Promote is a key part of the Financial Services Compensation Scheme's (FSCS) strategy. Our ambition is that the full range of FSCS protection is known about and trusted. Promoting the protection we offer helps consumers to make informed and confident financial choices. Our Promote to Prevent work centres around raising awareness and helping reduce consumer harm which is driving up FSCS's compensation costs.

This Consumer Research series aims to share the results of our exclusive research on consumer attitudes towards financial products and services. It helps us, and stakeholders across the financial services sector, to identify gaps and opportunities to provide consumers with the essential, accurate information they need about FSCS protection.

FSCS can pay compensation when financial firms go out of business. FSCS can protect deposits, insurance policies, some investments, insurance broking, mortgage advice, self-invested personal pensions (SIPPs), pensions advice, payment protection insurance (PPI), debt management plans and funeral plans. For more information on what we cover, visit our website.

Funded by the industry, we are independent and our service is free to use.

fscs

Financial Services Compensation Scheme

FSCS Consumer research:

Attitudes towards the retirement of tomorrow

September 2023

www.fscs.org.uk

Welcome to the latest edition in our series of FSCS reports where we share insights from our exclusive consumer research, highlighting opportunities for us all to improve consumer outcomes.

Why we want to talk about retirement

As the summer months fade behind us, many in the UK will be looking ahead to the start of new cycles – perhaps a new school or university term begins, or a transition to a new or first job.

For those entering the workforce, it may be their first exposure to a workplace pension scheme, and the idea that they should actively save to ensure a comfortable future retirement. While those later in their careers may be making decisions about new pension pots or how to make existing savings go further.

Whether putting money in a workplace pension scheme, personal pension or other savings and investment products, the financial decisions people make throughout their working lives can have a huge impact on their future retirement goals. Loss of these hard-earned savings can mean hopes for a comfortable retirement, like that identified in the Pensions and Lifetime Savings Association's Retirement Living Standards research, can easily crumble.

Early engagement and active planning are key to ensuring pensions and other savings are safeguarded and will meet individual retirement needs. However, attitudes towards retirement and how to fund it varies. Our research shows that almost half of those under state pension age are not engaged with planning for their retirement. While many, particularly younger people, are optimistic their future retirement will be better than the generations before them, the majority of working-age adults have concerns about saving for retirement.

In this edition of our consumer research series, we explore attitudes towards the retirement of tomorrow to better understand the expectations and motivations of future retirees and how these might impact future claims brought to FSCS.

Why this is important to us

A key challenge for FSCS, as we raise awareness of the protections we offer in the pensions area, is that for many people, retirement is a very distant prospect, naturally falling behind other more urgent priorities. However, consumers today are increasingly being asked to make more sophisticated financial decisions, particularly about their retirement savings. With complexity and choice comes greater risk and the need for better information and advice.

If their financial products are FSCS protected, customers may be able to claim compensation should their authorised provider or adviser go out of business. However, uncompensated losses exceeding our compensation limits, which are typically set at £85,000, may never be recovered and can leave many completely devastated.

The Financial Conduct Authority (FCA) has committed to reviewing current compensation limits, in particular for pension claims, to ensure the limits continue to provide an appropriate level of protection for consumers. FSCS has long highlighted the need for a review of the pensions compensation limit and we welcome the opportunity to contribute our insights.

Reducing consumer harm is a collective priority for all stakeholders within the financial services industry. Alongside a review of the compensation limits, it's vital that we work together to support consumers to make the right financial decisions for their needs. Sharing our insights can help us and our partners across the industry to better understand consumer attitudes and behaviours towards retirement, improve consumer awareness of FSCS and deepen understanding of FSCS protection. We hope this latest edition of our consumer research series is a useful contribution to the discussion.

Lila Pleban
Chief Communications Officer

Key findings

Ipsos conducted an online survey on behalf of FSCS among a total of 2,013 UK adults aged 18-65 who are not retired. The research took place between 28th July and 1st August 2023. The key findings show:

- 27% of adults under 65, who are not yet retired, are actively saving for it. This rises to 42% among those aged 55–65, compared to only 12% of 18–24s.
- 82% of respondents can identify at least one concern about saving for their retirement. The main worry is not having enough money to last the duration of their retirement.
- 43% of those under state pension age have not taken any steps in relation to their retirement.
- 22% of respondents see themselves retiring from work at or around the state pension age, while 27% plan to retire early. 17% expect to stop working beyond state pension age, and a further 11% don't ever see themselves retiring.
- Inability to afford living expenses is the most common reason given for those who expect to continue working past state pension age.
- A desire to make the most of one's time is a top reason for 46% of those who expect to retire early, followed by financial motives such as an expectation that they will be able to afford it or are actively planning for it.
- 45% of respondents expect to change their main residence in retirement, including to downsize, move in with family or abroad.
- 35% of people who plan to retire believe that their retirement will be better than that of their parents' generation, compared to 30% who think it will be worse.
- Younger people aged 18–24 are most optimistic with 44% thinking their retirement will be better, compared with only 24% who believe it will be worse. In comparison, 35-44 year olds are more likely to be pessimistic.
- 28% of future retirees expect part-time and/or odd jobs will help fund their retirement.
- 69% of working age adults worry that the rising cost of living will mean their money won't go far enough in retirement.
- 56% worry their standard of living will drop once retired, while 47% worry about how they will cover their housing costs.
- 65% agree that retirement scams are getting more sophisticated. However, 48% say they are unlikely to fall for one.

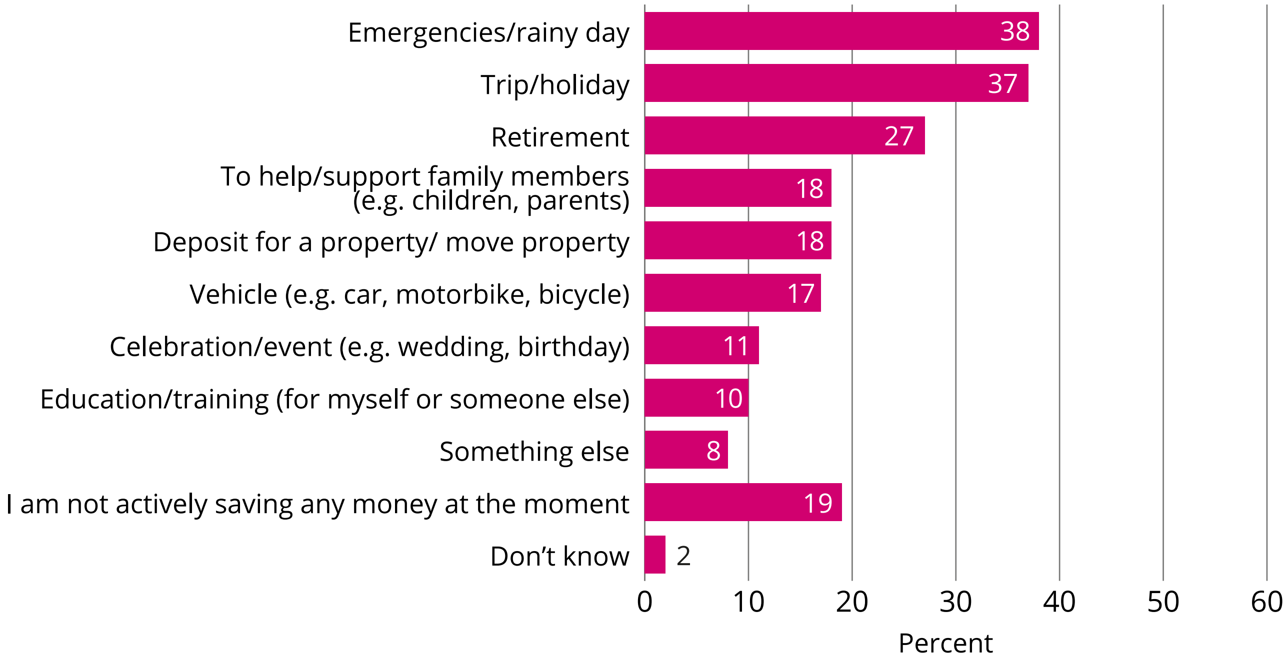
Retirement is among the top reasons to save…

27% of adults under 65, who are not yet retired, say they are actively saving for it. Retirement was among the top three reasons for saving, after emergencies and holidays. Around one in five respondents (19%) said they are currently not actively saving any money.

Unsurprisingly, the likelihood of actively saving for retirement varies greatly depending on age: 42% of those aged 55–65 compared to only 12% of 18–24s. Those who are working full time, have higher household incomes or are homeowners are also more likely to be actively saving for retirement. It's important to note that survey respondents may not consider contributing into a workplace pension as actively saving for their retirement, despite the positive impact that auto-enrolment has had on the numbers of people contributing to a pension.

Figure 1: What people are saving for

"Which of the following, if any, are you actively saving money for at the moment? Please select all that apply"



Base: 2,013 online UK adults aged 18–65 who are not retired

Source: FSCS/Ipsos, July–August 2023

...but majority have concerns about saving for retirement

When thinking about saving for retirement, 82% can identify at least one concern. These include lack of understanding of savings products and not knowing if it will 'pay off'.

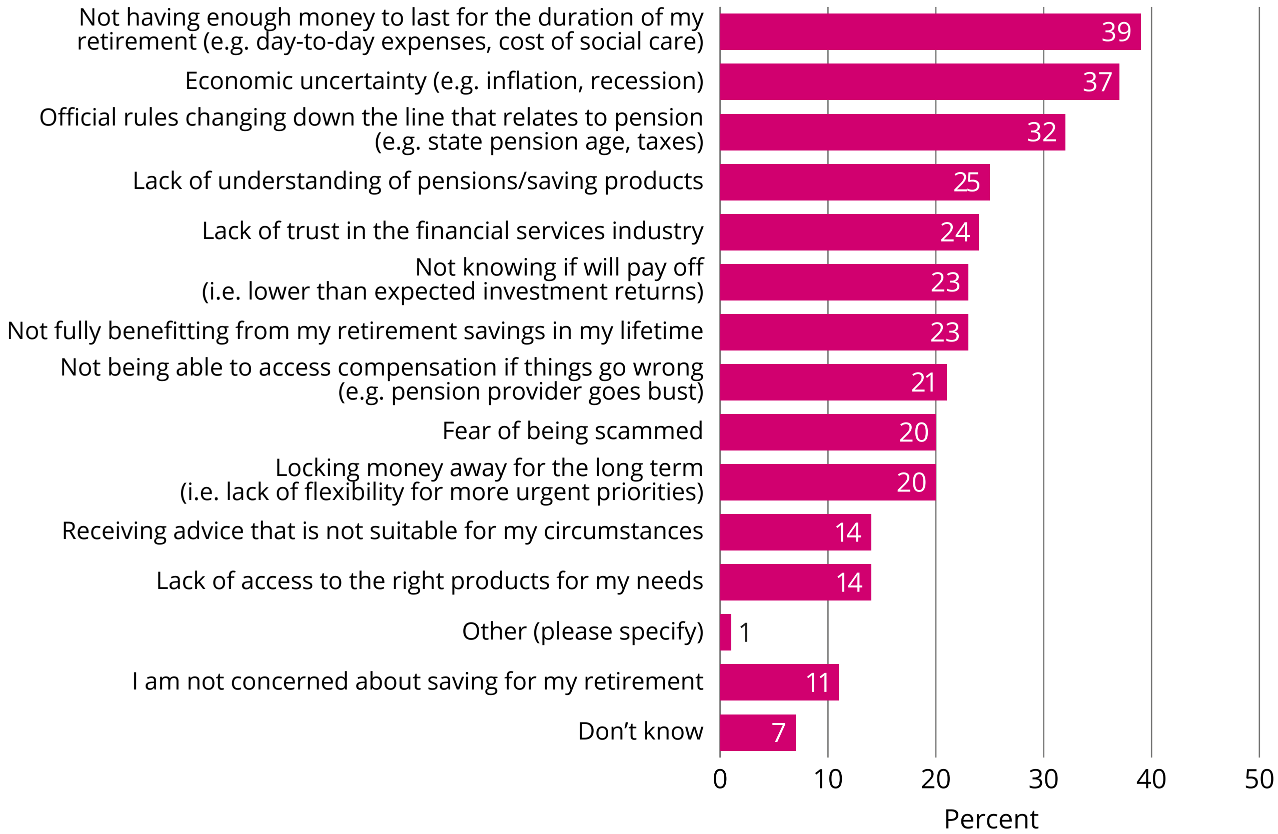
However, the main worry is not having enough money to last the duration of their retirement, followed by economic uncertainty and official rules changing down the line, with 39% and 37% of respondents listing these as concerns, respectively.

A lack of trust in the financial services industry rounded off the top five concerns when saving for retirement, with 24% of respondents citing this as a concern, while access to compensation if things go wrong was important for 21%.

This aligns with findings from FSCS research, Beyond compensation, published in May 2023, which explored the role of FSCS in promoting trust and confidence. The research found that FSCS protection is an important driver of trust and confidence with almost two thirds (63%) of adults with financial products agreeing that FSCS helps improve consumer confidence in the UK financial services industry.

Figure 2: Concerns about saving for retirement

"Now thinking about saving for your retirement, for instance contributing to a pension or long-term investment, etc. Which of the following, if any, would concern you about saving for your retirement? Please select all that apply."



Base: 2,013 online UK adults aged 18–65 who are not retired

Source: FSCS/Ipsos, July–August 2023

Engagement with retirement planning is low…

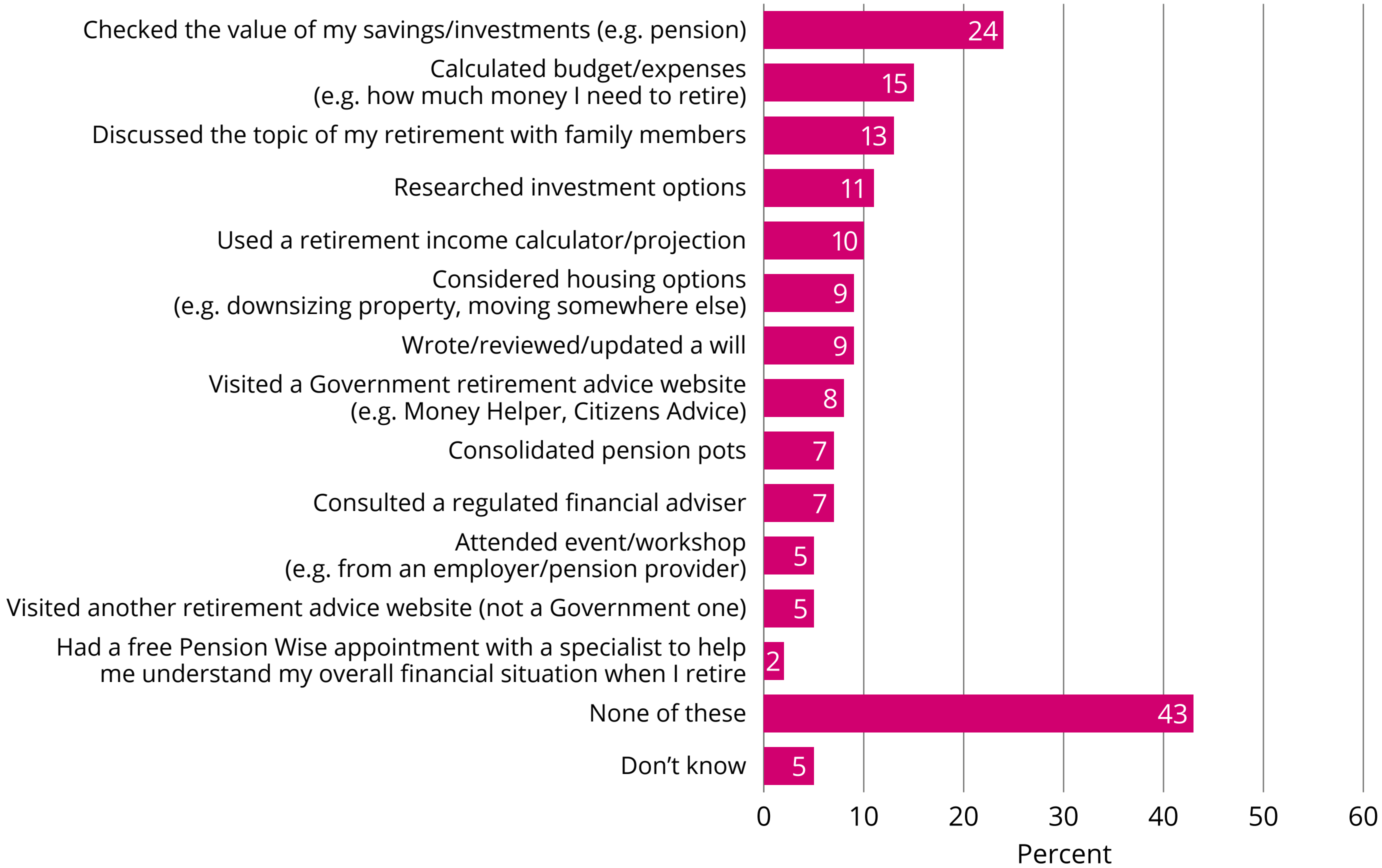
43% of under 65s who are not yet retired have not taken any steps in relation to their retirement planning, with a further 5% not sure whether they have or not. Unsurprisingly, people under 25 are significantly less likely to have engaged with retirement planning.

The most common step taken in relation to retirement planning is to check the value of savings, investments, or a pension, but only 24% of respondents say they have done this in the last five years. An even smaller proportion say they have calculated a budget (15%) or discussed the topic with their family (13%).

> People under 25 are significantly less likely to have engaged with retirement planning.

Figure 3: Engagement with retirement planning

"Which of the following steps, if any, have you taken in relation to your retirement in the last 5 years? Please select all that apply"



Base: 2,013 online UK adults aged 18–65 who are not retired

Source: FSCS/Ipsos, July–August 2023

…as many consumers don't even know where to start

When asked about reasons for not being more engaged with their retirement planning, a lack of urgency or simply inability to relate to the topic were highlighted by many people.

18% of working age adults say it is not a priority, but other reasons mentioned include not wanting to think about the topic or simply not having the time. 15% believe planning for retirement is not worth it for their circumstances, for example due to having a limited income or savings.

Confusion and lack of understanding are also common themes: around one in five (18%) respondents say they don't know where to start, while 7% say they have low financial management skills and an equal proportion lack access to resources to help them plan.

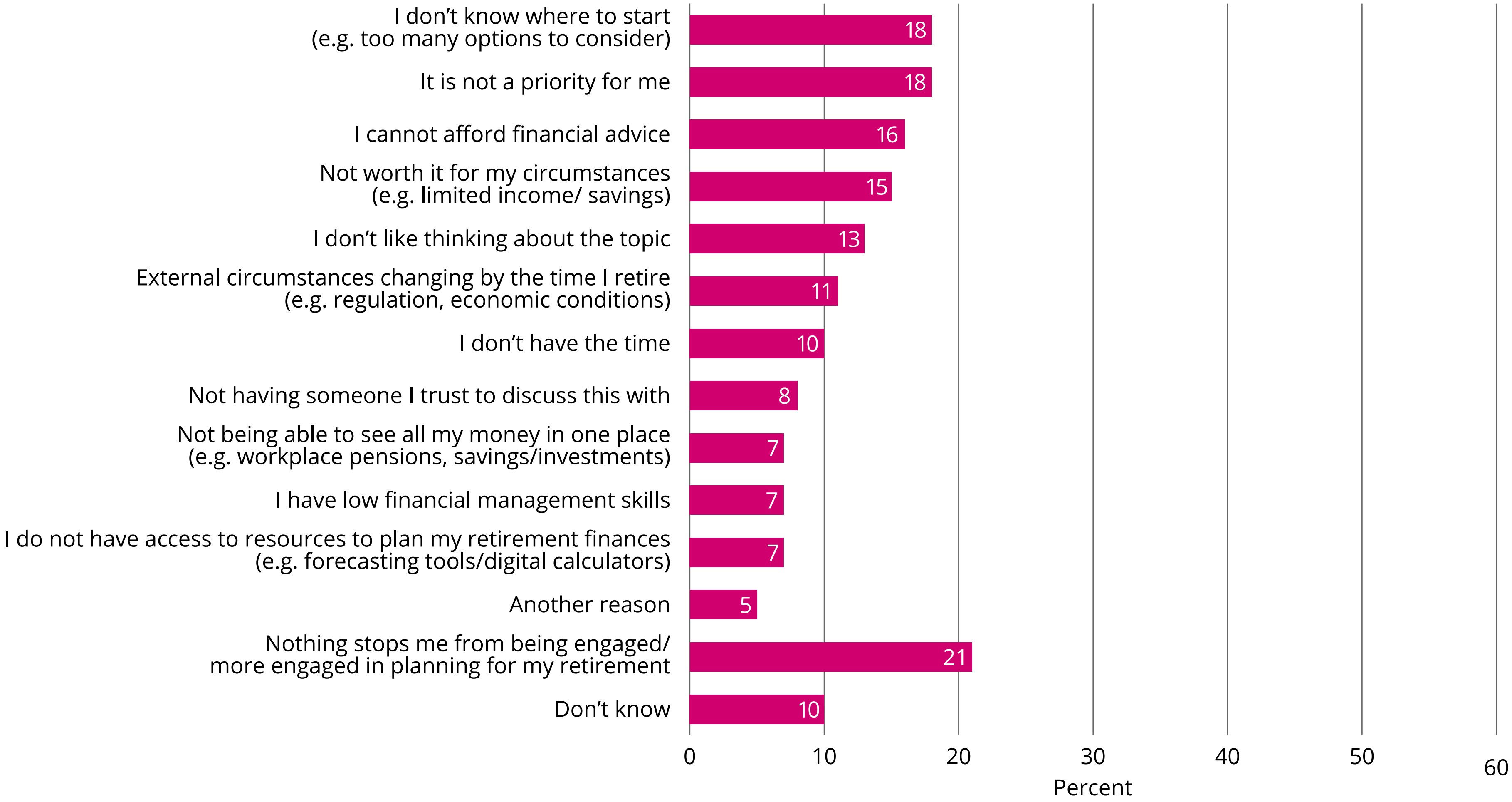
However, 16% say not being able to afford financial advice stops them from being more engaged with their retirement, increasing to 24% among those living in households where the main income earner is in semi-skilled or unskilled manual work or not working. This suggests that accessible and affordable financial advice could be key to improving engagement with retirement planning.

The January 2023 edition of this consumer research series, focussing on financial advice, found that although retirement planning is a key trigger to seeking financial advice, cost is a main barrier: 80% of respondents agreed that there should be affordable ways to access professional financial advice. Getting good quality advice is vital, and there has been much debate on the 'advice gap', whereby many consumers simply can't afford to access regulated advice or don't have enough saved to make it viable. FSCS is committed to improving individuals' trust and confidence when they make financial choices, ensuring they are aware of FSCS protection and its limits. We know that improving financial education and addressing aspects of the 'advice gap' is central to this work.

This is a particularly relevant topic to FSCS given the volume of claims and value of compensation paid out associated with financial advice. Most of the firms FSCS declared in default in 2022/23 were advice firms.

Figure 4: Reasons for not engaging with retirement planning

"Which of the following, if any, stop you from being engaged / more engaged in planning for your retirement? Please select all that apply."



Base: 2,013 online UK adults aged 18–65 who are not retired.

Source: FSCS/Ipsos, July–August 2023

27% are planning to retire early

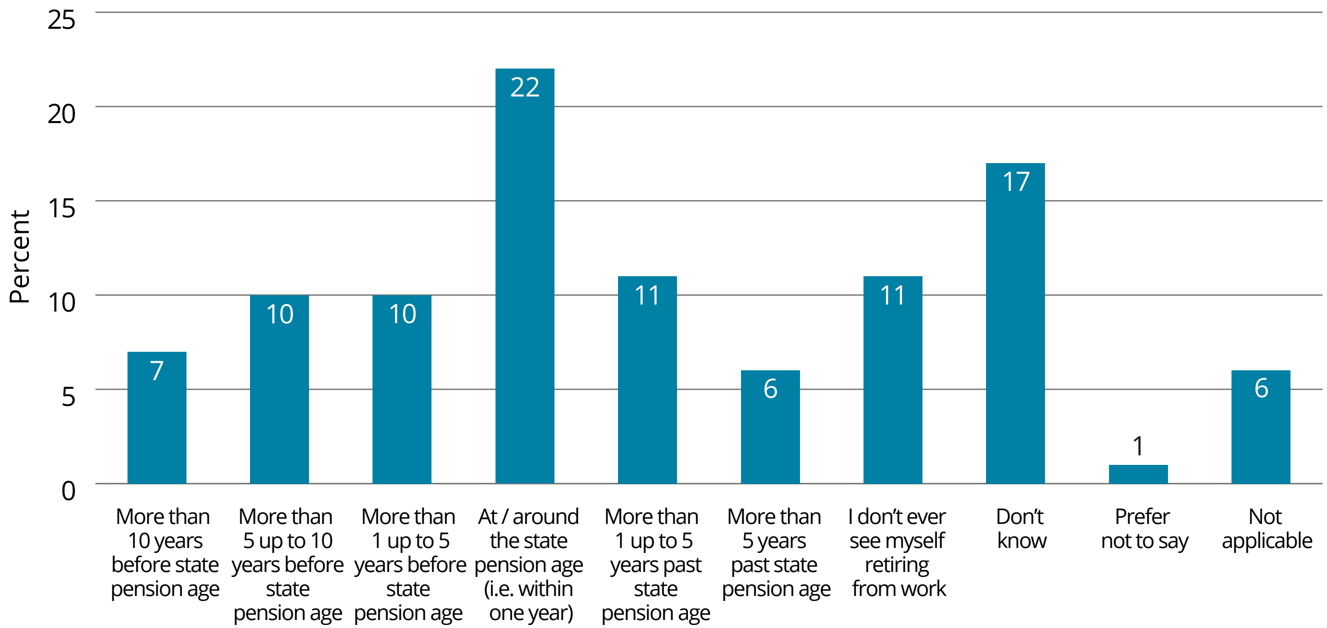
22% of respondents see themselves retiring from work at or around the state pension age, while 27% expect to retire at least a year before. Homeowners and those with higher household incomes are significantly more likely to be planning to retire early.

On the other hand, 17% expect to stop working past state pension age and a further 11% don't ever see themselves retiring from work. Those who are single, widowed or divorced are more likely than those who are married to say they never see themselves retiring from work, as are those who don't own a house compared to those that do.

> 11% don't ever see themselves retiring from work.

Figure 5: When people expect to retire in relation to the state pension age

"As you may know, the state pension age is the youngest age at which you can claim your state pension. It currently stands at 66 years old for both women and men. There will be a phased increase in state pension age to 67, planned between 2026–2028, with a further review to reconsider the rise to age 68 in the future. When, if at all, do you see yourself retiring from work in relation to the state pension age?"



Base: 2,013 online UK adults aged 18–65 who are not retired

Note: figures may not add up to 100% due to rounding.

Source: FSCS/Ipsos, July–August 2023

Worries about finances are the main reason to continue working past state pension age

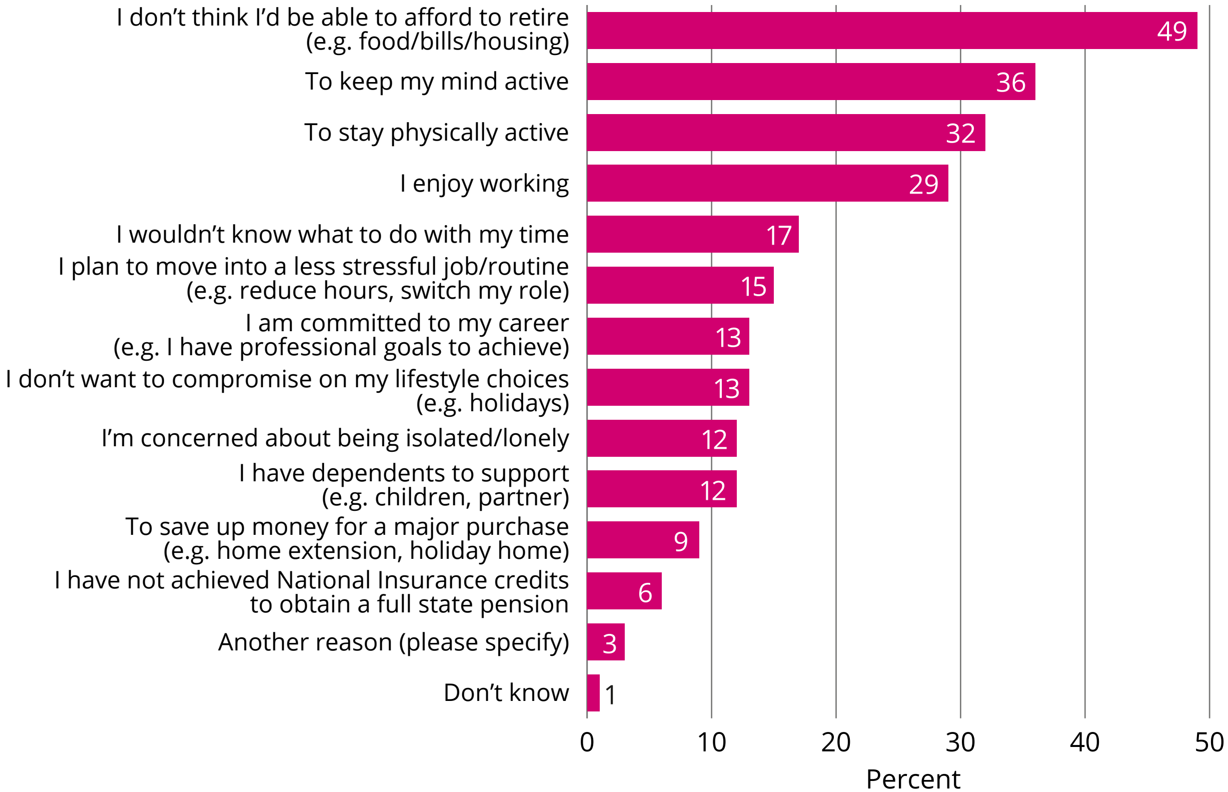
11% of respondents see themselves retiring from work between one and five years past state pension age, while 6% expect to do so five or more years after. A further 11% say they never see themselves retiring from work (see Figure 5).

Among those who will continue working beyond state pension age, 65% cite concerns related to finances as a reason for not expecting to retire at state pension age. The most common individual reason is not expecting to be able to afford living expenses, but respondents also cite not wanting to compromise on their lifestyle choices, having dependents to support and/or needing to accrue money for major purchases.

The nature of work itself also plays a role in people's decision not to retire at state pension age. 29% say they enjoy working while 15% say they plan to continue working whilst moving into a less stressful role or routine. Commitment to one's career also plays a role in the decision of when to retire: 13% of those who plan to continue working past state pension age say they are committed to their career, in contrast to 16% of those who want to retire early due to not being committed to theirs (see Figure 7).

Figure 6: Reasons to retire past state pension age or not at all

"Which, if any, of the following are the reasons why you would see yourself continuing to work past reaching the state pension age? Please select all that apply."



Base: 551 online UK adults aged 18–65 who are not retired and plan to continue working past state pension age

Source: FSCS/Ipsos, July–August 2023

A third of those who want to retire early have concerns about their health

10% of respondents see themselves retiring from work within one and up to five years before state pension age. A further 10% expect to do so between five to ten years before, while 7% say they will stop working more than ten years ahead of reaching state pension age (see Figure 5).

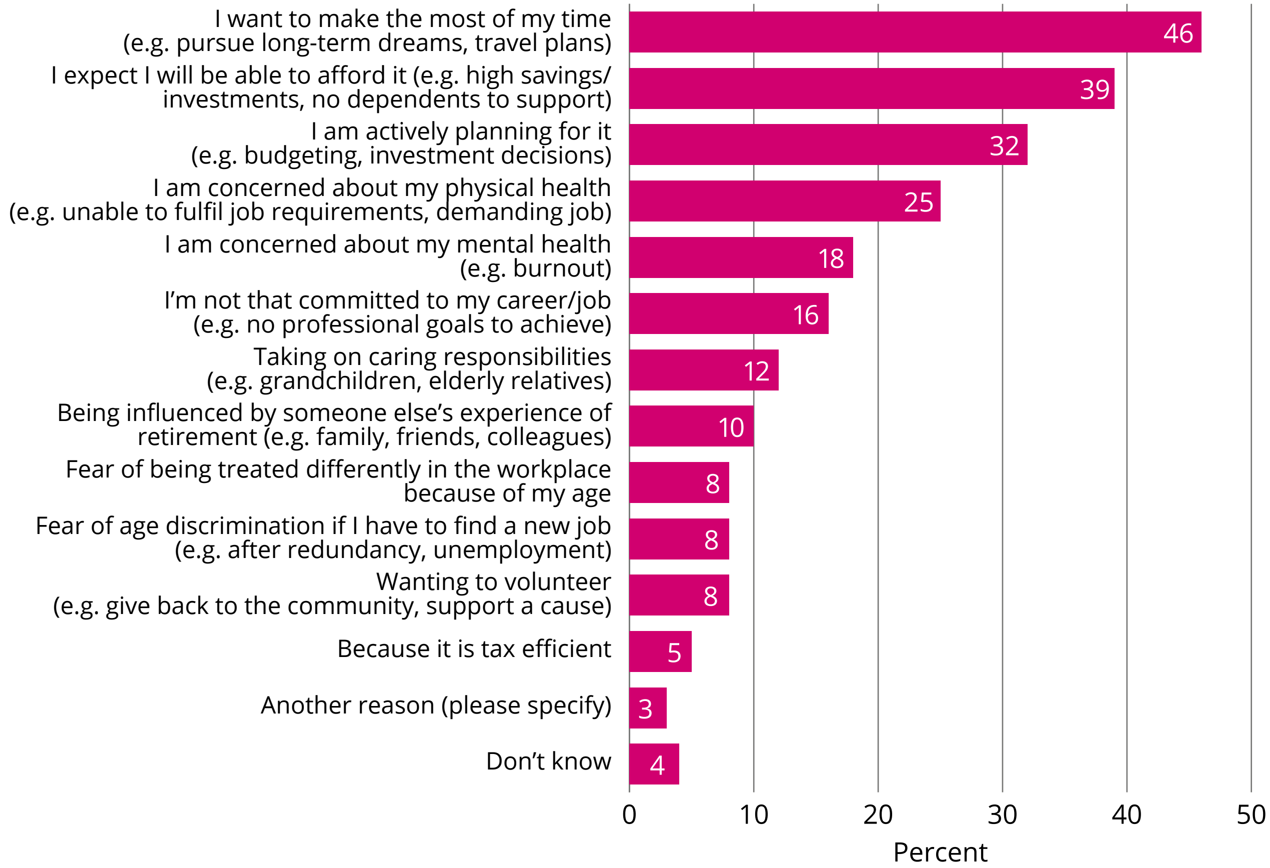
A desire to make the most of one's time is a top reason for retiring early for 46% of them, followed by financial reasons such as an expectation that they will be able to afford it or are actively planning for it.

34% of respondents mentioned concerns about physical and/or mental health. Among all those who plan to retire, taking better care of their health is a common priority (see Figure 8).

13% fear becoming victims of ageism (being treated differently in the workplace and/or when looking for a new job, for example after redundancy or unemployment). Interestingly, 49% of those who plan to retire late, or not at all, have listed wellbeing concerns (keeping mind/body active or preventing loneliness) as reasons to continue working past state pension age (see Figure 6).

Figure 7: Reasons to retire before state pension age

"Which, if any, of the following are the reasons why you would see yourself retiring from work before you reach the state pension age? Please select all that apply."



Base: 608 online UK adults aged 18–65 who are not retired and plan to retire before state pension age

Source: FSCS/Ipsos, July–August 2023

45% are likely to move out of their homes in retirement

The most common retirement plans include starting a new hobby, volunteering, and taking better care of their health.

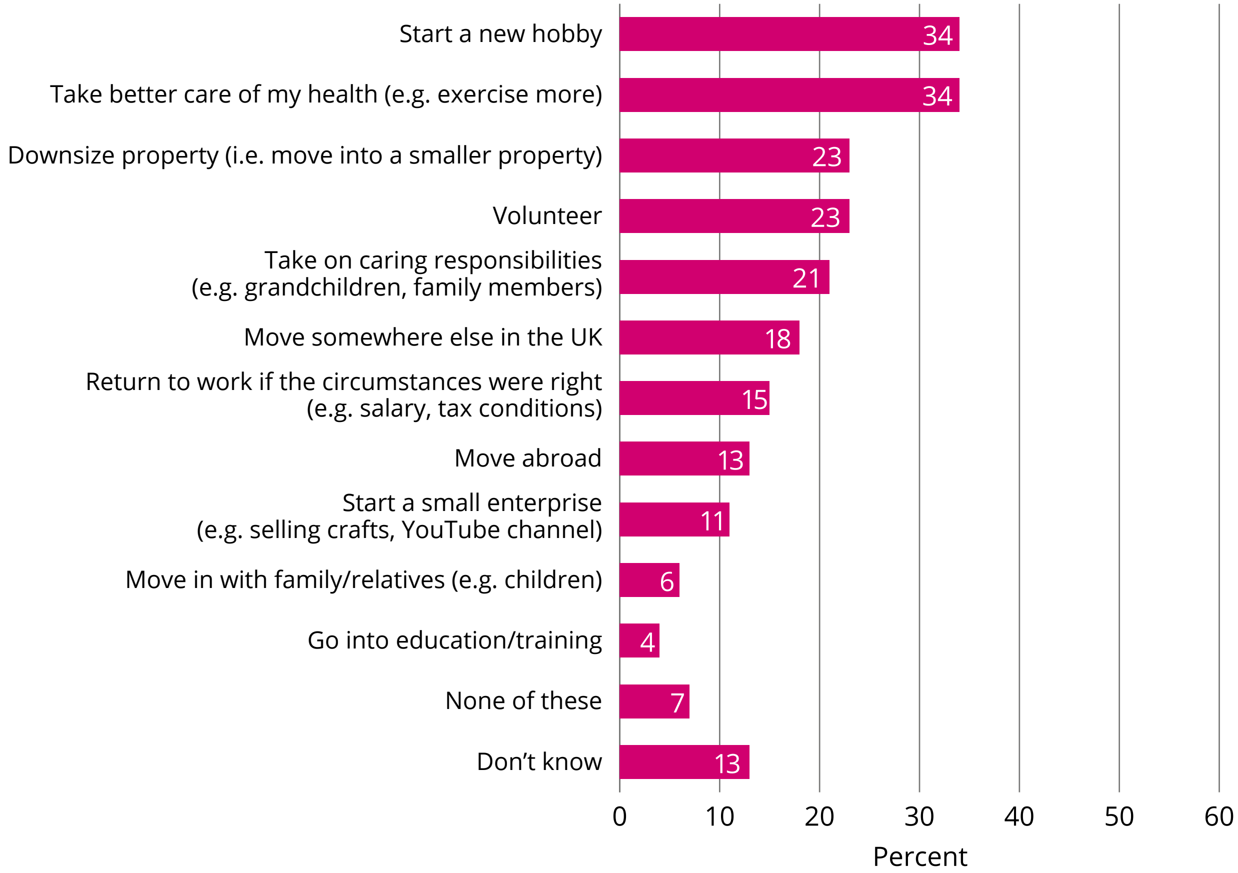
23% of those who plan to retire would downsize, while 18% would consider moving elsewhere in the UK and/or abroad (13%). A smaller proportion (6%) are likely to move in with relatives. This compares to one in five (21%) who expect to take on caring responsibilities.

Many are open to work

Other plans considered involve returning to work if circumstances were right (15%) or starting a small enterprise (11%), the latter being more likely among under 35s. Beyond a lifestyle choice, undertaking some paid-for activities once retired would mostly be a financial decision. This research found that 28% of respondents expect part-time and/or odd jobs will help fund their retirement (see Figure 11).

Figure 8: Plans after retirement

"Still thinking about when you will retire. Which of the following, if any, are you likely to consider doing once you retire? Please select all that apply"



Base: 1,677 online UK adults aged 18–65 who are not retired and plan to retire

Source: FSCS/Ipsos, July–August 2023

Future retirees expect their retirement to be better than that of their parents...

Overall, people who plan to retire are more likely than not to believe that their retirement in general will be better than that of their parents' generation: 35% think it will be better compared to 30% who think it will be worse, while 25% believe there will be no difference and the remainder don't know.

There are several areas where there is a clear belief that things will be better in retirement when compared to their parents' generation: access to helpful tech, opportunities to enjoy themselves, ability to travel, and their health (both physical and mental).

> Future retirees are more likely than not to believe that their retirement will be better than that of their parents' generation.

...but they are concerned about funding

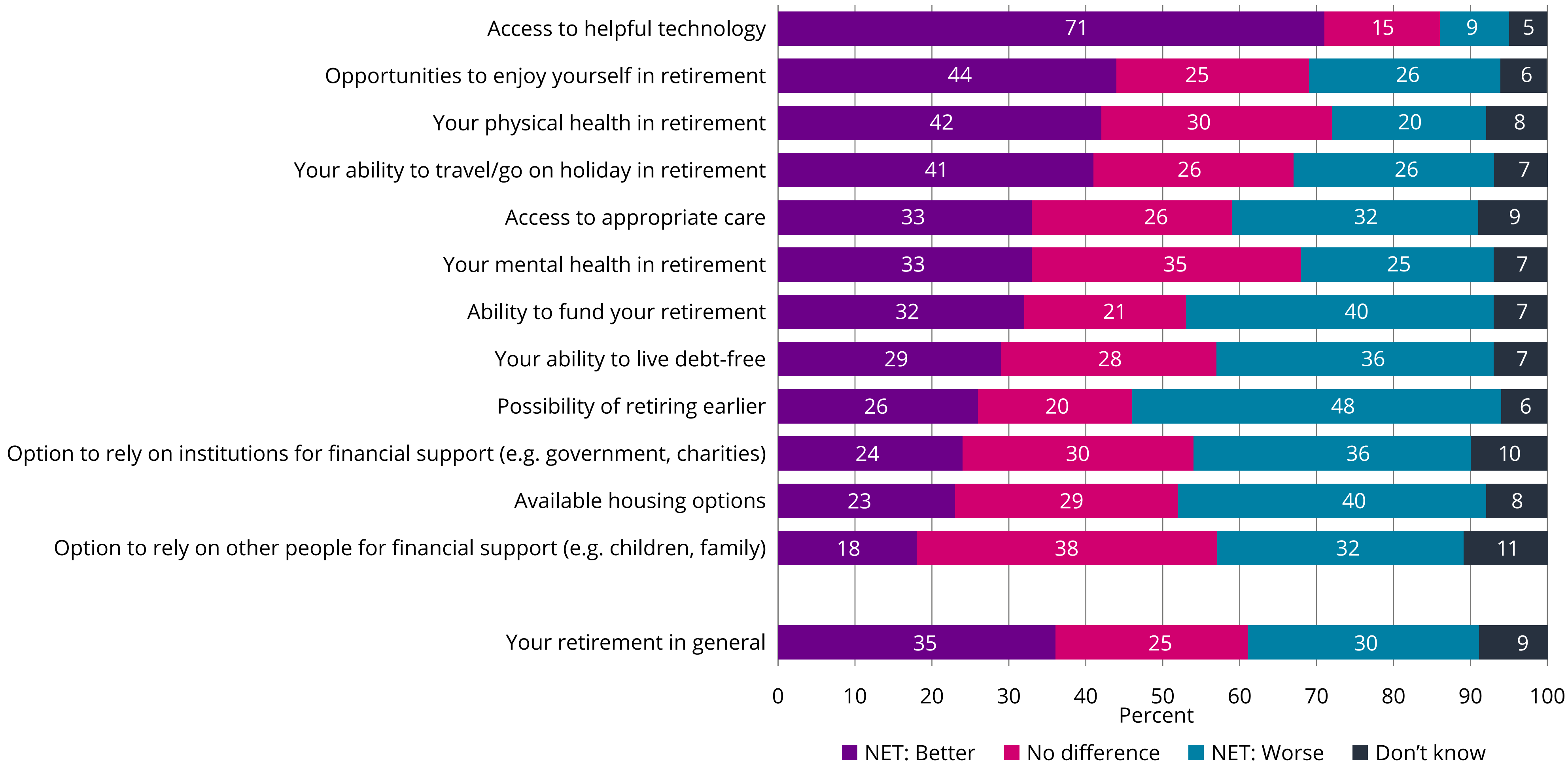
On the other hand, aspects where people think things will be worse than their parents' generation have a heavy focus on finances. These include concerns about housing options, reliance on other people and institutions for financial support and the ability to live debt-free.

48% think the possibility of retiring earlier will be worse compared to that of their parents' (vs. 26% who think it will be better). Similarly, 40% think their overall ability to fund their retirement will be worse compared to the previous generation (with only 32% expecting it to be better).

This research also found that 18% of working age adults expect to be renting when they are in their 70s. There is even less optimism among them, with 52% thinking their ability to fund their retirement will be worse compared to that of their parents', versus only 18% who think it will be better.

Figure 9: How retirement will compare to that of parents' generation

"Compared to your parents' generation, how much better or worse do you think each of the following will be for you when you retire, or do you think there will be no difference?"



Base: 1,677 online UK adults aged 18–65 who are not retired and plan to retire. Note: figures may not add up to 100% due to rounding.

Source: FSCS/Ipsos, July–August 2023

18–24 year olds are optimistic...

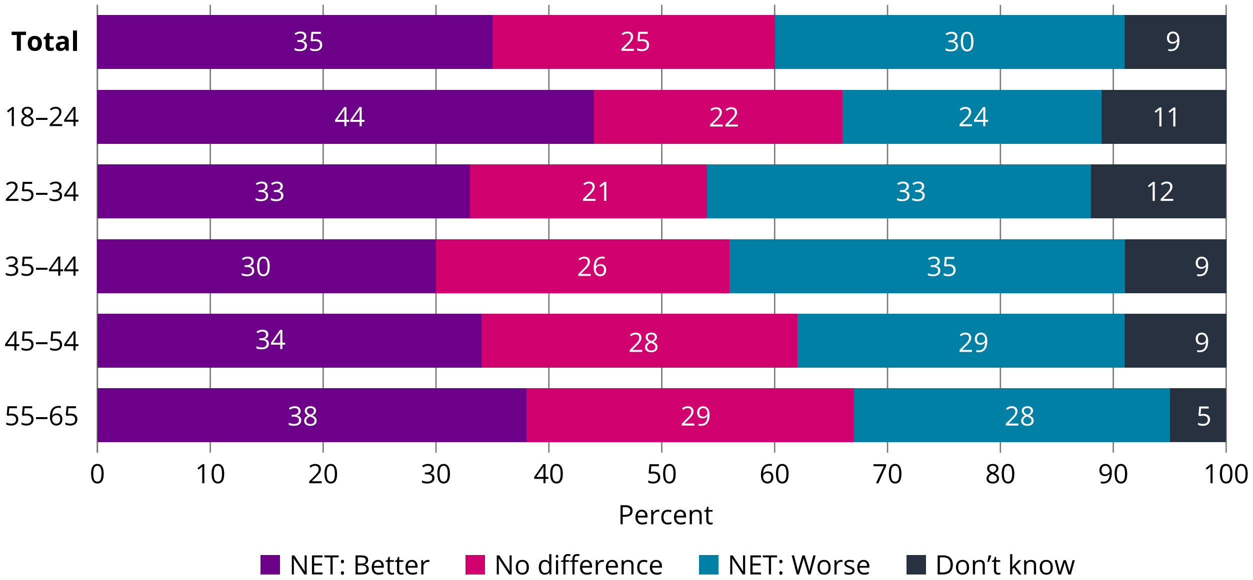
Younger people are more optimistic about their retirement, with 44% of 18–24 year olds believing that their retirement will be better than their parents', while only 24% believe it will be worse. The least optimistic group are 35–44 year olds with a slightly higher percentage (35% vs. 30%) who think their retirement will be worse.

As noted above, this research also found that younger people are less likely to say they are actively saving for their retirement than older people and less likely to be engaged with retirement planning.

Together with the main concerns relating to funding and retirement income options, this research suggests a mismatch between people's expectations for retirement and the reality of how they will pay for it. FSCS is committed to working with our partners to improve awareness and understanding of our protection. Engaging with regulatory bodies, financial services providers and other stakeholders is key in helping people make informed decisions about their retirement options that keep their money safe.

Figure 10: How retirement will compare to that of parents' generation, by age group

"Compared to your parents' generation, how much better or worse do you think your retirement in general will be for you when you retire, or do you think there will be no difference?"



Base: 1,677 online UK adults aged 18–65 who are not retired and plan to retire

Note: figures may not add up to 100% due to rounding.

Source: FSCS/Ipsos, July–August 2023

...along with those who expect to retire early

Interestingly, one of the most optimistic groups is the people who are expecting to retire before state pension age: 51% of them believe their retirement will be better compared to only 19% who think it will be worse than their parents'.

People in this group are more likely to be actively working towards making that goal a reality by being significantly more likely to be both saving and planning for their retirement.

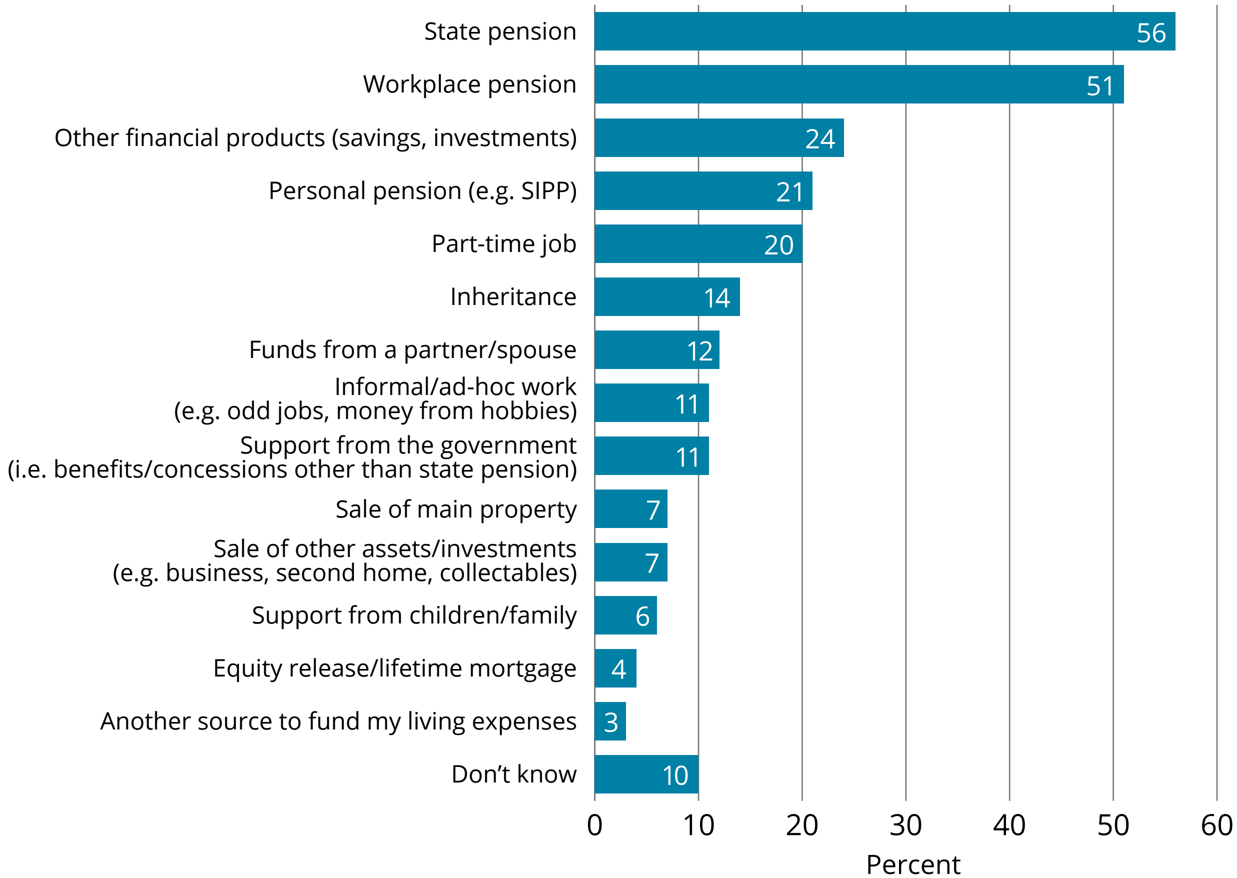
Expectations of how to fund retirement differ

A majority of adults who plan to retire are counting on the state pension (56%) or a workplace pension (51%) to help fund their expenses when they retire.

Just over one in five (21%) mention personal pensions (such as SIPPs) as a way to fund their retirement. Around the same proportion (20%) are expecting income from part-time work to cover their living expenses once retired, while 11% mention informal work, for example from hobbies or odd jobs.

Figure 11: How people expect to fund their retirement

"Now please think about when you will retire. Which, if any, of the following do you plan to use to fund your living expenses (for example to cover bills, to go on holiday, etc.) when you are retired? Please select all that apply."



Base: 1,677 online UK adults aged 18–65 who are not retired and plan to retire

Source: FSCS/Ipsos, July–August 2023

Rising cost of living is making people worry about their money not going far enough in retirement

Seven out of ten (69%) working age adults agree that the rising cost of living makes them worry about their money not going far enough in retirement. Over half of respondents (56%) worry their standard of living will drop during retirement (vs. only 17% who disagree), while almost half (47%) worry about how they will cover their housing costs past retirement age.

This is in line with other findings from this research. The main concern when saving for retirement being not having enough money to last its duration (see Figure 2). Almost half (49%) of those who plan to continue working past state pension age say this is because they don't think they will be able to afford retirement (see Figure 6).

Opinions on retirement scams vary by income levels

Two thirds (65%) of respondents agree that retirement scams are getting more sophisticated. However, 48% say they are unlikely to fall for one.

People with a household income of under £20,000 are more likely than those with an income of over £55,000 to say that fear of being scammed concerns them when thinking about saving for retirement (see Figure 2). These differences are likely to be explained by confidence levels when managing finances and saving for retirement. People with household incomes of over £55,000 are twice as likely to say they feel confident about planning for their retirement when compared to people with household incomes of under £20,000.

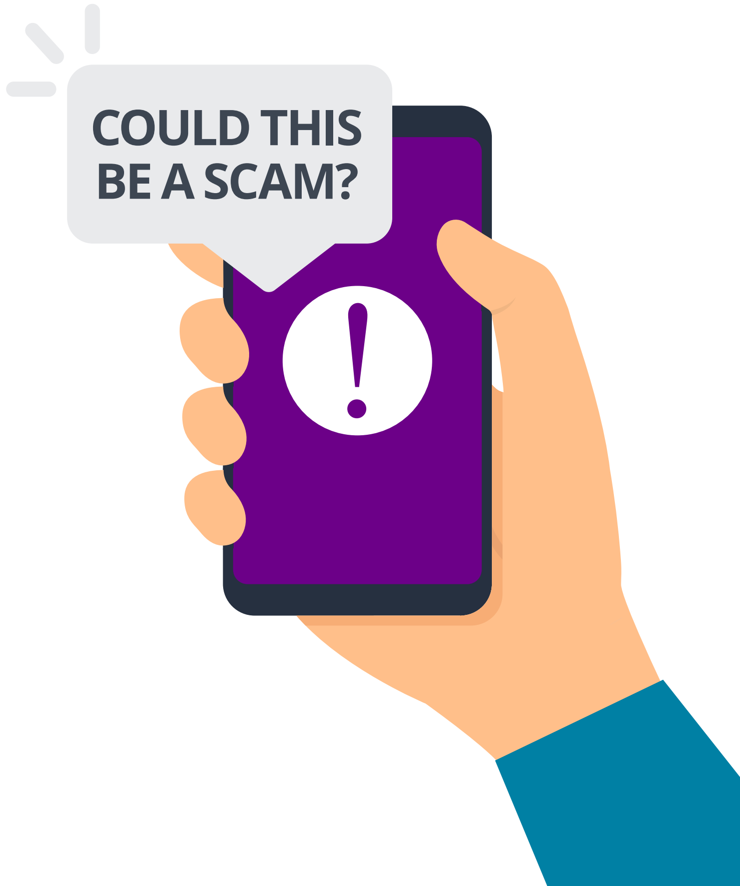
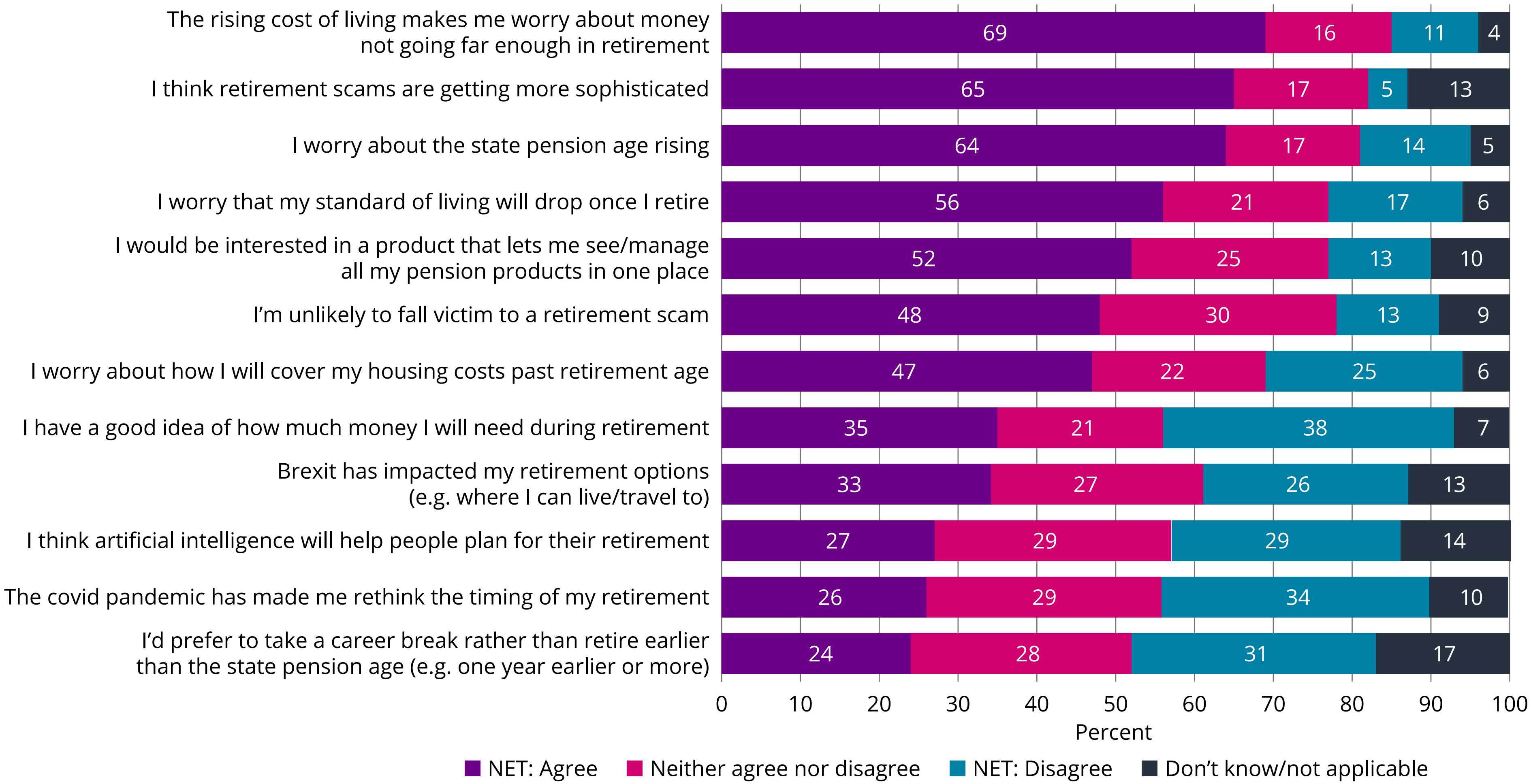


Figure 12: Attitudes towards retirement

"To what extent do you agree or disagree with each of the following statements?"



Base: 2,013 online UK adults aged 18–65 who are not retired. Note: figures may not add up to 100% due to rounding.

Source: FSCS/Ipsos, July–August 2023

Key takeaways

- Overall, future retirees are more likely than not to believe that their retirement in general will be better than their parents' generation: 35% think it will be better compared to 30% who think it will be worse.
- The main concerns among consumers relate to funding and retirement income options, which together with low levels of engagement suggest a mismatch between people's expectations for their lifestyle in retirement and the reality of how they will pay for it.
- Many consumers have low levels of confidence and lack understanding of the right products for their needs. FSCS believes that as an industry we need to improve engagement with all elements of financial planning, including awareness of FSCS protection. FSCS has developed useful tools and resources for consumers such as its Pension Protection Checker and its key consumer questions flashcards.
- The risk of consumer harm can be very high when it comes to pensions and investments. This is because the amounts at stake tend to be large, but also because of the complexity of the products and the lack of knowledge among consumers.
- This is a sensitive topic for us at FSCS because pension-related claims tend to be made when consumers are close to retirement. This means people affected will have little time to recoup their investments, which can be devastating for their retirement plans.
- Even when FSCS protection applies, due to FSCS's compensation limits typically being set at £85,000, in many cases the money we can return to customers is less than the total amount they lost, something we call 'uncompensated loss'.
- These results highlight the importance of providing consumers with the information and resources they need to help them choose the right retirement product for their circumstances.
- FSCS is committed to working with our partners to improve awareness and understanding of our protection. Engaging with regulatory bodies, financial services providers and other stakeholders is key in helping people make informed decisions that keep their money safe.

FSCS is the UK's statutory compensation scheme of last resort for customers of authorised financial institutions. FSCS is an independent body, created under the Financial Services and Markets Act 2000 (FSMA).

FSCS may only pay compensation, up to certain limits, to eligible customers if a firm (or a firm's successor) is authorised by the Financial Conduct Authority (**FCA**) or the Prudential Regulation Authority (**PRA**) and that firm is unable, or likely to be unable, to pay claims against it.

Very broadly, claims relating to insurance, investment products (including pension plans), deposit-taking, mortgage and home finance broking, general insurance broking, debt management plans and funeral plan activities may potentially fall within the scope of FSCS's cover.

FSCS must determine claims submitted to it under the rules set for it by FCA and PRA as applicable. FSCS cannot pay compensation to a customer unless the customer's claim meets the qualifying conditions for payment under those rules.

Research methodology

Unless specified, all findings referenced came from research conducted by Ipsos UK. Ipsos conducted the survey on behalf of FSCS, interviewing a representative quota sample of 2,013 UK adults aged 18–65 who are not retired.

Survey data were weighted to the known profile of this audience. The research was conducted online between the 28th July and 1st August 2023.

Note: figures in charts may not add up to 100% due to rounding.

If you would like to discuss any aspect of this report, please speak to your usual FSCS contact, or you can email our Research Analyst irene.salazar@fscs.org.uk

About this series

This report is the seventh of a series that aims to share the results of the exclusive consumer research we regularly commission to support our communications strategy. It helps us to identify gaps and opportunities and to work closely together with our stakeholders to provide essential, accurate information to consumers about the protection FSCS provides.

Find out more

Sign up to be the first to hear about future research here.

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