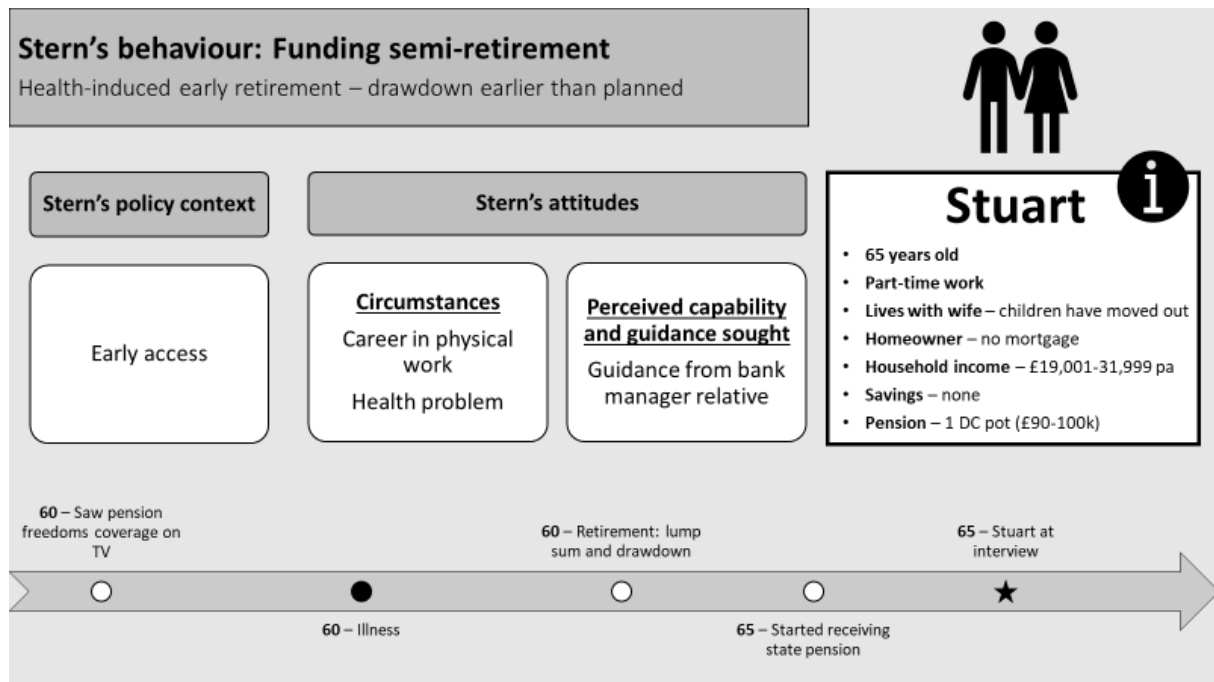
Case illustration 7 - Liz



After her divorce, she had had a consultation with Pension Wise, who had told her that the SPa for women had risen to 66, meaning that she would have to survive on her DC pension for longer than she had expected. When she was made redundant, she looked at the terms and conditions of her SIPP and saw that she could either purchase an annuity or a drawdown. She looked at several websites that she found helpful and talked to some friends about what she intended to do. Perceiving that an annuity would give her a low return, she decided to purchase a drawdown. She also hoped that the money would continue to grow, as she would need it for the rest of her life – particularly as she felt unable to trust that the State Pension age would not change again. She started drawing an annual amount that, combined with her part-time salary and small DB income, fell under her tax-free personal allowance. She felt that she had no choice, as it was the only money she could access at the time.

Stuart’s decumulation decision, on the other hand, was triggered by deterioration in health. He had a long career in manual work and at 60 he was still working but felt that he was struggling to compete with younger, fitter workers. Following a sudden illness, he made a joint decision with his wife to retire earlier than planned. He knew that he could access his DC pension early, having seen coverage on Pension Freedoms on TV during the 2015 election.

Case illustration 8 - Stuart



Being able to access his DC pension pot to purchase a drawdown product enabled Stuart to retire early and plug the income gap left by not being able to work. A relative he trusted, who was a former bank manager, found out the size of his DC pot for him and talked him through his options. He decided to take out a lump sum worth £25,000 for a new car, holidays and to pay off some debts. On his relative’s recommendation, with the rest of the money he purchased a drawdown product, from which he now drew £500 each month, intending for it to last until he passes away. He considered this monthly amount slightly lower than he would want but chose it so that his wife would be left with some of his pension money when he passes. To supplement this income and his State Pension, he worked two days a month. Stuart is happy that the pension enabled him to stop working, although he had expected to be more financially comfortable in retirement.

Liz and Stuart are examples where an unexpected change in personal circumstances led to a financial need. These participants had expected to work longer, and for some the sudden termination of accumulation meant lower retirement income than planned. As discussed in Chapter 2, this group included participants who considered their retirement income inadequate.

5.4.2 Funding voluntary retirement

Decumulation decisions were made by some participants to provide income in voluntary retirement or semi-retirement. The decision to decumulate was interlinked with the decision to retire or reduce working hours. These participants were focused on long term retirement income products.

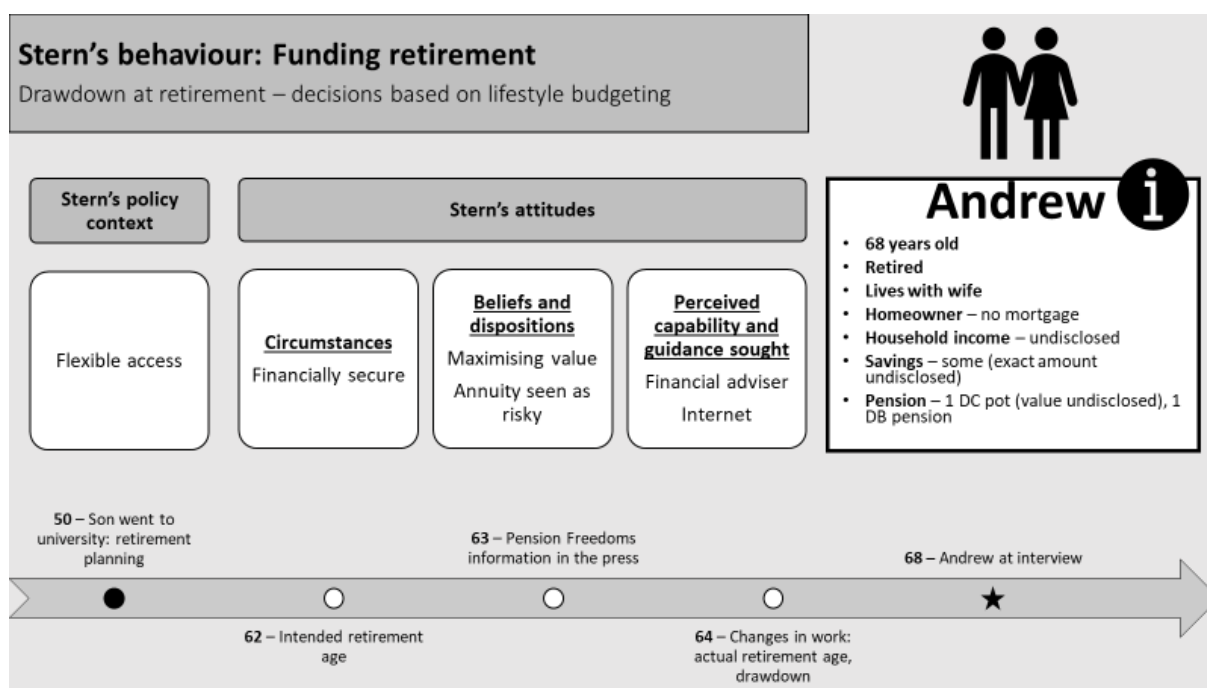
Retirement and semi-retirement were funded through drawdowns and annuities, often in combination with a lump sum at the point of retirement to fund holidays or home refurbishments. Product choice was influenced by perception of risk, perceived

financial confidence and the steer of guidance or advice sought. Those who took out drawdowns had higher perceived financial capability and felt a drawdown to be of better value than an annuity. Those who purchased annuities had lower perceived financial confidence or were more cautious about their long term retirement. They either acted in response to their own provider’s correspondence, did not want to make further decisions about their pensions, or felt like an annuity was the best way to make sure they had an income for the rest of their life.

Andrew started thinking about retirement at 50, when his son left for university. He sat down with his wife to think about the type of retirement lifestyle they wanted and decided that he could retire comfortably at 62, having paid off his mortgage and saved enough money in his pension. They took into account the different sources of income they will have in retirement, including his DC pension with 20 years’ contribution history from his current job and a DB pension he contributed to for 5 years earlier in his career. He liked his job, however, so had ended up continuing to work until his job role was changed when he was 64.

The pension market had just opened when he retired and there was lots of information about Pension Freedoms in the press. He did some research online and talked to a family member who is a financial adviser. He considered a drawdown to be a “no-brainer”, since the money remains invested and remains in his estate if he passes away. Andrew also held views on risks of annuities based on estimated life expectancy. He thought it was too much of a “gamble” to purchase an annuity in case he did not live long enough to claim ‘the whole pot’s worth’, in which case the money would be “lost”. He feels that he made the right decision, as taking money out monthly has not significantly reduced the size of the pot so far.

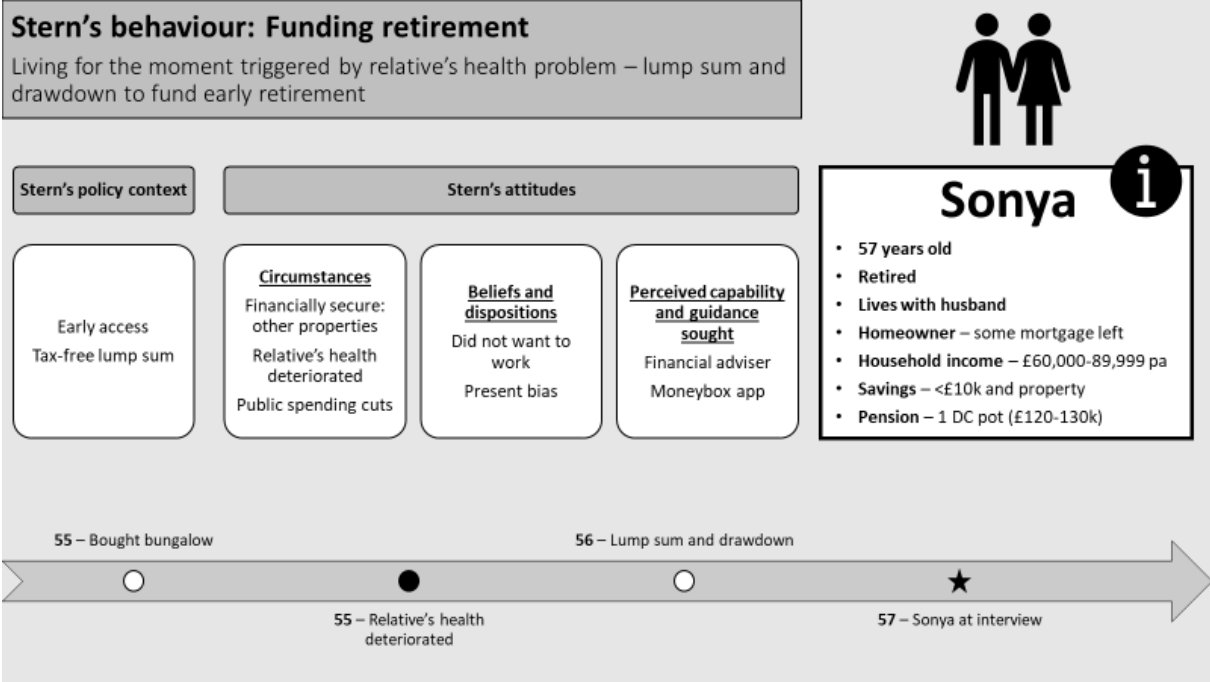
Case illustration 9 - Andrew



Sonya, 57, was working in the public sector until recently when a relative’s illness made her realise that she may not be in good health forever. She demonstrated a focus on living in the present and wanted to be able to enjoy herself while able to. She was tired of working and worried about public sector spending cuts: she wanted to leave on her own terms. Colleagues at work were approaching retirement ,and conversations about their retirement plans made her aware that she would be able to access her pension.

Once she had thought about retiring, she went to see a financial adviser recommended by her trusted solicitor. The adviser calculated all her assets and income and told her how much she could afford to take out of her pension as a lump sum for home refurbishments, and draw a monthly income, with which she was able to stop working. She was unclear about whether she intended the money to last her for the rest of her life, but said she was open to working part-time again in the future to supplement the income from her pension. She was aware that drawing money out of her pension now might mean a lower income later, but she was keen to enjoy the money that she had put in her pension while she was still alive and healthy. She also had other properties from which she received rental income, and which she said she would be able to sell if needed.

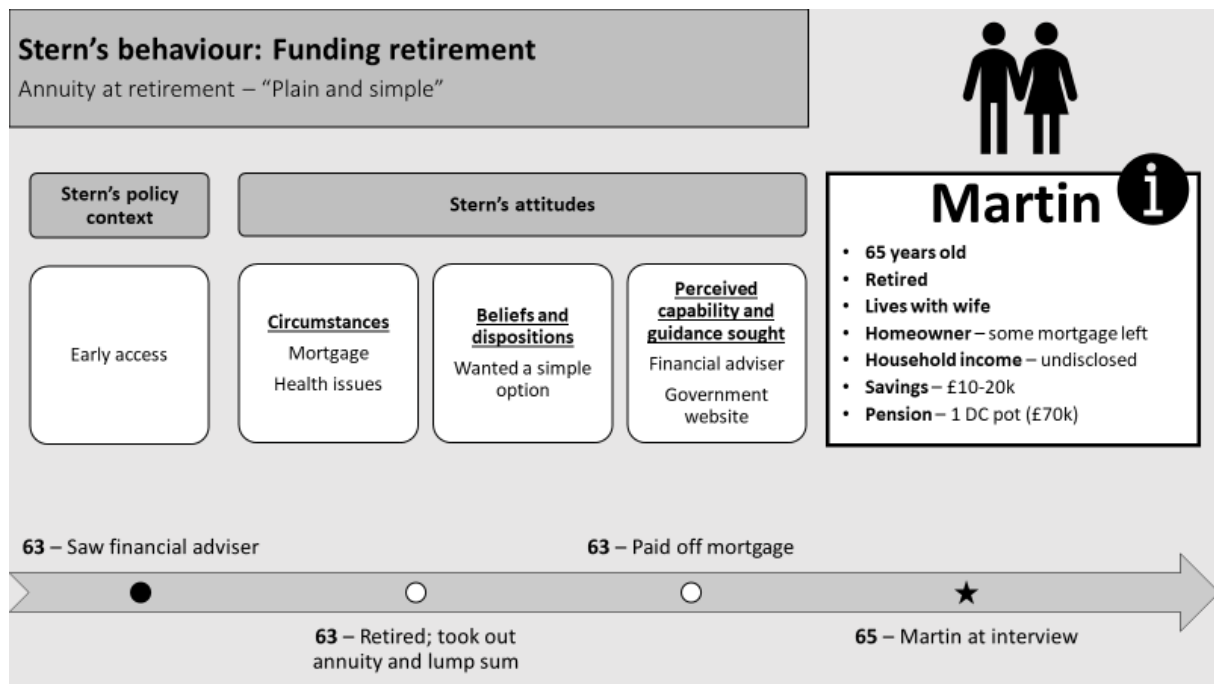
Case illustration 10 - Sonya



While drawdowns were purchased in the two examples above, Martin, 65, is an example of someone who purchased an annuity. He retired from his full-time job two years ago, as he did not want to work anymore. At the point of retirement, he looked at the government website to explore his options before speaking with a financial adviser. Together they decided that the option of purchasing an annuity was the simplest and easiest for him. The adviser provided quotes for annuities and helped him do a health questionnaire which altered the amount of money that he would receive, which he would not have thought to do himself. In addition to the annuity he

took out a lump sum of £25,000 to pay off his mortgage and his credit card debt. This reduced the stress of having to find the mortgage payment each month and he would save on interest charges. Another reason to not purchase a drawdown or take out more cash was that he did not want a large lump sum of money sitting in his bank account, as he felt like he would be tempted to draw on it. Martin felt happy with his decision to purchase an annuity.

Case illustration 11 - Martin



Summary

DC pots were accessed to provide long-term retirement income where participants were compelled to think about retirement due to health or employment shocks, or where they voluntarily wanted to reduce their hours or retire fully. Decisions to decumulate were therefore closely linked to the decision to retire, and often facilitated by the ability to access the pension before SPa. These decisions were informed either by formal advice or by informal guidance from a friend or family member considered financially savvy.

Flexible access allowed participants to access their pensions through a drawdown as well as through an annuity. Participants purchased a drawdown product where they felt financially confident or where a trusted source of advice told them to do so, or where they still hoped for their pension pot to grow. Participants who purchased annuities wanted to make sure that the money would last throughout retirement, felt financially less confident and wished to avoid having to make decisions later on about their pension.

5.5 Reasons for not decumulating

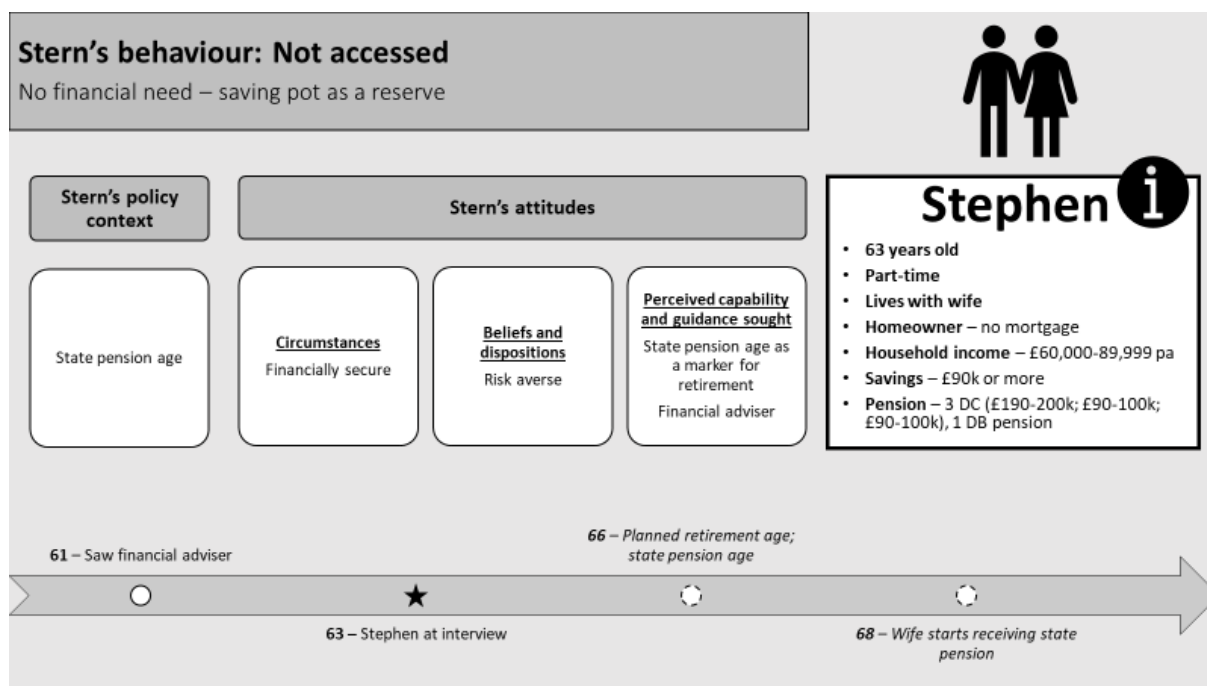
There were three main reasons for not decumulating, among participants who had not accessed their DC pension pot(s). Where participants were aware of the ability to

access their pension, they refrained from doing so for two reasons: lack of current financial need (due to having enough disposable income or savings to cover day-to-day expenses and spending aspirations) and/or a greater focus on the need to accumulate. Lack of awareness of Pension Freedoms was a further reason to not decumulate.

5.5.1 Lack of financial need

The absence of financial need was an important reason to not decumulate, even when participants were aware of Pension Freedoms. These participants had sufficient savings or employment income to cover their present expenses and no spending aspirations that they wanted to fund. Stephen, 63, is an example of this. He was semi-retired, with an income that is made up of several streams that included his salary, a redundancy pay-out and rental income from property. The decision to not access his DC arose from an interaction between perceived financial security and risk aversion. He considered himself financially comfortable and, although aware of Pension Freedoms, did not feel that he needed to access his DC pots yet. He felt secure about the present but uncertain about what the future holds. For him, it was better to keep the pensions safe to be prepared for what might happen to him or his wife.

Case illustration 12 - Stephen



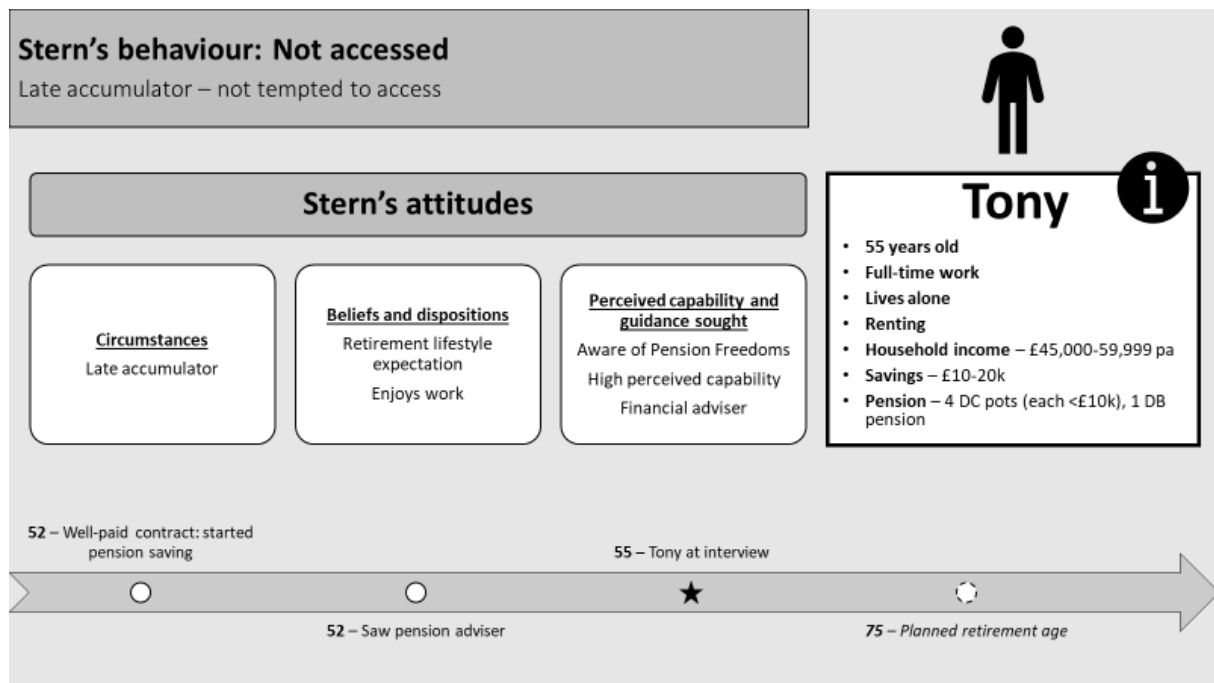
5.5.2 Late accumulation

A perceived lack of sufficient retirement savings was another reason to not decumulate. In these cases, participants had been accumulating for a maximum of five years and felt that they did not have enough money in their DC pension to provide sufficient retirement income. The lack of prior accumulation was due to employment histories fragmented by temporary jobs or child care.

Tony is an example of this. Tony’s working life had been spent in either low income jobs or short-term contracts, where he had not contributed significantly to a pension. He had accumulated relatively little pension savings but was now in a better paid job and in a better position to contribute to his pension. Three years ago, he saw a financial adviser to consider his retirement. He was made aware of his pension freedom choices but chose to prioritise accumulating pension savings to get a reasonable income when he retires.

Tony also demonstrated an optimistic view of his continued ability to work. Partly in response to his consideration of his pension savings to date, but also given he enjoyed his work, he was planning to work well past SPa, until he is 75. With an erratic pension contribution history, he was now making up for lost time.

Case illustration 13 - Tony

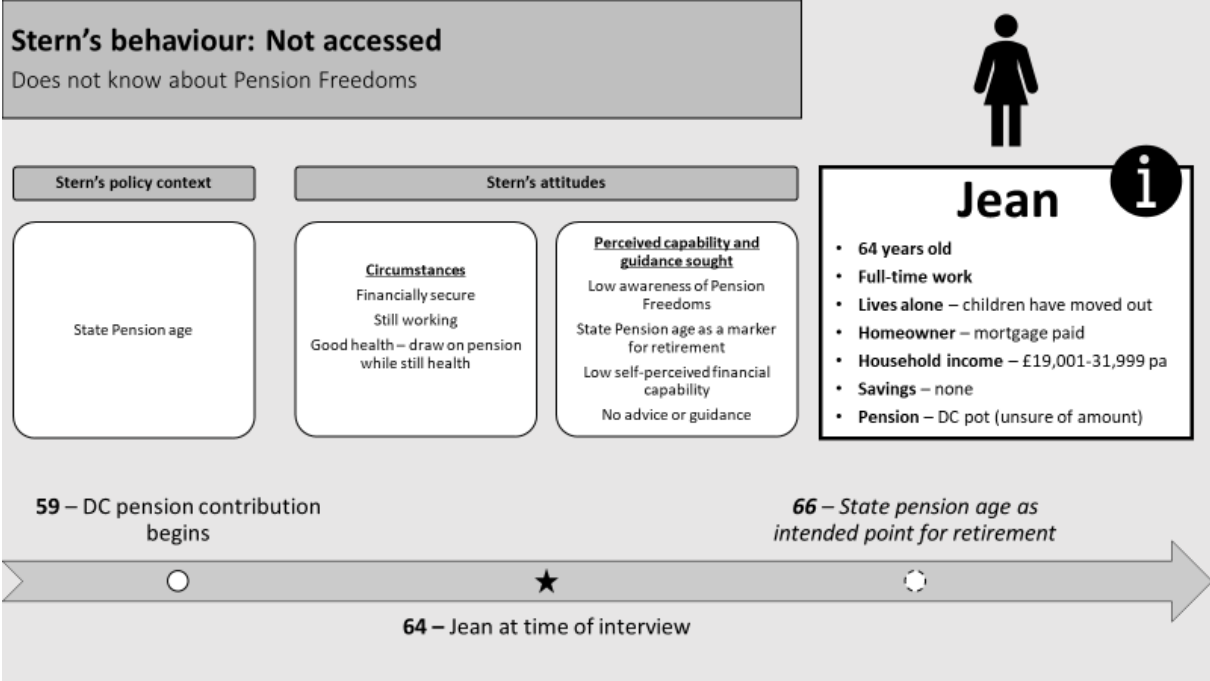


5.5.3 Lack of awareness

Low awareness of Pension Freedoms meant that participants either did not know of the possibility, or did not feel confident enough, to decumulate. These participants perceived their DC pension as a source of income in retirement, rather than as a savings pot.

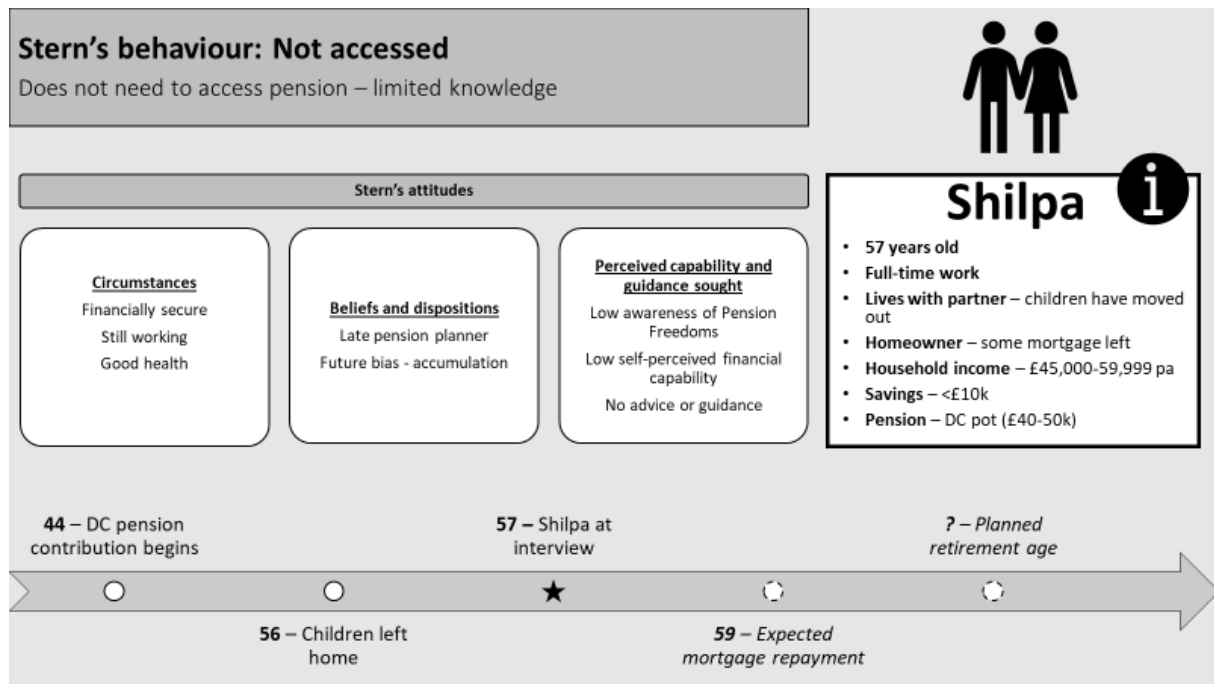
Jean, 64, is an example of the former. She was planning to retire in two years because that was when she would get her State Pension and she did not want to work any longer than required. Having worked all her life, she felt that she deserved a good quality of life in retirement. She was not entirely clear on how her pension would work and what her options were regarding her DC pot. She assumed that her DC pension is “just paid out at the end”, in a manner similar to the State Pension, without her having to choose any products.

Case illustration 14 - Jean



In contrast, Shilpa, at 57, knew that she could access a cash lump sum from her pension if she needed, for example, to help her children financially. However, she described herself as “not clued up” about her pension and was unsure of the tax rules. She had recently received an information pack through the post and recalled that she could access around 10% without getting taxed but was not sure. She preferred to leave it and let the pension provider invest it as this way she felt assured that she would have an income in retirement. She did not want to risk losing any of her money by making financial decisions she does not fully understand.

Case illustration 15 - Shilpa



Summary

Participants’ reasons for not decumulating their DC pots were opposite to the reasons to decumulate (as outlined in sections 5.1-5.4) in three ways. Firstly, where participants were aware of Pension Freedoms, they did not decumulate because they felt they did not need the money and saw their pension pots as their future retirement income. Secondly, participants focused on accumulation where they felt they had insufficient retirement savings. Finally, the lack of awareness of Pension Freedoms stopped participants from accessing: either because they did not know that the option existed for them, or because they did not feel financially confident enough to make decisions about it.

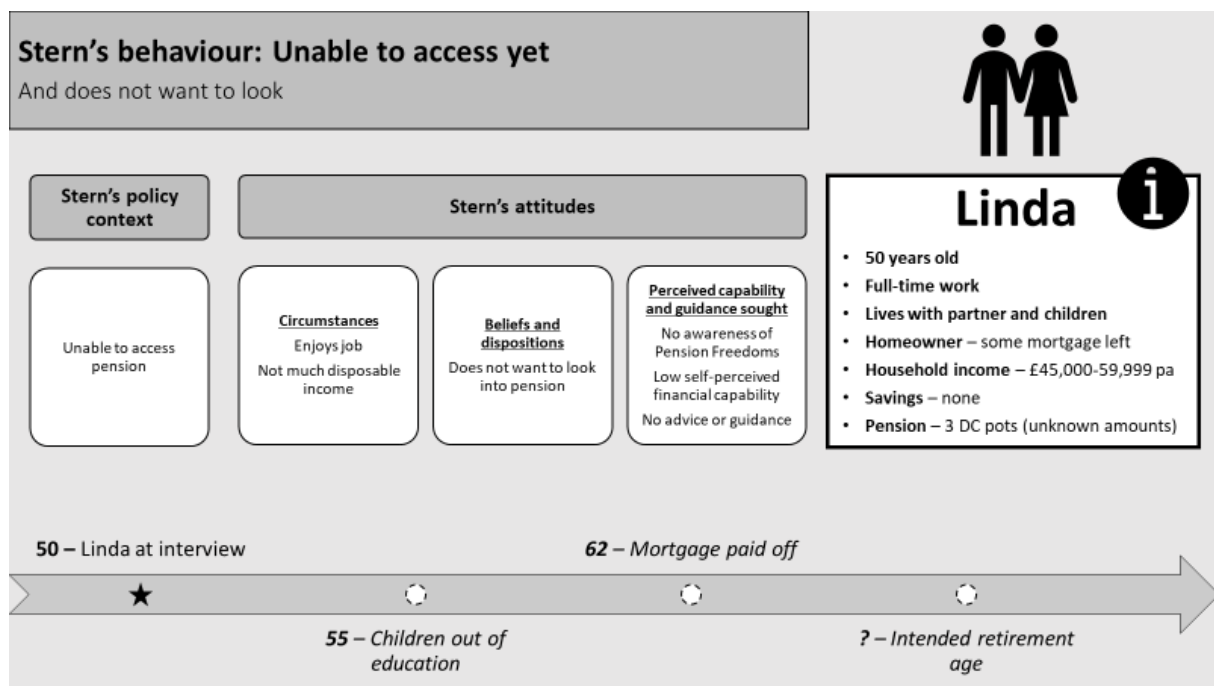
5.6 Perceptions of those below decumulation age

There were also participants aged 50-54 who were below the threshold age of the Pension Freedoms policy. Here we explored their awareness and attitudes in the run-up to eligibility. We found the same type of dichotomies between present and future focus interacting with financial security and insecurity among this younger cohort. Some were thinking about their retirement and aware of Pension Freedoms but generally people were not yet engaging with the detail.

Participants who had not given much thought to retirement expected to continue working for a good while yet and were not always aware of the impending Pension Freedoms age. Linda, 50, is an example of this. She was living with her husband and two children and working full-time in a job she enjoyed. They had enough income for everyday expenses, but not necessarily for all leisure activities they would like to do.

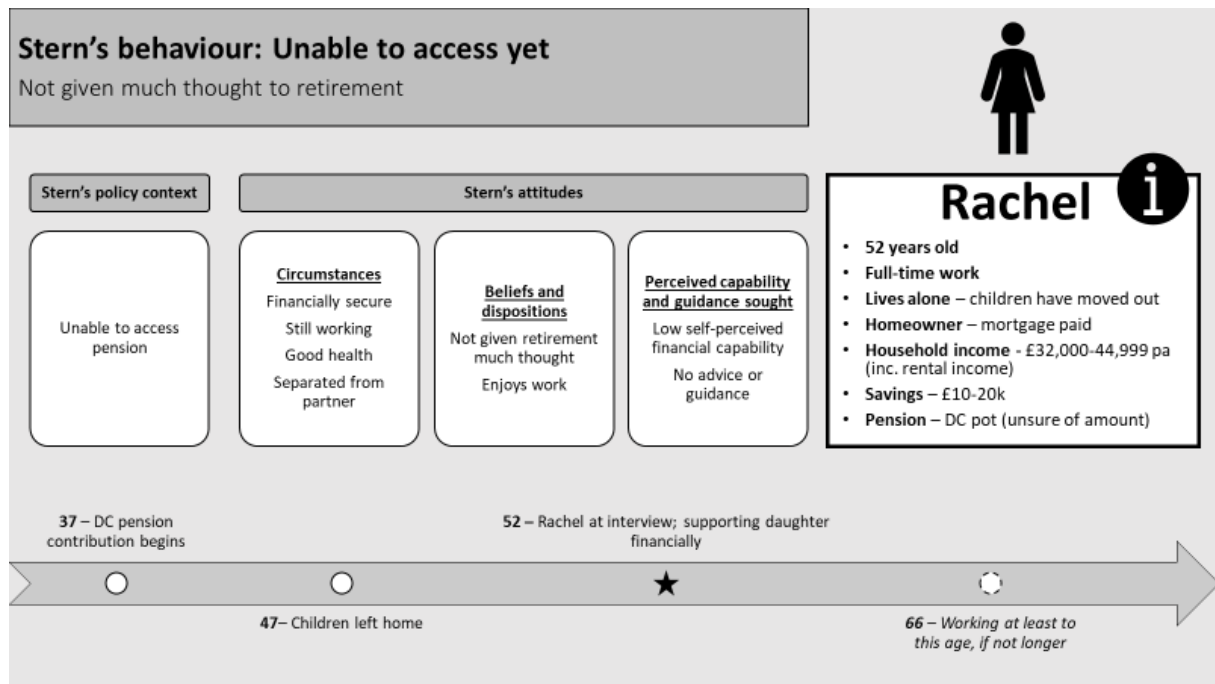
Linda was not aware of Pension Freedoms and had not made any retirement plans. She and her husband periodically talked about looking into their pensions but had never done so. She felt reluctant to find out how much she had in her pot: she felt that if it were high, she might be tempted to make plans to use it, but if the amount were too low, she would not be able to do anything about it on her current income. She felt optimistic about her retirement though. She trusted that her husband’s pension was good, as he was working in the public sector. She herself envisioned working part-time well into retirement if she needed extra income.

Case illustration 16 - Linda



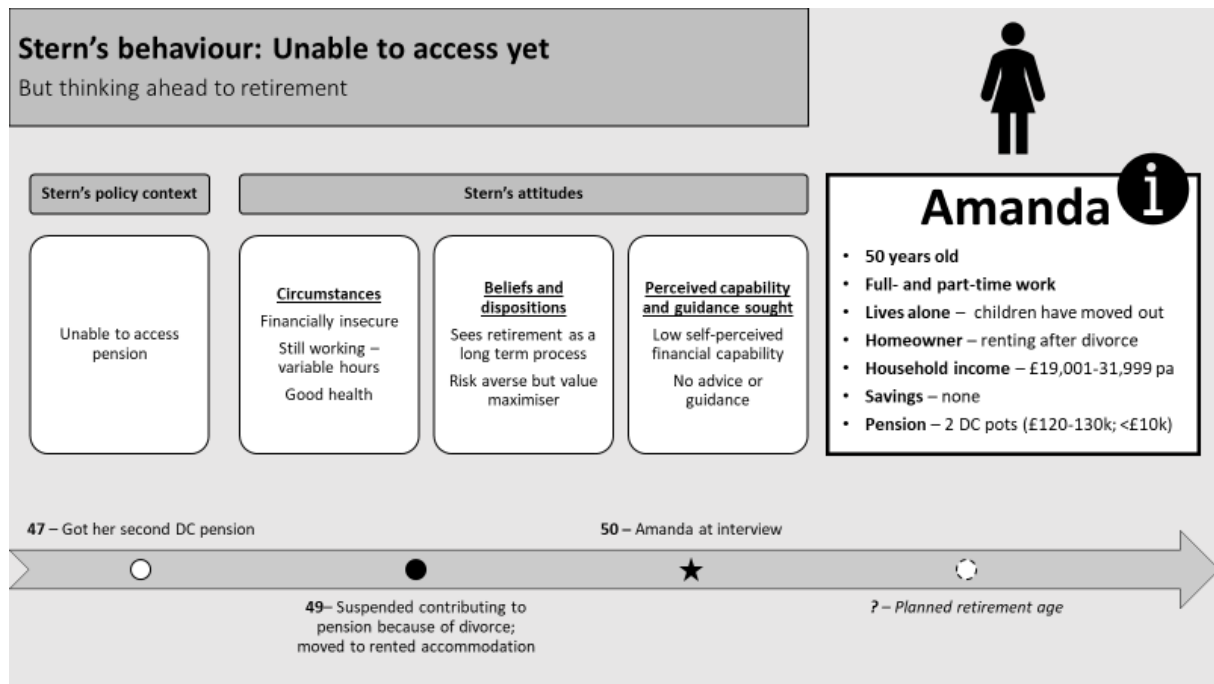
Similarly, Rachel, 52, had not made any plans regarding her pension. In contrast to Linda, she described her living situation as comfortable, given that her mortgage had been paid off and she had little debt. She was aware she could access her DC pot at 55 under Pension Freedoms, but had not given the option, or her eventual retirement, much thought yet. She was able to provide some additional financial support to her daughter within her current income. She still felt far enough away from retirement not to think about it in detail. She was contributing to a DC pension but was not sure of its current or projected value. She would not want to compromise her current comfortable lifestyle by retiring early and having to live on a lower income. She envisaged working until at least 66, if not longer, as she enjoyed her work.

Case illustration 17 - Rachel



Amanda, although younger at 50, was actively thinking of retirement and wanted to retire at 55. However, a recent divorce had put her in a “bit of a tight financial situation”, given her husband used to be the main “breadwinner”. She was still actively thinking about retirement and thought a future divorce settlement can help her get back on track to retiring at 55. In thinking about retirement, she was focused on the future in her approach to her pension savings. She was aware that older people now live longer, to “mid 70s and beyond” and so was keen to build up her pension so that it would last. Although not aware of how pensions work, one option she was considering was using her pensions to invest in properties, which she thought would give her a significant source of rental income in retirement. She describes herself as risk averse and so would make sure she got advice or guidance before she decides.

Case illustration 18 - Amanda



Summary

Participants under the age of 55 had not made detailed plans to access their pension. There was some knowledge of the ability to access the DC pension pot from the age of 55, but limited awareness of the detail of Pension Freedoms. Some of these participants considered themselves closer to retirement than others, but none had made concrete retirement plans.

5.7 Summary

This chapter used case studies to illustrate interactions of the factors described in Chapter 3 that lie behind the four different types of decumulation behaviour as well as decisions to not decumulate. Each individual journey was different, but common interactions emerged.

Many of these journeys indicate a tendency to view the DC pension as a savings pot. Those on low incomes or with low savings were at risk to access their DC pension to cover financial shocks, enabled by the ability to access cash from their pensions from the age of 55. This policy feature also enabled financing non-essential expenditure, where informational nudges led people to consider their pension as a source of savings to draw on in this way. In addition, those on higher incomes took out lump sums to help out their children, even where they had other savings. Finally, the opportunity to take tax-free lump sums before or at the point of retirement enabled financial security in retirement in terms of property investments or other financial products.

Another group drew on at least part of their DC pension to provide a retirement income. In these cases, the decision to decumulate was linked to the decision to retire or semi-retire. Retirement, in turn, was either triggered by a health condition or redundancy, or the desire to reduce working hours and enjoy the remaining healthy years of life. Perceived own financial capacity and personal financial context drove decisions between drawdown and annuity.

Looking back, participants who had accessed their pots felt positive about their decision or described it as their only option at the time. To contextualise these reflections, it should be noted that decisions were relatively recent, and participants were still working or in the early years of retirement.

Reasons for not accessing contrasted with those of accessing: a perceived lack of financial need, a need to accumulate to secure an income in retirement or a lack of awareness of Pension Freedoms altogether. When contrasted with participants who had accessed their pots, these cases underline the importance of the three factors in informing access decisions: awareness of pension freedoms, perceived financial security in retirement and/or whether participants feel they need access to money in their pots immediately.

Among those under 55 years of age the level of engagement with pensions and retirement planning varied. However, participants across this group had not made concrete retirement plans and were not knowledgeable about the detail of their options under Pension Freedoms.

6 Conclusions

This qualitative study set out to explore the circumstances and attitudes of people who had decided to decumulate their DC pensions since the introduction of the Pension Freedoms policy in 2015. We looked at their understanding of the options available to them, whether cash withdrawal, annuity or drawdown products, and explored their rationale for their decision. We compared their experiences and motivations to a group who had not decumulated. We also investigated awareness of Pension Freedoms policy and decumulation intentions among a younger age group aged 50 to 55 even though they could not yet access their pension. Our sample was purposively selected to include only participants who had a DC pension, although many were also able to rely on a DB pension, something that will be less available to future cohorts.

Regardless of decumulation decision, we found little evidence of people considering the likely length of their retirement, their retirement income requirement or potential pension income until close to the point of retirement. People talked more generally in terms of wanting to feel financially secure and to have sufficient income to engage in the leisure activities they enjoyed. Those who felt more comfortable financially also wanted to have enough money to provide inter-generational support to their children. People used SPa as a marker for when they might retire but were generally optimistic about their ability to continue working up to, and potentially past that age. This helped push the perceived need for pension planning further into the future.

Consistent with other research, people in the age group for this study, ranging from aged 50 to 72, tended to underestimate their potential life expectancy and focused more on the early, independent, phase of retirement. Seeing older relatives require health and social care could affect that view but with two conflicting consequences. For some this led to a concern to prepare financially for needs in later life, for others, a preference to live for the moment while they could still enjoy their money.

Four types of access behaviour emerged in our analysis. These were:

- **Topping up income.** Whether to meet stated essential needs after a financial shock, such as job loss, divorce or ill health or to fund lifestyle choices, such as a special holiday.
- **Supporting adult children.** Either to support their essential needs in difficult times or to help at major life stages such as a wedding or buying their first home.
- **Investing in other plans for financial security in retirement.** This included purchasing property to provide rental income or transferring funds into other types of savings.
- **Funding imminent or current retirement or semi-retirement.** This was done by purchasing annuities or drawdown policies.

But each decision about whether or how to access a pension pot was a highly individual one, representing an interplay of circumstances, attitudes, perceived financial capability and how a person engaged with information, support or guidance.

Those who did access their pension had a clear and considered rationale for doing so. Those in financial need with a present focus weighed up making a cash withdrawal against the cost of servicing a loan. People with a future focus saw benefits in clearing debts, such as mortgages, by retirement age. Even those making cash withdrawals to fund lifestyle choices did so having weighed up the relative value of using that amount of money sooner rather than later. But all of those who accessed their pension with at least an element of cash withdrawal viewed their DC pension more as a component of their overall savings from which they may draw, rather than specifically for the purchase of an income in retirement.

By definition, given the majority of the sample were selected because they had accessed their DC pot, general awareness of Pension Freedoms was high. Participants in this study could recall the coverage of the legislation in 2015 but had also encountered more recent media coverage and received information from their pension provider. However, those who had not accessed or had only made a cash withdrawal were less aware of retirement income options under Pension Freedoms.

In coming to their decision some participants sought out guidance or personal advice, whether professional or informal. People were steered to financial websites or Pension Wise itself via media articles or through online searches. They also sought guidance from their pension providers. Not surprisingly they were more likely to engage with professional advice the closer they got to retirement, although less financially secure participants were deterred by the upfront costs of a financial adviser. Those with more perceived financial capability sometimes acted on information and guidance alone, not seeking financial advice. Those that did engage with professional advice tended to use it to confirm their choices and find out how to operationalise them. The less confident either avoided engaging with support at all or were highly dependent on the advice from others, whether professional or informal. Participants could also feel that they were too preoccupied with their day to day life to take on the burden of engaging with any type of guidance or advice. These groups needed more support to feel confident that guidance was available and accessible to them.

As the study relies solely on the perceptions of the participant, we cannot say how their decumulation decisions would truly affect their financial circumstances and long-term retirement income adequacy. But those making cash withdrawals in response to a significant financial shock or shortfall in income to meet basic needs could be at risk if their remaining accumulated retirement wealth is low. In choosing to access their pension pot they may have deprioritised the potential long-term consequences against pressing immediate needs. If a consumer in this position does not access guidance or take professional advice, either because of self-belief in their financial ability, concern about the cost of advice or lack of trust in financial advisers, they are more dependent on the anecdotal opinions of friends and family which might not be tailored to their circumstances. This group need to have confidence that professional

financial advice is both worth the upfront cost and time investment to help them make their money go further in these situations.

Those who felt financially secure but made cash withdrawals to fund lifestyle aspirations could also overlook advice. If they had higher perceived levels of financial capability, they might rely solely on free information and guidance on how to navigate their decumulation. Their decisions also tended to depend on a relatively optimistic view of their ability and opportunity to continue working and saving right up to their chosen date of retirement. Although they could afford advice, this group need to be persuaded that it is worth their time when they already felt clear about what they wanted to do and preferred independent decision making.

In deciding how much cash to withdraw or which DC pension pot to close, there was evidence of mental accounting across different sizes of DC pots. Participants were more willing to liquidate smaller pots entirely, particularly if these were inactive, compared to either not touching or drawing a more complex mix of retirement income products and cash from larger ones. If more consumers consolidated their DC pensions it could encourage detailed consideration of exactly how much a consumer needs to withdraw, rather than encouraging a tendency to close a whole pot, because it does not feel worth leaving a small amount in the pension. Bringing pensions together could also make it easier to see the potential of their overall pension savings to generate retirement income.

Those who had not accessed their pension might not have encountered a financial need or aspiration to trigger considering it, but also could be more focused on their pension fund as a protected source of their long-term retirement income. Some reported not wanting to know how much was in their pension pot, or even to understand Pension Freedoms better, for fear of being tempted to use it to as a cash savings fund for immediate needs at the expense of their annual income in retirement. Or they had investigated their decumulation options but had been more open to advice about the timing of their decumulation around their retirement.

Although awareness of the details of Pension Freedoms was understandably lower among those under 55, they expressed a similar range of views on whether their DC pension pot was a form of saving or the source of their retirement income. Participants were looking for more information and guidance about pensions and retirement planning at this earlier stage and easier access to affordable pension advice. But such information and advice needs to be mindful of the different reactions that can result from any communication about financial risks in retirement or of involuntary retirement. As we saw in this study, the same information can cause some to be cautious about decumulation while justifying a live for the moment attitude in others. Given levels of disinclination to engage with retirement planning and tendency to focus on the present, consumers may be more responsive to guidance that emphasises the immediate benefits of saving as well as information that helps people easily bring together what their total pension savings and potential retirement income are worth to them.

Appendix 1 – Topic guides

Below we present the two topic guides used for the study – one for those aged 55 and over and a second guide for those that were aged 50-54. The original formatting of the guides is retained.

Both guides are arranged in a table format listing the key phases of the discussion, the topics to be covered at each phase and the follow-up probes and prompts that can be used. Key features of the guides include:

- The topics are not worded in the form of questions – this encourages interviewers to be responsive to the concepts, language and terms used by participants.
- It does not include many follow-up questions like Why? When? How? as participants’ contributions were fully explored throughout in order to understand how and why views are held.
- Probes and prompts are for guidance only and are therefore not exhaustive. These are presented as bullet points in the topic guide.
- The timings: The timings we have provided for each section are indicative only; these varied between interviews.
- Fonts:
 - Text in red indicates instructions to interviewers.
 - Text in italics conveys worded instructions for facilitators to use with participants – i.e. these instructions will be read out.

Defined Contribution (DC) members engagement with Pension Freedoms – 55+ guide

Phase	Topic	Probes/prompts/notes
<p>1. Introduction</p> <p>(5 minutes)</p>	<p>Introducing the interview</p>	<ul style="list-style-type: none"> • Purpose of discussion: The Department of Work and Pensions are interested in understanding the decisions people make about their pensions and the reasons why. They also want to know how much income people think they will need in retirement • The value of the work: This is to help them understand how people have engaged with recent changes to how they can access their pensions, which will help them think about what they can do to support people. • About the discussion: <ul style="list-style-type: none"> ○ <u>We are interested in hearing your views</u> - there are no wrong or right answers. This is not a quiz, it’s ok if you are not sure about something and we are not judging your decisions. ○ <u>We will be asking you about your finances</u> – this is to help us better understand the context in which you have thought about your pensions. • Reassurances:

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> ○ <u>Confidentiality</u>: We will bring together the views of all the people we have spoken to in a report for DWP. We will not identify you in any of our outputs. ○ <u>Voluntary participation</u>: You do not have to answer anything you do not want to – free to skip questions or withdraw at any time. ● Permission to record: Explain you would like to record the interview as this means that you do not have to scribble everything down. The recording will only be accessed by the immediate research team and not shared without anyone else. They will be deleted a year after the study has been completed. ● Any questions
<p>2. Background (10 minutes)</p> <p>For all participants</p> <p>Aim: Ease participant into the discussion and provides useful contextual information that can be draw on throughout the interview</p>	<p>A. Their household</p> <p><u>Interviewer: Cover this section lightly – it is largely about confirming the screener information. Where appropriate, return to their response to their health question later on in the discussion</u></p>	<ul style="list-style-type: none"> ● Who they live with <ul style="list-style-type: none"> ○ Whether they live with a partner/alone ○ Any dependants (including parents, children and other care responsibilities) ○ Any children living outside of their home ● Tenure – owner, social/private renter <ul style="list-style-type: none"> ○ If owner, whether they have a mortgage/own outright ● Health <ul style="list-style-type: none"> ○ How participant perceives their own health
	<p>B. Working history</p>	<p><u>Interviewer: Begin their timeline here. Mark employment history on the timeline, starting with the current and working backwards</u></p> <ul style="list-style-type: none"> ● Current day-time activity and how long been involved in this <ul style="list-style-type: none"> ○ Looking for work ○ Out of work for health reasons ○ Paid employment (full-time/part-time) ○ Self-employed ○ Retired/semi-retired – if so, when retired ○ Caring responsibilities ● Map changes in employment activities over time – start either with the employment they had before their current one or from their very first job. If they have had the same job all their life, ask about any changes in role that can indicate changes in income ● Employment status of partner (if has one – as above)
	<p>C. Aligning definitions</p>	<p><u>Interviewer: Introduce what we mean by a DC scheme and draw down here:</u></p> <ul style="list-style-type: none"> ● DC scheme: <i>We will be focusing quite a bit on your Defined Contribution (DC) pension scheme in this discussion.</i> <ul style="list-style-type: none"> ○ <u>This is different from the pension you get from the government</u> – you may have contributed to a DC pension through your employer or set up the scheme and arranged to contribute to it yourself ○ <u>Importantly, the amount you get from the pension in retirement is not set</u> – it depends on what you and, if applicable, your employer have contributed and how well the pension has done

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> ○ <u><i>This can be contrasted with another type of pension scheme called a Defined Benefit scheme - where the amount you receive in retirement pension is guaranteed and linked to how long you have worked for your employer</i></u> ● Accessing pension savings: <i>We will be discussing what you have done with your pension or intend to do. Such as leave the pension untouched in your pension scheme until retirement or access it. If you have accessed your pension savings/intend to, we will discuss what you did (or intend to do) with the money.'</i>
<p>3. Current financial situation (15 minutes)</p> <p>For all participants</p> <p><u>Aim:</u> This section will help to understand what their current financial situation looks like and any changes to this. This will provide information that can be drawn on to frame draw down decisions</p>	<p>A. Pension scheme</p>	<p><u>Interviewer:</u> If necessary, reassure the participant again that we need this information to understand the context in which they make decisions. Using the timeline, revisit each period of employment and mark down any pensions they took out. Be prepared to go through the difference between DB and DC and state again that we are not interested in any government pension they have if necessary.</p> <ul style="list-style-type: none"> ● Map pension schemes – <ul style="list-style-type: none"> ○ Identifying number and type - DB and DC ○ Estimated pot sizes ○ Which pots they see as most/least significant and why
	<p>B. Other current individual and household income</p>	<ul style="list-style-type: none"> ● Identifying other individual income streams <ul style="list-style-type: none"> ○ Benefits ○ Earnings ○ Money from other people – parents, adult children ○ Other ● Identifying other types of wealth: assets and savings <ul style="list-style-type: none"> ○ Rental income – e.g. from second homes ○ Investments ○ Savings ○ Value of house (if owned) and of other properties ● Having mapped these streams, get a sense of the individual’s overall income amount – ballpark amount (weekly/monthly/annually – interviewer: if participant seems reluctant, move on – we will have this info in the sampling information) ● Identifying household income streams and ballpark figure for household as a whole (as above but also including pension schemes for partner)
		<ul style="list-style-type: none"> ● Understanding any changes in individual and/or household income since they reached age 50 – including which were considered significant and reasons why (mark any changes in individual or household income on timeline – including income windfalls and shocks that we can return to later)
	<p>C. Expenditure and debt</p>	<ul style="list-style-type: none"> ● Main types of current household expenditure (we just need to ask about significant outgoings, rather than detailed expenditure. Also, rather than specific amounts, we just want a <u>broad sense</u> of the proportion of income spent on expenditure types – either weekly/monthly. Use a pie chart as a visual, if helpful and map any changes in expenditure on timeline) <ul style="list-style-type: none"> ○ Rent/mortgage ○ Utility/bills ○ Grocery and another household shopping ○ Health related costs ○ Helping family members ● Key debts – size, type and reasons for debt

Phase	Topic	Probes/prompts/notes
<p>4. Deciding to access pension scheme (35 minutes)</p> <p>Aim: This is a key section. By the end of this section, we will have a good sense of whether they accessed their pension. If so, the reasons underpinning their decisions (including advice sought)</p>	<p>A. Checking whether they have accessed their pension scheme</p>	<ul style="list-style-type: none"> • Understanding any changes in individual and/or household expenditure since they reached age 50 – including reasons why (mark any changes on timeline) <p><i>Interviewer: check whether they have decumulated against the screening information we have</i></p>
	<p>B. Reasons for NOT accessing pension scheme</p>	<ul style="list-style-type: none"> • Where they decided to leave ALL of their DC pension untouched and keep their money in their pension scheme– explore reasons why, examples below. <i>Interviewer: where appropriate, follow-up by counterfactual prompts to deepen reflections – e.g. why they did not decide to take money out or invest it</i> <ul style="list-style-type: none"> ○ <u>Awareness</u> - lack of awareness/not seeing it as a choice ○ <u>Need</u> <ul style="list-style-type: none"> – Financial situation (e.g. debt, role played by other sources of income, changes in income and expenditure discussed earlier) – Still working – Health (returning to their response in 2A, where appropriate) ○ <u>Trust, risk and reward</u> <ul style="list-style-type: none"> – Trusting pension scheme – Assessments of return/ risk aversion – concerns – Previous experiences of making decisions/set-backs ('avoiders') ○ <u>Wider pension and household situation</u> <ul style="list-style-type: none"> – Size of pot (e.g. they have other/larger pensions) – Their partner’s pension situation – Wider household situation (e.g. debt, partners retirement plans etc.) ○ <u>Change in personal and financial circumstances</u> (e.g. supporting children, health, care) ○ <u>Confidence</u> in their ability to make financial decisions ○ <u>Thoughts about phases of retirement/life expectancy</u> – e.g. whether decision relates to thoughts on seeing retirement income as having to last over a period of time • Explore what influenced their decision not to access pension. <i>Interviewer: make a note of the materials people with them to show what influenced their decision</i> <ul style="list-style-type: none"> ○ <u>How they would describe their level of engagement with the decision</u> – took full ownership, relied on others ○ <u>Explore any advice/guidance received to inform decision</u> (extent and nature) <ul style="list-style-type: none"> – Friends/family – including how the wider household situation influenced decision – Employer – including any direct support provided by the employer (e.g. talks/presentations) – Media/internet – probe for specific websites – Pension provider contact – Independent financial advisor – Pension Wise/ The Pensions Advice Service

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> – Retirement ‘wake up’ packs – sent to people originally 6 months before retirement age but under new rules, every 5 years from age 50 ○ <u>Did their approach differ between pot(s)?</u> – if so, explore how and why ○ <u>For each type of advice/guidance, reasons and impact</u> <ul style="list-style-type: none"> – Explore why sources of advice/guidance used and not used (e.g. not seen to be useful/suitable, not aware it is available) – Which source of advice/support they valued most – For each type of advice/guidance received, explore whether and how it influenced their decision to not access <p>If participant has not accessed any guidance/advice, explore why not</p> <p>If participant has not considered accessing their pension, explore:</p> <ul style="list-style-type: none"> • How would they start the process of thinking about it? • Where would they go for information? <p>Reflecting on decision</p> <ul style="list-style-type: none"> • How confident they felt in their decision – e.g. that it was the best outcome • Any gaps in guidance and/or advice – including nature of gaps
	<p>C. <u>Accessing pension – what form it took and how it was accessed</u></p> <p>For those that HAVE accessed pot(s)</p>	<ul style="list-style-type: none"> • Where they have accessed AT LEAST ONE of their pension schemes , briefly describe how they have accessed each pot <ul style="list-style-type: none"> ○ Taken out whole pension pot out as cash ○ Taken small cash sums from pension pot(s) ○ Taken out an annuity ○ Take out pension drawdown product(s) – i.e. taking out a cash sum and still keeping the rest invested in this product, but can take out money as needed <ul style="list-style-type: none"> – How has the pot been invested? ○ Invest and take regularly income (e.g. stocks, bonds, shares and funds) <ul style="list-style-type: none"> – Exploring how pot has been invested – knowledge and understanding ○ A mix of the above • Further details about how pots(s) were accessed and the reasons why <ul style="list-style-type: none"> ○ Amount/proportions of pension accessed ○ How often (e.g. withdrawn small sums) ○ When
	<p>D. <u>Accessing pensions – reasons</u></p> <p>For those that HAVE accessed pot(s)</p>	<ul style="list-style-type: none"> • For EACH pot they accessed, explore reasons why (rather than keep it in a pension scheme) AND in that particular way (including reasons why different pots may have been accessed in different ways). Interviewer: Draw on the timeline and discussions of changes in employment, income and expenditure. Where appropriate, follow-up by counterfactual prompts to deepen reflections – e.g. why they did not invest it in a drawdown product if they bought an annuity <ul style="list-style-type: none"> ○ <u>Need</u> <ul style="list-style-type: none"> – Financial situation (e.g. debt, role played by other sources of income, changes in income and expenditure discussed earlier) – Needing to access the tax free 25% lump sum – if so, whether they needed the full 25% (if not, why did they take it)

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> – Health (returning to their response in 2A, where appropriate) ○ <u>Trust, risk and reward</u> <ul style="list-style-type: none"> – Trusting someone else to make the decision for them ('trusting group') – Assessments of return/risk ('self-directive group') – Distrusting pension scheme – Wanting to increase returns ○ <u>Wider pension and household situation</u> <ul style="list-style-type: none"> – Size of pot (e.g. they have other/larger pensions) – Their partner’s pension situation – Wider household situation (e.g. debt, partners retirement plans etc.) ○ <u>Change in personal circumstances</u> (e.g. supporting children, health, care) ○ <u>Confidence</u> in their ability to make financial decisions ○ <u>Thoughts about phases of retirement/life expectancy</u> – e.g. whether decision relates to thoughts on seeing retirement income as having to last over a period of time ○ <u>If not invested</u> – <ul style="list-style-type: none"> – Reasons why – Their view on the tax incentives/implications of decisions ○ <u>If invested, factors considered</u> <ul style="list-style-type: none"> – Assessment of returns/risks – Length of time money likely to be invested – What they plan to do with invested product <ul style="list-style-type: none"> ● Explore what influenced their decision to access their pots in general (i.e. overarching reason across the pots). . Interviewer: make a note of the materials people with them to show what influenced their decision <ul style="list-style-type: none"> ○ <u>Explore any advice/guidance received to inform decision</u> (extent and nature) <ul style="list-style-type: none"> – Friends/family – Employer - including any direct support provided by the employer (e.g. talks/presentations) – Media/internet – probe for specific websites – Pension provider contact – Independent financial advisor – Pension Wise/ The Pensions Advice Service – Retirement ‘wake up’ packs – sent to people originally 6 months before retirement age but under new rules, every 5 years from age 50 ○ <u>Did their approach differ between pot(s)?</u> – if so, explore how and why ○ <u>For each type of advice/guidance, reasons and impact</u> <ul style="list-style-type: none"> – Explore why sources of advice/guidance used and not used (e.g. not seen to be useful/suitable, not aware it is available) – For each type of advice/guidance received, explore whether and how it influenced their decision to <ul style="list-style-type: none"> ● Access their pension ● Access their pension in that particular way – Which source of advice/support they valued most

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> • If participant has not accessed any guidance/advice, explore why not • Reflecting on decision <ul style="list-style-type: none"> ○ <u>How confident they felt in their decision</u> – e.g. that it was the best outcome ○ <u>Any gaps in guidance and/or advice</u> – including nature of gaps
<p>5. Adequacy of income and wealth in retirement (15 minutes)</p> <p><u>Aim:</u> This is a key section. By the end of this section we will have a clear idea of what they consider to be an adequate lifestyle in retirement and the type and level of wealth and income needed to achieve this</p>	<p>A. <u>For the retired</u> – how life they have compare to what they want</p>	<ul style="list-style-type: none"> • Did they expect to retire at that age • How they see their current lifestyle – and why (if needed, draw on vignettes) <ul style="list-style-type: none"> ○ What <u>word would</u> they use to describe their lifestyle (e.g. basic, comfortable, well off, adequate) and why ○ What their income allows <u>them to do/ not do</u> ○ <u>What reference points</u> do they draw on to define their lifestyle <ul style="list-style-type: none"> – Current lifestyle – Other people they know – Social media expectations (including what word would describe that lifestyle) – Their parents’ lifestyle – What kind of lifestyle they do not want • Reflection on what they consider to be an adequate lifestyle in retirement - how does their current lifestyle sit with their expectations/ aspirations for what an adequate lifestyle in retirement should be <ul style="list-style-type: none"> ○ <u>Is the lifestyle they have, one they aspired to prior to retirement?</u> If so, why do they consider it to be adequate? <ul style="list-style-type: none"> – If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this ○ <u>If not, why not?</u> Ask them to describe what an adequate lifestyle looks like why (if needed, draw on vignettes) <ul style="list-style-type: none"> – Explore the lifestyles they want and do not want – If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this • Reflection on income and wealth needed for an adequate lifestyle in retirement (the type of wealth and income needed, as well as how much on weekly/monthly/annual basis ask to specify on a household level where possible). Interviewer: unpack how a participant arrived at a figure to understand the rules of thumb they used <ul style="list-style-type: none"> ○ Ask once participant has responded to previous prompt spontaneously: Whether they see their need for income changing <i>in the course of</i> retirement ○ <u>If current lifestyle is what they aspire to,</u> how lifestyle sits with any planning they did – including whether and how their decisions to access their pension or not sits with this ○ <u>If discrepancy between current life style and what they aspired to,</u> what type and overall level of income and wealth would have given them the lifestyle they wanted
	<p>B. <u>For those not retired/semi-retired</u> – what kind of life do they</p>	<ul style="list-style-type: none"> • What would they consider to be an adequate lifestyle in retirement (if needed, draw on vignettes). Ask them to describe what this lifestyle looks like and why they consider it adequate. <ul style="list-style-type: none"> ○ What <u>word would</u> they use to describe this lifestyle (e.g. basic, comfortable, well off, adequate) and why

Phase	Topic	Probes/prompts/notes
	want in retirement	<ul style="list-style-type: none"> – If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this ○ It may be helpful ask them to reflect on how their aspiration sits with: <ul style="list-style-type: none"> – Current lifestyle – Other people they know – Social media expectations (including what word would describe that lifestyle) – Their parents’ lifestyle – What kind of lifestyle they do not want – If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this ● Reflection on income and wealth needed for an adequate lifestyle in retirement is (the type of wealth and income needed, as well as how much on weekly/monthly/annual basis - ask to specify on a household level where possible)). Interviewer: unpack how a participant arrived at a figure to understand the rules of thumb they used <ul style="list-style-type: none"> ○ <u>The type and level of income and wealth in retirement they think they need to achieve lifestyle</u> – including what kind of lifestyle their current pension will provide <ul style="list-style-type: none"> – Ask once participant has responded to previous prompt spontaneously: Whether they see their need for income changing <i>in the course of</i> retirement ○ <u>Whether decision to access pension schemes are made to help them achieve this lifestyle</u>
6. Closing Aim: To close the interview on a positive note	A. Advice to a friend	<ul style="list-style-type: none"> ● What two pieces of advice would they give to a friend or relative about planning for their retirement
	B. Thank you and close	<ul style="list-style-type: none"> ● Thank them for their time and for the helpful discussion ● Stress the value of discussion in helping to understand people’s decisions around what they do with their pensions ● Ask if they have any questions ● Provide support leaflet ● Give incentives

Defined Contribution (DC) members engagement with Pension Freedoms – 50-54 guide

Phase	Topic	Probes/prompts/notes
7. Introduction (5 minutes)	Introducing the interview	<ul style="list-style-type: none"> ● Purpose of discussion: The Department of Work and Pensions are interested in understanding the decisions people make about their pensions and the reasons why. They also want to know how much income people think they will need in retirement ● The value of the work: This is to help them understand how people have engaged with recent changes to how they can access their pensions, which will help them think about what they can do to support people. ● About the discussion: <ul style="list-style-type: none"> ○ <u>We are interested in hearing your views</u> - there are no wrong or right answers. This is not a quiz, it’s ok if you

Phase	Topic	Probes/prompts/notes
		<p>are not sure about something and we are not judging your decisions.</p> <ul style="list-style-type: none"> ○ <u>We will be asking you about your finances</u> – this is to help us better understand the context in which you have thought about your pensions. <ul style="list-style-type: none"> ● Reassurances: <ul style="list-style-type: none"> ○ <u>Confidentiality:</u> We will bring together the views of all the people we have spoken to in a report for DWP. We will not identify you in any of our outputs. ○ <u>Voluntary participation:</u> You do not have to answer anything you do not want to – free to skip questions or withdraw at any time. ● Permission to record: Explain you would like to record the interview as this means that you do not have to scribble everything down. The recording will only be accessed by the immediate research team and not shared without anyone else. They will be deleted a year after the study has been completed. ● Any questions
<p>8. Background (10 minutes)</p> <p>For all participants</p> <p>Aim: Ease participant into the discussion and provides useful contextual information that can be draw on throughout the interview</p>	<p>D. Their household</p> <p><u>Interviewer: Cover this section lightly – it is largely about confirming the screener information. Where appropriate, return to their response to their health question later on in the discussion</u></p>	<ul style="list-style-type: none"> ● Who they live with <ul style="list-style-type: none"> ○ Whether they live with a partner/alone ○ Any dependants (including parents, children and other care responsibilities) ○ Any children living outside of their home ● Tenure – owner, social/private renter <ul style="list-style-type: none"> ○ If owner, whether they have a mortgage/own outright ● Health <ul style="list-style-type: none"> ○ How participant perceives their own health
	<p>E. Working history</p>	<p><u>Interviewer: Begin their timeline here. Mark employment history on the timeline, starting with the current and working backwards</u></p> <ul style="list-style-type: none"> ● Current day-time activity and how long been involved in this <ul style="list-style-type: none"> ○ Looking for work ○ Out of work for health reasons ○ Paid employment (full-time/part-time) ○ Self-employed ○ Semi-retired – if so, when retired ○ Caring responsibilities ● Map changes in employment activities over time – start either with the employment they had before their current one or from their very first job. If they have had the same job all their life, ask about any changes in role that can indicate changes in income ● Employment status of partner (if has one – as above)
	<p>F. Aligning definitions</p>	<p><u>Interviewer: Introduce what we mean by a DC scheme and draw down here:</u></p> <ul style="list-style-type: none"> ● DC scheme: We will be focusing quite a bit on your Defined Contribution (DC) pension scheme in this discussion. <ul style="list-style-type: none"> ○ <u>This is different from the pension you get from the government</u> – you may have contributed to a DC pension

Phase	Topic	Probes/prompts/notes
		<p>through your employer or set up the scheme and arranged to contribute to it yourself</p> <ul style="list-style-type: none"> ○ <u>Importantly, the amount you get from the pension in retirement is not set – it depends on what you and, if applicable, your employer have contributed and how well the pension has done</u> ○ <u>This can be contrasted with another type of pension scheme called a Defined Benefit scheme - where the amount you receive in retirement pension is guaranteed and linked to how long you have worked for your employer</u> <ul style="list-style-type: none"> ● Accessing pension savings: We will be discussing what you intend to do with your pension. Such as leave the pension untouched in your pension scheme until retirement or access it. If you intend to access your pensions savings, we will discuss what you intend to do with the money.’
<p>9. Current financial situation (15 minutes)</p> <p>For all participants</p> <p>Aim: This section will help to understand what their current financial situation looks like and any changes to this. This will provide information that can be drawn on to frame draw down decisions</p>	<p>D. Pension scheme</p>	<p>Interviewer: If necessary, reassure the participant again that we need this information to understand the context in which they make decisions. Using the timeline, revisit each period of employment and mark down any pensions they took out. Be prepared to go through the difference between DB and DC and state again that we are not interested in any government pension they have if necessary.</p> <ul style="list-style-type: none"> ● Map pension schemes – <ul style="list-style-type: none"> ○ Identifying number and type - DB and DC ○ Estimated pot sizes ○ Which pots they see as most/least significant and why
	<p>E. Other current individual and household income</p>	<ul style="list-style-type: none"> ● Identifying other individual income streams <ul style="list-style-type: none"> ○ Benefits ○ Earnings ○ Money from other people – parents, adult children ○ Other ● Identifying other types of wealth: assets and savings <ul style="list-style-type: none"> ○ Rental income – e.g. from second homes ○ Investments ○ Savings ○ Value of house (if owned) and of other properties ● Having mapped these streams, get a sense of the individual’s overall income amount – ballpark amount (weekly/monthly/annually – interviewer: if participant seems reluctant, move on – we will have this info in the sampling information) ● Identifying household income streams and ballpark figure for household as a whole (as above but also including pension schemes for partner) ● Understanding any changes in individual and/or household income since they reached age 50 – including which were considered significant and reasons why (mark any changes in individual or household income on timeline – including income windfalls and shocks that we can return to later)
	<p>F. Expenditure and debt</p>	<ul style="list-style-type: none"> ● Main types of current household expenditure (we just need to ask about significant outgoings, rather than detailed expenditure. Also, rather than specific amounts, we just want a <u>broad sense</u> of the proportion of income spent on expenditure types – either weekly/monthly. Use a pie chart as a visual, if helpful and map any changes in expenditure on timeline)

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> ○ Rent/mortgage ○ Utility/bills ○ Grocery and another household shopping ○ Health related costs ○ Helping family members ● Key debts – size, type and reasons for debt ● Their thoughts on what their financial situation would look like when they reach 55
<p>10. Deciding to access pension scheme (35 minutes)</p> <p>Aim: This is a key section. By the end of this section, we will have a good sense of whether they intend to access their pension pots. If so, an understanding of how they intend to access their pension and the reasons underpinning their decisions (including advice sought)</p>	<p>A. Mapping what they intend to do with their pension savings</p>	<ul style="list-style-type: none"> ● Ask them to look ahead, map what they intend to do with their DC pot(s) when they reach 55– explore reasons why <ul style="list-style-type: none"> ○ <u>What they intend to do with each pot</u> <ul style="list-style-type: none"> – Leave it untouched in pension plan – Access it – They haven’t thought about it or don’t know yet
	<p>B. If they don’t know what to do with ALL of their pension schemes</p>	<ul style="list-style-type: none"> ● Explore reasons why they are undecided <ul style="list-style-type: none"> ○ <u>Awareness</u> <ul style="list-style-type: none"> – Not knowing enough about their pension scheme(s) - e.g. unclear how much they have in them – lack of awareness/not seeing they have choices ○ <u>Not wanting to engage with the decision(s) – e.g.</u> overwhelmed by choices ○ <u>Confidence</u> in their ability to make financial decisions ○ <u>Expectations about the future</u> <ul style="list-style-type: none"> ▪ Seeing retirement as something too far off to think about ▪ Uncertainty about personal and financial circumstances ▪ Thoughts about retirement income as having to last over a period of time
	<p>C. If they do NOT intend to access pension scheme, reasons why</p>	<ul style="list-style-type: none"> ● Identify what can help them arrive at a decision <ul style="list-style-type: none"> ○ What advice/guidance would be helpful ○ Who should provide this and why – who they would trust ○ How should this advice/guidance be provided – what form it should take ● Where they have decided to leave ALL of their DC pension untouched and keep their money in their pension scheme indefinitely– explore reason below. Interviewer: where appropriate, follow-up by counterfactual prompts to deepen reflections – e.g. why they do not intend to take money out or invest it <ul style="list-style-type: none"> ○ <u>Awareness</u> - lack of awareness/not seeing it as a choice ○ <u>Need</u> <ul style="list-style-type: none"> – Financial situation (e.g. debt, role played by other sources of income, changes in income and expenditure discussed earlier) – Still working – Health (returning to their response in 2A, where appropriate) ○ <u>Trust, risk and reward</u> <ul style="list-style-type: none"> – Trusting pension scheme – Assessments of return/ risk aversion – concerns

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> – Previous experiences of making decisions/set-backs (‘avoiders’) ○ <u>Wider pension and household situation</u> <ul style="list-style-type: none"> – Size of pot (e.g. they have other/larger pensions) – Their partner’s pension situation – Wider household situation (e.g. debt, partners retirement plans etc.) ○ <u>Change in personal and financial circumstances</u> (e.g. supporting children, health, care) ○ <u>Confidence</u> in their ability to make financial decisions ○ <u>Thoughts about phases of retirement/life expectancy</u> – e.g. whether decision relates to thoughts on seeing retirement income as having to last over a period of time <ul style="list-style-type: none"> ● Take us through how they arrived at this decision. Interviewer: make a note of the materials people with them to show what influenced their decision <ul style="list-style-type: none"> ○ <u>How they would describe their level of engagement with the decision</u> – took full ownership, relied on others ○ <u>Explore any advice/guidance received to inform decision</u> (extent and nature) <ul style="list-style-type: none"> – Friends/family – including how the wider household situation influenced decision – Employer – including any direct support provided by the employer (e.g. talks/presentations) – Media/internet – probe for specific websites – Pension provider contact – Independent financial advisor – Pension Wise/ The Pensions Advice Service – Retirement ‘wake up’ packs – sent to people originally 6 months before retirement age but under new rules, every 5 years from age 50 ○ <u>Did their approach differ between pot(s)?</u> – if so, explore how and why ○ <u>For each type of advice/guidance, reasons and impact</u> <ul style="list-style-type: none"> – Explore why sources of advice/guidance used and not used (e.g. not seen to be useful/suitable, not aware it is available) – Which source of advice/support they valued most – For each type of advice/guidance received, explore whether and how it influenced their decision to not access ● Any gaps in guidance and/or advice – including nature of gaps ● <u>Which source of advice they value the most and why</u> ● If participant has not accessed any guidance/advice, explore why not

Phase	Topic	Probes/prompts/notes
	<p>E. <u>If they DO intend to access, how and why</u></p>	<ul style="list-style-type: none"> • Where they intend to access AT LEAST one pension pot, briefly describe how they will access EACH pot - (draw on the timeline to identify pension pots) ○ Taken out whole pension pot out as cash ○ Taken small cash sums from pension pot(s) ○ Taken out an annuity ○ Take out pension drawdown product(s) – i.e. taking out a cash sum and still keeping the rest invested in this product, but can take out money as needed <ul style="list-style-type: none"> ▪ How do they intend to invest this? ○ Invest and take regularly income (e.g. stocks, bonds, shares and funds) <ul style="list-style-type: none"> ▪ Explore how they envision investing it – knowledge and understanding ○ A mix of the above
	<p>F. <u>Accessing pensions scheme – reasons</u></p>	<ul style="list-style-type: none"> • For EACH pot they intend to access, explore reasons why (<u>rather than keep it in a pension scheme</u>) AND in <u>that particular way</u> (including reasons why different pots may have been accessed in different ways). Interviewer: where appropriate, follow-up by counterfactual prompts to deepen reflections – e.g. why they did not invest it in a drawdown product if they bought an annuity ○ <u>Need</u> <ul style="list-style-type: none"> – Financial situation (e.g. debt, role played by other sources of income, anticipated changes in income and expenditure discussed earlier) – Needing to access the tax free 25% lump sum – if so, whether they needed the full 25% (if not, why did they take it) – Health (returning to their response in 2A, where appropriate) ○ <u>Trust, risk and reward</u> <ul style="list-style-type: none"> – Trusting someone else to make the decision for them (‘trusting group’) – Assessments of return/risk (‘self-directive group’) – Distrusting pension scheme – Wanting to increase returns ○ <u>Wider pension and household situation</u> <ul style="list-style-type: none"> – Size of pot (e.g. they have other/larger pensions) – Their partner’s pension situation – Wider household situation (e.g. debt, partners retirement plans etc.) ○ <u>Anticipated change in personal circumstances</u> (e.g. supporting children, health, care) ○ <u>Confidence</u> in their ability to make financial decisions ○ <u>Thoughts about phases of retirement/life expectancy</u> – e.g. whether decision relates to thoughts on seeing retirement income as having to last over a period of time ○ <u>If not intend to invest</u> – their view on the tax incentives/implications of decisions ○ <u>If intend to invest</u>, factors considered

Phase	Topic	Probes/prompts/notes
		<ul style="list-style-type: none"> - Assessment of returns/risks - Length of time money likely to be invested - What they plan to do with invested product <ul style="list-style-type: none"> • Explore what influenced their decision to access their pots in general (i.e. overarching reason across the pots). Interviewer: make a note of the materials people with them to show what influenced their decision <ul style="list-style-type: none"> ○ <u>Explore any advice/guidance received to inform decision</u> (extent and nature) <ul style="list-style-type: none"> - Friends/family – including how the wider household situation influenced decision - Employer – including any direct support provided by the employer (e.g. talks/presentations) - Media/internet – probe for specific websites - Pension provider contact - Independent financial advisor - Pension Wise/ The Pensions Advise Service ○ <u>For each type of advice/guidance, reasons and impact</u> <ul style="list-style-type: none"> - Explore why sources of advice/guidance used and not used (e.g. not seen to be useful/suitable, not aware it is available) - For each type of advice/guidance received, explore whether and how it influenced their decision to <ul style="list-style-type: none"> a. Access their pension b. Access their pension in that particular way - Which source of advice/support they valued most ○ <u>Any gaps in guidance and/or advice</u> – including nature of gaps ○ If participant has not accessed any guidance/advice, explore why not
<p>11. Adequacy of income and</p>	<p>A. <u>For the retired</u> – how life they have</p>	<ul style="list-style-type: none"> • Did they expect to retire at that age • How they see their current lifestyle – and why (if needed, draw on vignettes)

Phase	Topic	Probes/prompts/notes
<p>wealth in retirement (15 minutes)</p> <p>Aim: This is a key section. By the end of this section we will have a clear idea of what they consider to be an adequate lifestyle in retirement and the type and level of wealth and income needed to achieve this</p>	<p>compare to what they want</p> <p>We do not expect many participants to have retired in the 50-54 age group – but there may be some who have taken early retirement</p>	<ul style="list-style-type: none"> ○ What <u>word would</u> they use to describe their lifestyle (e.g. basic, comfortable, well off, adequate) and why ○ What their income allows <u>them to do/ not do</u> ○ <u>What reference points</u> do they draw on to define their lifestyle <ul style="list-style-type: none"> – Current lifestyle – Other people they know – Social media expectations (including what word would describe that lifestyle) – Their parents’ lifestyle – What kind of lifestyle they do not want ● Reflection on what they consider to be an adequate lifestyle in retirement - how does their current lifestyle sit with their expectations/ aspirations for what an adequate lifestyle in retirement should be <ul style="list-style-type: none"> ○ <u>Is the lifestyle they have, one they aspired to prior to retirement?</u> If so, why do they consider it to be adequate? ○ <u>If not, why not?</u> Ask them to describe what an adequate lifestyle looks like why (if needed, draw on vignettes) ○ <u>If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this</u> ● Reflection on income and wealth needed for an adequate lifestyle in retirement (the type of wealth and income needed, as well as how much on weekly/monthly/annual basis – ask to specify on a household level where possible). Interviewer: unpack how a participant arrived at a figure to understand the rules of thumb they used <ul style="list-style-type: none"> ○ Ask once participant has responded to previous prompt spontaneously: Whether they see their need for income changing <i>in the course of</i> retirement ○ <u>If current lifestyle is what they aspire to</u>, how lifestyle sits with any planning they did – including whether and how their decisions to access their pension or not sits with this ○ <u>If discrepancy between current life style and what they aspired to</u>, what type and overall level of income and wealth would have given them the lifestyle they wanted
	<p>B. For those not retired/semi-retired – what kind of life do they want in retirement</p>	<ul style="list-style-type: none"> ● What would they consider to be an adequate lifestyle in retirement (if needed, draw on vignettes). Ask them to describe what this lifestyle looks like and why they consider it adequate. <ul style="list-style-type: none"> ○ What <u>word would</u> they use to describe this lifestyle (e.g. basic, comfortable, well off, adequate) and why <ul style="list-style-type: none"> – If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this ○ It may be helpful ask them to reflect on how their aspiration sits with: <ul style="list-style-type: none"> – Current lifestyle – Other people they know – Social media expectations (including what word would describe that lifestyle) – Their parents’ lifestyle – What kind of lifestyle they do not want ● Reflection on income and wealth needed for an adequate lifestyle in retirement is (the type of wealth and income

Phase	Topic	Probes/prompts/notes
		<p>needed, as well as how much on weekly/monthly/annual basis ask to specify on a household level where possible). Interviewer: unpack how a participant arrived at a figure to understand the rules of thumb they used</p> <ul style="list-style-type: none"> ○ <u>The type and level of income and wealth in retirement they think they need to achieve lifestyle</u> – including what kind of lifestyle their current pension will provide <ul style="list-style-type: none"> – Ask once participant has responded to previous prompt spontaneously: Whether they see their need for income changing <i>in the course of</i> retirement ○ <u>Whether decision to access pension schemes are made to help them achieve this lifestyle</u> ○ <u>If participant refers to ‘luxuries’ or a ‘lavish’ lifestyle, unpick what they mean by this</u>
<p>12. Closing</p> <p><u>Aim:</u> To close the interview on a positive note</p>	<p>A. Advice to a friend</p> <p>B. Thank you and close</p>	<ul style="list-style-type: none"> ● What two pieces of advice would they give to a friend or relative about planning for their retirement ● Thank them for their time and for the helpful discussion ● Stress the value of discussion in helping to understand people’s decisions around what they do with their pensions ● Ask if they have any questions ● Provide support leaflet ● Give incentives

Appendix 2 – Vignettes

Vignettes are short hypothetical scenarios; they were designed in this study to help participants reflect on what an adequate income in retirement is – which can be a potentially abstract subject, particularly for those that are further away from retirement. The vignettes were used flexibly – they were not used for all interviews; only in a few interviews where participants struggled to engage with their income in retirement.

The vignettes were organised according to three broad categories of lifestyles identified in an earlier study that NatGen conducted⁴⁴ on the perceptions of income requirements among those that had retired. These lifestyles are informed by three key components:

- Security - around being able to pay bills and having secure accommodation;
- Independence – being able to manage financially with the least financial and caring assistance from the government and family and friends
- Choice – having the income to enhance their quality of life beyond meeting the above prerequisites. This includes the quality and frequency of holidays and other leisure activities, quality of food and the type of accommodation they can afford to live in.

Researchers read all three vignettes out in different order for each interview, and ask the follow-up questions listed below:

- **Reflection on aspirations/situation** - which of the three situations most reflects their aspirations for retirement/ current retirement situation – if none, what situation sums this up
- **Refinement of option** - if one of the three selected, would they add or take anything away from this description to better reflect their aspirations and why?
- **Reflection on income and wealth** –
 - What kind of income/wealth/wider financial situation do they need to meet the aspirational life they have identified with?
 - How does their current financial planning address the income and wealth they need?

⁴⁴ Kotecha, M. et al. (2011) Perceptions of income requirements in retirement; Research Report 773; DWP

Life in retirement (Not read out)	Vignette	Recap
Basic	<p>Sanjay describes his lifestyle in retirement as basic.</p> <p>Security and independence: He manages to get by on his income but sometime struggles to pay his monthly heating bill, having to rely on his children if he is short. He also sometimes worries about his washing machine or fridge breaking down as he is not sure he will be able to afford to replace it.</p> <p>Choice: He occasionally goes out to the cinema or to drinks with friends, but not very often.</p>	<p>He manages to get by but has some worries about monthly bills and unexpected larger costs</p> <p>He can still socialise but not very often.</p>
Comfortable	<p>Janet describes her lifestyle as comfortable.</p> <p>Security and independence: She is not dependent on anyone financially. She is not worried about her bills and there isn’t anything important that she has to go without.</p> <p>Choice: However, she still has to budget and can’t afford ‘luxuries’, such as expensive holidays or to shop in expensive supermarkets. She would also not mind a little extra income to be able to help her children out financially.</p>	<p>She doesn’t have any anxieties about bills or replacing goods and doesn’t really rely on anyone.</p> <p>However, she can’t afford the little luxuries or to help her children out.</p>
Very comfortable	<p>Emma describes her lifestyle as very comfortable.</p> <p>Security and independence: Financial considerations do not really restrict what she wants to do in retirement. She can afford to put the heating on as long as she wants in the winter and can afford to replace most key items in her home. For example, her boiler broke down last winter, but she had enough in the bank to be able to replace it.</p> <p>Choice: She can also go out as often as she wants to socialise with friends and can afford to run her own car, which she replaces every 2-3 years. Last year, she also contributed a little towards her son’s deposit for a home.</p>	<p>She doesn’t haven’t any anxieties about bills or unexpected costs.</p> <p>She also doesn’t need financial support from anyone, can afford to indulge in the little luxuries as often as she likes and help friends and family out.</p>

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