

## Retirement wealth

What's the right answer for you?

The first increase in minimum automatic enrolment (AE) workplace pension contributions came into effect on 6 April<sup>[1]</sup>. According to research from Scottish Widows, however, one in five Britons (20%) – amounting to more than ten million people – say they'll work until they're physically unable to, while one in 20 (6%) – another three million people – say they expect to work until they die.

While the increase in AE workplace pension contributions will help people narrow the gap in their retirement savings, there are many who need to be doing more to ensure a comfortable retirement. The research shows that 44% of people are not saving its recommended 12% of their salary towards retirement each year<sup>[2]</sup>, which is more than double the new minimum AE contribution level of 5%.

### EXPECTATION TO CONTINUE WORKING AT LEAST PART-TIME

In addition, the findings reveal that more than half (51%) of Britons expect to continue working at least part-time past retirement age, and a fifth (18%) say that working beyond the age of 65 will be a necessity rather than a choice.

Only a quarter (24%) expect to have completely retired by the time they're 65, the research reveals. Young people are least hopeful of this being a possibility, with only one in 20 (5%) of 18 to 24-year-olds expecting to retire by the age of 65, but this proportion doubles among 25 to 34-year-olds (11%) and triples among 35 to 44-year-olds (16%).

### DELAYING RETIREMENT – MAKE IT A CHOICE, NOT A NECESSITY

Nearly one in five (18%) people say they'll work longer than they want to because they worry about their level of savings. Just under a third (32%) of 25 to 54-year-olds worry they haven't

been saving enough in their early years, and two fifths (39%) of people fear running out of money completely in retirement.

Interestingly, women are more concerned than men about the cost of later life. Just over two fifths (43%) of women are concerned that they'll run out of money during retirement, while only a third (34%) of men feel this way. Others worry about facing potential shortfalls due to policy change, with four in ten (37%) citing concern about changes to the State Pension, such as a further increase to the retirement age.

### PREPARING FOR THE COSTS OF RETIREMENT

Despite the majority of British adults recognising the need to work longer to prepare for their retirement, a significant number have no contingency in place should they face increasing costs in later life. When told that people going into a nursing home can expect to pay an average of £866 per week for this, 22% of respondents said they'd never considered how they would cover this cost, and another 22% said they'd rely on the state to pay for care.

However, more than three in five (62%) people say they are unsure what behaviour they would change to make up for increasing retirement spending. Only 12% say they will hold off drawing down their maximum pension allowance for as long as possible, and just 8% say they will forego leisure spending to prepare for retirement spending. ■

### KEEPING YOUR FINANCES IN GOOD SHAPE

When you reach that next chapter in life, you'll want to make the most of it and keep your finances in good shape. Whether it's saving for retirement or living in retirement, we can help give you more peace of mind with a financial plan that based on regular reviews aims to keep you on track as your life continues to change. Please contact us for more information.

#### Source data:

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 3,535 adults. Fieldwork was undertaken between 17 and 22 January 2018.

The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

[1] From 6 April 2018, the minimum contribution is 5%, with at least 2% from the employer; from 6 April 2019, the minimum contribution is 8%, with at least 3% from the employer.

[2] 2017 Scottish Widows Retirement Report – 44% of people aged 30+ are not saving adequately for retirement.