Ipsos MORI

The Future of Pension Provision

Qualitative Research on behalf of the Workplace Retirement Income Commission

August 2011

Legal notice

Contents

Summary

1 Summary

Attitudes towards retirement

Attitudes towards retirement were mixed in all groups. Some participants reported that they were looking forward to a time in life when they could relax; spend time with family and travel. However, others said that they were anxious about the possibility of financial and health problems which might prevent them from enjoying that period of their lives. **The extent to which participants felt positive about retirement seemed largely to be determined by age**. Younger participants in their twenties and early thirties felt more confident that they will have a comfortable and enjoyable retirement than older participants who were more likely to report feeling worried about retirement.

Most participants in all groups, particularly older participants, said that they would be **likely to work past State Pension Age** (SPA) either out of financial necessity or because they enjoyed their job and wanted to continue working though many suggested that they would reduce their hours to part-time. However, there was acknowledgement that this might not be achievable for everyone due to health problems in later life, or caring responsibilities for a partner which might prevent them from working. Furthermore, there were also concerns about the number of jobs which would be available and suitable for older people which, in turn increased their worries about being able to manage financially in retirement – particularly those who planned to rely on the State Pension as a main source of income.

Attitudes towards saving and types of saving

Broadly, there were four types of savers: **consistent savers, irregular savers, goal orientated savers and those who had never saved**. Consistent savers had begun saving as children, and were strongly influenced in their habits by their parents. They discussed the sense of security that came from having money set aside to fall back on. Irregular savers were typically from higher social grades and their saving behaviour responded to changes in their personal circumstance; for example, if they were in a relationship they were more likely to save. Goal orientated savers describes those, typically in their twenties and thirties, who put money aside for a specific purchase such as a holiday or a car; many in this group reported the satisfaction that comes from being disciplined with money and then rewarded accordingly. Finally, those who had never saved were usually in their thirties and forties and on lower incomes. This group often relied on credit cards for purchases and could also be described as chaotic financial managers which made saving difficult for them.

None of the participants in their twenties had started to save for retirement, either because they felt it was too far away to think about or because they said they could not afford to. **Younger participants tended to say that they had other priorities for their money** such as repaying student debt, socialising, saving for travelling or buying a first home. There was also a feeling that saving for retirement was something which they would do when they earned enough, although they were unable to put a figure on what this would be. For most though, it was when their salary covered all their living expenses, debt repayments and social and leisure costs yet still left them with a surplus. In this sense, saving for retirement was at the bottom of their list of priorities.

For older participants, the affordability of saving for retirement was less of a worry. These participants tended to be more concerned about **whether it was worthwhile to save for retirement at all, and if so, what was the best way to save**. Some participants, especially those aged 40 and of lower social grades, felt that saving for retirement was unnecessary as they had **paid their National Insurance Contributions all of their working lives and so saw saving in a private or employer pension as paying twice for income in retirement**.

The State Pension was important to almost all participants **with a significant number stating that the State Pension would be their main source of income in retirement.** Because of this, many fully supported the principles underpinning the State Pension and were very concerned about anything which might affect their entitlement. However, **despite its level of importance to them, the State Pension was not well understood by participants**; only a few participants across the groups knew the current level of state pension provision, and only a few more knew what their SPA was.

Those in higher social grades were more likely to be positive about saving for retirement and believed that property was the most attractive way to do this. They **placed value in having tangible assets** and additionally saw property as a very flexible form of investment as they would be able to live in it, rent it or sell it if needed and were confident that over time the value of property (in London particularly) would always increase. Additionally, property seemed to be the **form of investment that participants understood the most**, which may explain its popularity as a form of investment. Similarly, others invested in classic cars or jewellery. Again, the key here was that they had something tangible in return for their investment.

ISAs were felt to be a good way to save by almost everyone, although more for short term goals such as buying a house rather than for retirement. However, **confidence in other forms of saving and investment was lower**. Very few participants said they had invested in stocks or shares, largely because they distrusted them; they are not tangible in the way that property is and they also generally depend on someone else managing them which made some participants uneasy.

There were a number of negative views on pensions and the **key issue seemed to be a lack of understanding about what pensions are and how they are managed**. This meant that participants were reluctant to consider a pension as they did not know where their money would go, and how much they would be likely to receive in retirement. **The intangibility of a pension meant that many participants feared that their investment would somehow disappear** and that they would never get back what they had paid.

However, even those participants who had a good understanding of pensions had some concerns, particularly over pension fund management and risk. A number of participants referred to **past instances of fraud or mismanagement of pensions funds by private companies as well as perceptions that previous governments had 'raided' pension funds**. This had led many participants to believing that those who had access to pension funds could not be trusted and that, as a result, they were an unsafe form of investment.

Views on the workplace pension reforms

There was **suspicion that the reforms would be a way to reduce State Pension entitlement or further increase the SPA, or even the phasing out of the State Pension altogether**, which again underlined the importance that participants placed on the State Pension. When the reforms were explained to the groups, however, most became more positive although some concerns remained.

Most participants in all groups were positive about the idea of automatic enrolment. These participants acknowledged that they had not previously thought about retirement or how they should plan for it and so anything which might prompt them to do so was encouraged, even if they then decided to opt-out.

However, there were a number of concerns about automatic enrolment, particularly amongst older participants without pensions. The **main concern was that the opt-out procedure**

would be too complicated or lengthy which might prevent someone from opting out even though they don't want a pension. Many participants also had some **concerns about the impact these reforms might have on employers** as it was believed that they may not have the time or knowledge to implement the reforms effectively and that employer contributions may be too much of a burden for a small company. This led participants to thinking that smaller businesses might find a way to sack people who wanted to stay in the scheme or lead them to only hire new staff on the understanding that they would opt-out. Furthermore, even among those who welcomed the *principle* of automatic enrolment, there was still confusion about what happened next with many being unsure on how their money would be invested which led to calls for greater levels of transparency on this.

Most participants thought that a pension fund such as NEST was a good idea in principle, particularly for those who changed jobs frequently as **they would have one 'pot' for life which would make their fund be easier to manage as they moved between employers**. They also thought it was **good to provide a default fund option** for both employers and employees who might not be confident in selecting what to invest in otherwise. However, there were also a number of concerns, particularly amongst the ABC1s, the main being the extent to which investment of NEST pension funds would be as successful as those from an established provider. **Participants remained unconvinced that fund managers would be as motivated to work hard to make good investments** as they would at a private company as they would not be rewarded accordingly. Thus, they believed the return would be lower. Also, many participants said they would be reluctant to invest in a new pension fund as they have no track record to prove their ability to manage investments, which made NEST seem more risky than other funds.

There were also two main concerns about NEST being a non-departmental government body. Firstly, there was a fear that **NEST's connection with government would mean that it would be bureaucratic** and overstaffed which would make it ineffective, inefficient and difficult to deal with. Also, participants were worried that when there is a change in government, this may affect NEST, or that it **may be scrapped altogether without people receiving the money they had invested.** This prompted concern that these reforms could potentially be undermined from the outset due to NEST's association with government.

Information needs

Many participants recognised that **the implementation of the workplace pension reforms presents a unique opportunity to educate and engage the public in pensions and saving for their retirement**. It was suggested that a nationwide media campaign, similar to that run by HMRC in relation to tax credits and self assessment, would be an effective way of getting the public's attention and disseminating bite-size pieces of relevant information to them.

More broadly, most participants felt that there was a **clear need for free, accurate and unbiased advice about financial management and products** which would make people more confident about managing finances and help them make the right choices. Most participants said that they mainly **rely on advice from friends and family** about their finances because they trust these sources, but also because they do not know where else they can get this information.

It was felt that both the **Government should have a role in disseminating information** about the pension reforms and more generally, that schools could prepare people for managing their finances by building it into the curriculum. **It was also thought that employers could communicate more information on pensions to employees** and that this would help people to consider the merits of their employer pension scheme against other options available to them.

Introduction

2. Introduction

2.1 Aims and objectives

The Workplace Retirement Income Commission (WRIC) was recently established to conduct an independent review of retirement saving and to help find better ways of providing an income in retirement for those in employment who depend on workplace saving schemes. In order to do this, the Commission has committed itself to an extensive programme of fact-finding to enable it to understand the context and to offer a voice to those the Commission aims to help.

The study was designed to provide an understanding of attitudes of both those who are and those who are not currently saving in workplace pension scheme as well as their views on the Pensions Reforms which will be introduced in 2012.

The objectives of this study were to:

- Understand attitudes towards retirement and the drivers of these;
- Determine views on pensions, in comparison with other forms of saving;
- Ascertain the factors which prevent people from saving for their retirement;
- Identify the drivers which will encourage people to save for their retirement – or for those that already do, save more;
- Assess views on the forthcoming workplace pension reforms; and,
- Highlight the information needs and channel preferences that people have in relation to their income in retirement.

2.2 Methodology

In order to meet these objectives Ipsos MORI agreed a programme of qualitative research with WRIC, and the National Association of Pension Funds (NAPF) which is outlined below. Discussion groups were used for this study as they can produce views and insights that would be less accessible without interaction found in a group setting. The group environment allowed moderators to get past participants initial responses and reactions and drill down the source of their attitudes. It also allowed for the use of stimulus to help the participants engage with the subject of pensions.

Stage One – Synthesis: this involved a literature review of existing studies around the subject area to compile what is already known and to identify any gaps in information.

Stage Two – Extended discussion groups: This comprised of four, three hour discussion groups with savers and non-savers to gain new insight into attitudes towards retirement, savings, pensions and views on the pension reforms

The participants for all four extended discussion groups were recruited from across London. Participants were recruited face-to-face by Ipsos MORI recruiters. Ten participants were recruited for each group, and fieldwork was carried out between 23rd and 26th May 2011.

Each discussion group lasted approximately three hours, and were facilitated by an Ipsos MORI moderator using a discussion guide, which had been developed and agreed with the NAPF. Each participant was paid an incentive of £50 by Ipsos MORI as a thank-you for their time.

The sample frame for the extended discussion groups is below:

Group	Date	Quotas
1 Mix of savers/ non-savers, ABC1	23/05/11	- Recruit 10 for 8 to attend - Gender: even split male/ female - Age: 25-50 - Social grade: ABC1 - At least 2 BME, no more than 4 - Even split between those who are currently paying into either an employer or private pension scheme and those who are not
2 Mix of savers/ non-savers, C2DE	24/05/11	- Recruit 10 for 8 to attend - Gender: even split male/ female - Age: 25-50 - Social grade: C2DE - At least 2 BME, no more than 4 - Even split between those who are currently paying into either an employer or private pension scheme and those who are not
3 Mix of female savers and non-savers, BC1C2	25/05/11	- Recruit 10 for 8 to attend - Gender: all female - Age: 25-50 - Social grade: BC1C2 - At least 2 BME, no more than 4 - Even split between those who are currently paying into either an employer or private pension scheme and those who are not
4 Non-savers, BC1C2	26/05/11	- Recruit 10 for 8 to attend - Gender: even split male/ female - Age: 25-50 - Social grade: BC1C2 - At least 2 BME, no more than 4 - All to be non pension savers.

2.3 Report Layout

Following the summary and introduction, this report contains a more detailed commentary of the main findings divided into four sections as detailed below:

- Chapter 3 explores participants' attitudes towards retirement, and what they believe their retirement might be like. It also examines responsibility in retirement, and the extent to which individuals and the Government should take responsibility for retired people.
- Chapter 4 explores attitudes to saving generally, and saving for retirement specifically. It also looks at priorities in saving and the barriers which prevent saving. Finally, this chapter examines the different types of savings and investments used and the perceived benefits and drawbacks of each of these methods.
- Chapter 5 explores participants' reactions to the Pension Reforms. It includes their immediate reactions, as well as more detailed attitudes towards the idea of automatic enrolment and NEST.
- Chapter 6 explores how information about savings and pensions is currently accessed as well as the preferred and trusted sources of information. Finally, this chapter looks at what information is needed about pensions and how this information should be presented.

2.4 Presentation and Interpretation of data

It is important to note that qualitative research is designed to be *illustrative* rather than statistically representative and therefore provides insight into why people hold views, rather than conclusions from a robust, valid sample. In addition, it is important to bear in mind that we are dealing with people's perceptions, rather than facts.

Throughout the report, use is made of verbatim comments from participants. Where this is the case, it is important to remember that the views expressed do not always represent the views of the group as a whole, although in each case the verbatim is representative of, at least, a small number of participants.

2.5 Publication of data

Our standard Terms and Conditions apply to this, as to all studies we carry out. Compliance with the MRS Code of Conduct and our clearing is necessary of any copy or data for publication, web-siting or press releases which contain any data derived from Ipsos MORI research. This is to protect your reputation and integrity as much as our own. We recognise that it is in no-one's best interests to have findings published which could be misinterpreted, or could appear to be inaccurately, or misleadingly, presented.

2.6 Acknowledgements

Ipsos MORI would like to thank Catherine Cunningham and Darren Philp at the National Association of Pension Funds for their assistance with this project. We would also like to thank Paul Carroll, Elizabeth Lane and Chris Perry at Ipsos MORI and the participants who gave up their time to participate in the research.

Checked & Approved: *Suzanne Hall*

Katrina Leary

Attitudes towards retirement

3 Attitudes towards retirement

3.1 Introduction

This chapter explores participants' attitudes towards retirement, and what they believe their retirement might be like. It also examines responsibility in retirement, and where people think that the balance of responsibility should lie between Government, employers and the individual regarding pension provision.

3.2 Attitudes towards retirement

The extent to which participants felt positive about the thought of retirement seemed to be largely determined by their age. Younger participants, aged in their twenties or early thirties were more likely to say that they were looking forward to retirement than older participants. **Many younger participants felt that retirement was something to look forward to,** when they could relax and spend time with family, travelling or pursuing hobbies after many years of working. These participants, males in particular, said that they were **fairly confident that they would be able to achieve the retirement they envisaged** and believed that they would be secure and comfortable in later life.

It's the reward after a life of working 40 hours a week, isn't it? You get those years to do all the things you didn't have time to do before, otherwise what would be the point in working your whole life?

Male, aged 25-35, non-saver, BC1C2

However, it should be noted that the participants who had these ideas about retirement also said that **they had not previously given much thought to how they would prepare to ensure that they could achieve the retirement they wanted**. This was largely because retirement was believed to be too far off and they had other milestones to achieve first before considering it; for those in their twenties, it was felt that deciding on and then pursuing a career should be their priority while those in their thirties spoke of buying a house, marriage and starting a family. Consequently, many did not think that retirement would become an important subject to them until they were in their forties.

There are so many other things I need to think about and plan for I guess, from careers, to meeting someone, to a mortgage, to getting a house, children. All of this needs to come first, before retirement, I can't think about that yet.

Female, aged 25-35, non-saver, ABC1

Participants in their thirties, many of whom, had already achieved most of the milestones discussed, were more likely to have given some thought to retirement, and it seemed that **the more thought a participant had given it, the more negative they were**. These participants, while still believing that they would be able to enjoy their retirement, also expressed some anxieties. The main concern they had was that they would **not be able to afford to maintain their current standard of living in retirement and so may have to continue working.** While some participants of all ages expressed a wish to do this anyway, either because they liked their job, or because they wanted to keep busy, most said that ideally they would like to stop working at retirement age, or at least have the choice to do so.

I'm going to be concerned about retiring and whether I can afford to not work completely or whether I might have to do like a part time job…I'm a bit concerned that the state pension doesn't really pay enough in order to live off, to be honest with you.

Male, aged 35-50 non-saver, BC1C2

Older participants in their forties and fifties tended to be the most negative about retirement. Almost all these participants believed that the only way they would be able to survive financially in retirement was by working part-time once they reached the State Pension Age (SPA). However, they had some doubts about whether they would be able to do this. Their main **concern was that their health might deteriorate which would mean that they were no longer physically or mentally capable of working**. Many older participants said that they had already noticed a decline in their health and energy levels and believed that by the time they reached SPA, these issues could be considerably worse which would prevent them from working and enjoying their retirement.

It's all very well to just say, 'I'll just carry on working' but what if you can't? I don't think people really start to realise until they're in their fifties or so that there's a reason we have a retirement age, your body won't be what it was, you might not be physically able to work

Male, aged 35-50, saver, BC1C2

There was also some anxiety about employment opportunities for older people. There were strong feelings across all the groups that **employers would be unwilling to hire someone past SPA.** Some participants aged in their mid-forties or older felt that they were already at an age where they would struggle to find a new job and a few said that they had already experienced age discrimination in the workplace. Additionally, some participants felt that even if there were employment opportunities for those past SPA, it would be unfair on younger people as it might mean there were fewer jobs available for them.

There aren't enough jobs for people at the moment, if we have retired people going for them too, how are young people meant to get a chance?

Female, aged 35-50, saver, C2DE

3.3 Responsibility in Retirement

The role of the State Pension in retirement was considered to be vitally important by almost every participant. **Most participants of all ages said that the State Pension would be a key source of income in retirement**, with many suggesting it might be their *only* source. Further still, it was an income stream participants felt they strongly deserved; many said the purpose of paying National Insurance Contributions throughout their working lives was to ensure that they had a reasonable level of income in their retirement which they could depend upon. However, most participants believed that the current State Pension rate of £102.15 per week was not enough to live a comfortable retirement.

It's what the government says you can live on, that's basically what it is, calculated to the bare necessities, it's not really living, it's surviving.

Female, aged 35-50, non-saver, BC1C2

The belief that the current State Pension rate would only cover the most basic needs created **a clear split between participants over who should take responsibility for topping up retirement income**. Some participants, those aged in their twenties or thirties in particular, felt that the purpose of State Pension was to provide a vital and reliable safety net for those without other provision, and a useful addition in income to those who had. Although they said that an increase in the State Pension rate would be welcomed, they believed that this would not be realistic given the increasing numbers of people who need to be supported and the UK's current financial difficulties. This meant that they accepted that an individual should make their own provision for their retirement and not rely on the State Pension as their only source of income.

I think we need to be realistic, you need to be realistic in life, you can't expect the government to actually pay for everything for everyone for all those years, how will they find the money.

Male, aged 35-50, non-saver, ABC1

However, this view was the minority. Most participants, and those in their forties and fifties in particular, believed that responsibility for ensuring everyone has a level of income which enables them to have a good standard of living should lie solely with the Government. This view, however, stemmed from a number of misconceptions about how the State Pension works. In short, they felt that the **amount they would pay in National Insurance Contributions over their working lives should provide them with a good standard of living in their retirement**, which should negate the need for pensions or other retirement savings.

I think people just think that the government will look after them and that they should look after them because they've paid into the pot already, that should be enough

Female, aged 36-50, non-saver, BC1C2

Attitudes towards saving and types of saving

4 Attitudes towards saving and types of saving

4.1 Introduction

This chapter explores attitudes to saving generally, and saving for retirement specifically. It also looks at priorities in saving and the barriers which prevent saving. Finally, this chapter examines the different types of savings and investments used and the perceived benefits and drawbacks of each of these.

4.2 Attitudes to saving

There seemed to be four distinct types of savers present across all groups. These types can be described as: consistent savers, irregular savers, goal orientated savers and those who have never saved. **The consistent savers were those who said that they had saved regularly throughout their lives, even as children and, when working, would always manage to save some money, even if a small amount**. These participants were small in number, but were present in all the groups, across a range of ages and social grades. They did not save for a particular goal; they were 'rainy day' savers who only felt comfortable if they had a substantial amount of money set aside to fall back on if needed. Consistent savers' attitudes to money seemed to have been heavily influenced by their parents as many said that they had either forced or encouraged them to start saving at a young age, which they had done, even if they had not seen the benefit of doing so at the time. This type of participant was the most likely to be saving for retirement consistently and were likely to be using a number of different methods to do so including pension schemes, property, investments and savings.

That year my parents said, when I started my job, 'You should start saving' I was horrified. I thought there's things I need to buy, what am I saving for? But I'm glad they told me to, I know they were right now.

Female, aged 25-35, saver, C2DE

Irregular saving describes those who go through periods of saving, then stop, and then start again. These participants tended to be in higher social grades and in their twenties and thirties. Their saving behaviour seemed to be more influenced by changes in certain circumstances than consistent savers; this meant that changes in income, relationship status and social life had a significant impact and drove the saving cycle these participants experienced. If these participants experienced a reduction in income, or their outgoings increased, saving would be the first thing they would cut.

When there's some extra [money] I'll put it aside, but there isn't always extra money, if I want to go out with my mates and spend a hundred quid then I'll do it.

Male, aged 25-35, saver, ABC1

These participants also said that they tended to save more when they were in a relationship than when they were single, largely because they seemed to spend a lot more money on socialising when they were single. Also, if they lived with their partner, their living costs were likely to be reduced and so they felt more able to save. **These participants also found it difficult not to spend their savings**, and many said that they previously spent their entire savings on a whim such as a holiday. Most of these participants were not saving specifically for retirement as they felt that it was too far away for them to think about; they thought they may start to consider it in their forties. They felt that it was unnecessary to save for something that they were not sure would happen, and were likely to say that they would work past SPA anyway thus, in their mind, lessening the need for a pension.

Sometimes I'm really good at it, I'll put £150 into savings every month without fail, then I'll lose momentum, something will change and I'll lose it and stop, then I'll decide I want two weeks in Thailand and spend all of it.

Male, aged 25-35, saver, BC1C2

Goal orientated saving describes those participants who only saved for a specific item of expenditure such as a holiday, a car or a property. The goal which they were saving for was normally something which could be achieved within a few years, otherwise they seemed to be overwhelmed by the task and would not save. Further still, many in this group reported enjoying saving for a specific goal and described disciplined saving behaviour. When they were not saving for a goal they were likely to spend all of their income, believing that their money was there to be enjoyed, and sometimes incurred credit card debt as a result. These participants represented a mix of ages and social grades, although most seemed to be in their twenties or thirties.

I think you just have to be self disciplined. If you know how much you need to buy something, then plan how you're going to get there, and do it.

Female, aged 36-50, saver, BC1C2

Given these attitudes and behaviours, most in this group were not saving for their retirement. Again, as with the irregular savers, they felt that retirement was too far away to plan for, and they **would prefer to spend their money on something tangible, which could be saved for in the shorter term**. This was normally buying a property, which was a current goal for many of these participants and they hoped that this would contribute to their retirement income if they needed it.

I save towards a project. I'm one of those who keeps checking my account every week, every day if I can and it's exciting to see that it's not 0.00 or minus 0.00 and that I'm getting close to the amount I need.

Male, aged 36-50, non-saver, BC1C2

Finally, there **were those participants who said that they had never saved**. These participants tended to be in their thirties and forties and from lower social grades. They said that if they wanted something they would **be more likely to buy it on a credit card than save for it.** This was largely because they felt that saving was time consuming and difficult and they did not see the point in depriving themselves of money in the short term by saving for a specific goal. These participants also seemed to be fairly chaotic financial managers; they often said that it didn't matter how much money they earned, that they would always spend it and exceed their income and this, in turn, made saving difficult for them.

I think no matter how much money I had I'd always be skint.

Male, aged 25-35, non-saver, C2DE

Because of these attitudes, none of these participants were saving for retirement; they felt that it was more important to enjoy life now rather than reduce their income for a period of life in the future. Consequently, these participants also **seemed to feel the most strongly about the role of the State Pension** in providing a secure income for people when they retired.

I'll just get a credit card and if I wanted a holiday or whatever I'll stick it on that and I'll worry about paying it back later and if I haven't got the money, tough. Life's too short.

Female, aged 36-50, non-saver, ABC1

This attitude was discussed extensively within the groups. While some felt that it was acceptable to finance their life through credit, others felt that this was a negative aspect of contemporary society, which could not be sustained. These participants felt that there had been **a dramatic change between their own and their parents' generation in attitudes to money.** They thought that society had now come to a point where people believed that it was their *right* to have a holiday and a new car even if they could not afford it or were unwilling to make financial sacrifices in other areas of their lives to save.

I think also it's the ideology of society today, you know it's like quick and cheap credit that everyone's sort of not saving for things to buy things like our parents did. You can get it today and put it on a credit card. So therefore they're kind of thinking "I'm going to get it today, I'm going to get it now, I want it quick I want to easy. Why should I bother saving for something?

Female, aged 36-50, non-saver, BC1C2

4.3 Priorities and barriers and triggers to saving for retirement

Most participants felt that saving for retirement was not something that they needed to consider until they were in their thirties or forties. None of the participants in their twenties had started to save for retirement, either because they felt they had other priorities for their money or because they felt they could not afford to. **Younger participants tended to say that they had other priorities for their money** such as repaying student debt, socialising, saving for travelling or buying a first home. These participants tended to feel that their twenties should be spent starting a career and using their money to pay off immediate debt and bills after that, enjoying their youth rather than worrying about the future.

When I get paid, I have my rent, my bills and I want to go out and see my friends, there is much left to save after that.

Male, aged 25-35, non-saver, ABC1

They mostly described their income as being too low to save and felt that **living in London was too expensive for young people to have much left after their rent and bills had been paid**. They believed that saving would become more of a priority and more of a realistic option for them when they were in their thirties as, by then, they would be earning a higher salary. However, it should be noted here that although these participants tended to say that they were not saving for retirement because they could not afford to, they also **admitted that retirement was simply something that they had not thought about before**. Also, many said that they were repaying their student loan through salary deductions, and although they said that they would like to have that money, they felt that money that was deducted was not missed. Because of this, some felt that if pension contributions worked in the same way, that they would quickly adjust to the decrease in disposable income and would not feel the loss of the money paid in pension contributions.

Of course I'd like that extra £100 a month, you'll always find a use for money, but when it's deducted before I have it, it's like it never existed, you don't miss what you don't have.

Male, aged 25-35, non-saver, BC1C2

Older participants who were not saving for retirement tended to feel that **their financial priorities were to buy a home, repay their mortgage, get married and have children**. Also, many participants who had children recognised that by doing this, their saving priorities and behaviours changed further still; parents mentioned that the costs involved in raising children meant that little was left over for saving for retirement and they also felt that if they had money spare, that they would prefer to save for their children by putting money into a trust fund or a savings account for a university education.

Children are expensive, and it's not like the old days when they can move out at 18 and take care of themselves, degrees are expensive, and they won't have any hope of buying a house until their in their forties at this rate. If I had the money, I'd use it to help them.

Male, aged 36-50, non-saver, ABC1

Also, the current economic climate meant that many of them had their children living back at the family home in their twenties as they either could not find a job or could not afford to move out, which put additional financial pressure on their parents. Those who did not have children, or said that they had some **spare money tended to view paying off their mortgage or buying a second home to rent out as a priority before saving for retirement,** the reason for this will be discussed in the following section.

I've got other things I need to pay for before I think about paying for retirement, houses, marriages and children are expensive, I need to sort those things out first.

Male, aged 36-50, non-saver, C2DE

There were a number of factors which were felt to be triggers to start saving for retirement. A very small number of participants said that they had started to save as soon as they had begun working full time. They tended to say that this was as a result of **pressure from their parents** who had told them that they should start a pension as soon as they could to ensure that they would have an income in retirement. Many of these participants said that to begin with, they had been reluctant to sacrifice some of their income to a pension plan, but that they **felt happier knowing that they had savings**. These participants could all be described as 'consistent savers' and were normally saving in a number of different ways.

To me, it's just something you do, my parents always said to us that we should start one [a pension] when you work, so I did.

Female, aged 36-50, saver, BC1C2

Most savers said they had started **saving when they had settled in a career within a company**. These participants said that they had taken up a workplace pension scheme, normally after having worked for the company for a few years, when they felt settled and secure in their careers and financially stable. **Job security and financial stability were key to participants deciding to start saving for retirement** as they would only think about the future when they felt their immediate goals had been met. Indeed, many participants who were not saving said that changing jobs frequently or not having started a career was a key reason.

I guess I started the pension when I decided to was going to work there a while, there's no point in doing it if you're going to keep changing jobs.

Female, aged 36-50, saver, BC1C2

Many younger participants said that they believed they would **start saving when they got married and had children** as they thought that at that point, they would be more concerned about the future. However, , as discussed above, although many of those who did have children felt that the financial demands involved in raising a family limited their ability to plan for retirement, **getting married and buying a property did seem to be important triggers**. Most participants felt that buying a first home should be the main financial priority for younger people, but once this had been achieved, participants were more likely to start saving for retirement. Additionally, **getting married and having a dual income was felt to make saving more achievable,** although again, buying a property and saving for children were the priorities for most.

I personally didn't look to my retirement when I bought my property I was looking more to buying my own place to live not to where I am going to live in 60 years time. It was only after that that I thought about it.

Male, aged 36-50, saver, BC1C2

Overall, the key trigger to saving for retirement seemed to be **security**. Participants, who were unsure of what their lives would be like in the immediate future, were less likely to plan for the long-term. Most participants who saved said that they had started when they felt settled and secure either at work or at home, which made them more likely to think about the future and more financially able to save.

4.4 Types of saving

There were a number of methods of saving and investment discussed in the groups, which are outlined below along with the perceived benefits and drawbacks of each.

Property

Property was viewed as the **most attractive form of investment** by almost everyone, and especially by those from higher social grades. This was because participants placed importance on having **tangible assets** so they could see where their money was, and they also thought that this type of investment was **almost certain to increase in value** - particularly in London. Property was also **seen as the most flexible form on investment** as they would be able to live in it, rent it out and cover the mortgage payments or sell it when needed.

It's all about property in this country, and probably always will be, It's one of our most precious resources.

Male, aged 25-35, saver, BC1C2

Although there was concern among some participants about falling house prices and possible increases in interest rates, **confidence in property was still very high**, and it was seen as the **safest type of investment**. One reason for this confidence may be that property was the type of investment which participants understood the most. It was felt, on a small scale of owning one or two properties, to be fairly straightforward and easy to understand, and importantly, **an investment they could control themselves** without need of an expert making decisions on their behalf.

There was a bit of a scare a couple of years ago, yes, but property still is and will probably always be the best way an individual can invest their money having without specialist knowledge.

Male, aged 36-50, non-saver, ABC1

Some participants, especially those from higher social grades, said that the **sale of a property was likely to be their main source of income in retirement.** Some said that they aimed to climb the housing ladder and own a high value property in London, which they would be able to sell when they retired and move somewhere cheaper if they needed to. Others discussed wanting to buy a second property, renting it out to cover mortgage repayments and then selling it when they retired to provide a large lump sum to live off. Those from lower social grades aimed to buy a modest property and hoped to pay off the mortgage before they retired and continue to live in it during retirement without having to worry about rent or mortgage payments.

The property will be able to be yield enough, so by the time we get to that age. It will take care of me or me and my husband in old age. That's the plan.

Female, aged 36-50, non-saver, BC1C2

Pension schemes

There was a mix of attitudes towards pension schemes in each of the groups. Those who were most positive about pensions were those who were paying into a workplace pension scheme. The offer of **employer contributions was felt to be the most attractive feature** of the schemes, and those who were paying into a scheme said that this was their main reason for doing so. Most participants who were paying into an employer scheme normally already owned a property and said that they had not previously joined a scheme because they had other priorities for their money, such as saving for a deposit. Many said that they had joined their employer's scheme in their thirties and this was **normally a result of encouragement from friends or family members** who had told them that they should start to plan for retirement. However, apart from the attractiveness of employer contributions, and the feeling that they should start to save, none of these participants were able to give any other reasons for joining a scheme. Furthermore, many of these participants were **unaware of the level of risk in their pension,** when they would be able to access it, or how much they would be likely to receive.

It seemed like a good idea because they [the employer] pay about 8% so they put in a lot more than me.

Female, aged 25-35, saver, BC1C2

Non-occupational pensions were only used by a very small number of participants who were all self-employed. These participants said that they had joined a scheme in their mid or late thirties, and reported paying **fairly high contributions of around 20% or more**. All of these participants owned at least one property, which they viewed as their main source of retirement income, and said that they had joined a pension scheme as a secondary source of income. Also, these participants had the **greatest level of anxiety about being able to find work as they got older** as many worked in construction roles, which, they believed, would be more difficult to get as they aged. They said that having a **private pension made them feel more secure** about having an income when they needed it if they were unable to work full time as they got older. **These participants had the greatest understanding about how their own pension**, and pension schemes in general, worked and were also more aware of the level of risk in their pension as well as what they could expect to receive. The reason for this was that they had been able to choose from a high number of pensions which were available to them, and so had spent some time looking into the most appropriate product, whereas those paying into workplace pension schemes were more passive in their choices.

I'm earning good money now, but I might not always, that's the risk [of being self-employed] so it's [pension] a bit of a safety net really.

Male, aged 36-50, saver, ABC1

However, almost all participants, including those who were paying into a pension scheme described a number of negative views about pensions, and the **key issue seemed to be a lack of understanding about what pensions are and how they are managed**. Only a very small number of participants understood how pensions worked, and they said that this knowledge had come from an Independent Financial Advisor. This lack of understanding meant that most participants did not know how pension funds are invested, or indeed, know that they are invested at all.

The thing is with most people do not even understand pensions. They know that it's something that's deducted from their salary and the company probably price matches whatever but they don't really understand what happens after that.

Female, aged 36-50, non-saver, BC1C2

This meant that they were reluctant to consider a pension as they did not know where their money would go, and how much they would be likely to receive in retirement. **The intangibility of a pension meant that many participants feared that their investment would somehow disappear** and that they would never get back what they had paid. There were also a significant number of participants who believed that those who had private or workplace pensions would not be entitled to the State Pension, or would receive a reduced amount and therefore they were reluctant to save as they viewed their State Pension as something they had earned after years of paying NICs.

You don't know where it's going, its was never explained properly. You know for all you know they're taking money and you are never going to see it. When I left a job when I had a pension I didn't see what little bit I'd saved, I didn't see that, I won't see that more than likely.

Female, aged 25-35, non-saver, C2DE

However, even those participants who had a good understanding of pensions had some concerns, particularly over pension fund management and risk. A number of participants referred to **past instances of fraud or mismanagement of pensions funds** by private companies **as well as perceptions that previous governments had 'raided' pension funds**. This had led many participants to believing that those who had access to pension funds could not be trusted and so they were an unsafe form of investment.

The Mirror Group, Robert Maxwell completely obliterated all their pensions, billions, yes and also the other one is a company called Unique which is actually recent and they then happened to be the shareholders and they didn't actually sell the company in order to put money back into the pension fund.

Female, aged 36-50, non-saver, ABC1

Early access was also felt to be important, as participants stated that they **wanted their savings and investments to be flexible and accessible**. A few participants said that they would like to be able to access their pension fund before 55 in case they faced financial problems or if they wanted to use the money for another investment such as starting a business to run during retirement. Although these participants acknowledged that there would be risks associated with this as they may lose their money and then have no additional source of income in retirement, they felt that being unable to access a pension fund made them an unattractive form of investment.

What if I lose everything and need to start again? I want to be able to get to all my money, I don't want someone holding it back when I can use it to start a business or save my house.

Male, aged 36-50, non-saver, ABC1

Finally, many participants were **concerned that they may not live to retirement age** and so may not get to use their pension. Therefore, paying into one seemed like a potential waste of money. Connected with this, there were concerns about what happens to someone's pension if they die before they claim it. A small number of participants said that either they, or someone they knew, had been unable to claim a pension of a relative who had died and were angry that the money had been lost. Again, in this context, property was seen as a better option as this was something that could be simply passed on to family members.

My dad paid into one for years, a couple of years before he was going to retire he died, and I couldn't get at it, I spent years fighting them, and they just gave me some reason I didn't understand. It wasn't a problem with everything else, it came straight to me. That put me right off pensions.

Female, aged 36-50, non-saver, C2D2

Stocks and shares

Confidence in stocks and shares was low. Very few participants said they had invested in these, and most seemed to be distrustful of them. This was because stocks and shares **were not thought to be tangible** in the way that property is, which caused some suspicion and confusion. These kinds of investments also generally **depended on someone else to manage them**, which made some participants wary – particularly given the context of the recent financial crisis in the UK.

You may as well just hand your money over to someone and send them down to the casino to put it all on black. That's what stocks and shares are, basically a gamble.

Male, aged 36-50, non-saver, C2DE

ISAs

ISAs **were felt to be a good way to save** by almost everyone, particularly those in their twenties, although more for short-term goals such as buying a house rather than for retirement. The main perceived benefit of ISAs was felt to be that it got people into the habit of saving in an easy way. Many participants, particularly goal oriented savers, had an ISA with the bank they had a current account with and had set up a direct debit co they could pay in a sum each month to go towards a holiday, a car or a property. However, **while easy access to ISAs was seen as a benefit, it was also seen as the main drawback.** Almost all participants who had used ISAs to save said that at least once, they had withdrawn the money before the end of the financial year and spent it on something else. They felt that having the money sitting there made it too easy to use when they wanted a holiday, new clothes, socialising or helping to pay bills.

I do well for a bit, it builds up, and then something comes up and I take it all out. I still the transfer set up, but within a couple of days of it going in, I transfer it back.

Female, aged 25-35 saver, ABC1

High value items

A small number of participants said that they had **invested money in high value items such as jewellery and classic cars**. They said that they had decided to do this in reaction to the global financial crisis, which had affected their confidence in other types of investment. These participants felt that it was **better to use the knowledge they had in a certain field and make small investments than trust someone else with their money.** Again tangibility was key here; they wanted to be able to see the object they had invested their money in and control it themselves. In this way, this kind of investment can be seen as similar to property. Also, as with property, these items were often something which could be used and enjoyed in the short term, until they needed to sell it.

I buy jewellery because I know quite a few bankers and I don't trust them so I'd prefer to make my own investments. My friend collects watches, buys Rolexes, she's got a whole collection. Again the passion that you have, my partner likes vintage bikes. He's got this bike that's worth £100,000.

Female, aged 25-35, saver, C2DE

Views on the Workplace Pension Reforms

5 Views on the Workplace Pension Reforms

5.1 Introduction

This chapter explores participants' reactions to the Pension Reforms. It includes their immediate reactions, as well as more detailed attitudes towards the idea of automatic enrolment and NEST.

5.2 Awareness and initial reactions to Pension Reforms

Awareness of the workplace pension reforms was very low, with only one or two participants saying that they had heard of them, and even in these cases, their understanding of the reforms tended to be inaccurate. When they were told that pension reforms would be taking place, before hearing the details of the reforms, the immediate reaction of the participants was negative. They placed the reforms in the context of the current government spending cuts and so assumed that the reforms would be used as a way to save the government money. Their greatest **suspicion was that the reforms would be a way to reduce State Pension entitlement or further increase the SPA, or even as a means of phasing out of the State Pension altogether**. Again, it should be noted here that participants placed high importance on the State Pension and were very sensitive to anything they perceived would affect their entitlement to it.

This is the beginning of the end of the State Pension then? I suppose it was only a matter of time.

Male, aged 36-50, non-saver, BC1C2

5.3 Attitudes towards automatic enrolment

Initial reactions

While most participants saw some **benefits in making people think about pensions**, there was also a significant level of criticism about the principle of automatic enrolment, the most common being that through automatic enrolment, the Government was attempting to force people to pay for their pension twice. **Many participants believed that their National Insurance Contributions were their pension fund,** and so for the Government to automatically enrol people into a separate pension was seen as an acknowledgement that the State Pension would not be enough to support them.

Do people kind of think "hang on; if we're already paying our National Insurance to the government and that's supposed to be our pension, why then do we have to pay this mandatory a pension?" We're paying twice for the same thing.

Female, aged 36-50, non-saver, ABC1

There was a feeling that this idea **went against the principles of the welfare state** and they likened automatic enrolment to the Government forcing people to use private schools and healthcare provision rather than accessing state supported services. A number of participants felt that if the State Pension was struggling to support people in retirement, then the Government should increase National Insurance Contributions rather then enrol people into a separate pension fund.

I don't see why it can't be on National Insurance. The State provides education; the State provides health services, and they don't ask us to go and put our kids in private school or get BUPA, we're encouraged to use the State system, why should pensions be different? If they need us to pay more, increase NI, don't split our money.

Female, aged 36-50, non-saver, BC1C2

Others felt that automatic enrolment was an example of the **Government 'nannying' people**, who should be allowed to make their own decisions about their money. Choice was felt to be key here, and many participants did not believed that an opt-out system gave them this. These participants felt that increasing awareness of pensions should be enough without automatically enrolling people into one, which, they felt, the Government had no right to do.

Shouldn't you be able to manage your own money rather than having someone to manage it for you? What right have they got?

Female, aged 25-35, non-saver, C2DE

Perceived advantages

Despite initial reactions, on further discussion many participants in all groups, and younger participants in particular began to see the advantages of automatic enrolment. These participants acknowledged that they had not previously thought about retirement or how they should plan for it and so **anything which might prompt them to engage them and help overcome apathy was positive, even if they then decided to opt-out.** Older participants, while not necessarily seeing the benefits in starting a pension at their age, felt that automatic enrolment would encourage younger generations to engage with the subject early and felt that if something similar had been available to them then it would have been very beneficial.

I think it's a good idea, I wish someone did this when I was 21.

Female, aged 36-50, non-saver, BC1C2

Participants were also positive about automatic enrolment as they felt it would **lead to a greater amount of information and discussion about pensions** and other forms of investments, which they admitted they knew very little about. Currently, it seemed that participants relied heavily on information and advice from family and friends, which meant that they had patchy and sometimes incorrect perceptions of financial products. They hoped that automatic enrolment would mean that an information campaign about pensions would take place which would help to educate people about pensions and other financial products. This issue seemed to be key, as low confidence in financial products seemed to be closely linked with a lack of understanding about how they worked. This will be explored more fully in Chapter 6.

At least with this opting in thing, I think it will give people a kick start to think my money is going into a pension, I want to know where it's going, what it's doing, is it the right thing. Everyone will want to know this, so there'll definitely be a lot of information about.

Male, aged 25-35, non-saver, ABC1

There was also some hope among many participants that **automatic enrolment would make people assess whether or not they could afford a pension rather than just dismissing the idea immediately.** Younger participants in particular felt that affordability was used as an excuse for not saving, and that if most people looked at their income, that they would probably be able to afford to invest 4% in a pension each month particularly as they knew from their experience of paying back Student Loans that money deducted at source is not missed.

The majority of people because they say oh I can't afford it so what the Government is trying to do is to help people realise in a sense that they actually can afford it and encourage them to do so.

Female, aged 25-35, saver, BC1C2

Some participants, younger ones in particular, thought that the idea of being re-enrolled every three years was good, again, as long as the opt-out process was easy and simple. They felt that as their lives changed so much from year-to-year, **re-enrolment would encourage them to reassess their circumstances and take up a pension when they could afford it.** Building on this, some participants said that they had been offered a workplace pension when they first started their job, but had turned it down, and hadn't heard about it since. They felt that many people would be unlikely to start a pension as soon as they start a new job as they may be unsure of how long they will be with the company or may need the money for something else. However, by re-enrolling people every three years, it was thought that it would help keep pensions top of mind, and mean that people would be likely to take one up when they could afford it.

I think this is a good idea. Right now, it's been a year since I bought my property so right now I am not in a position to put money into another account. In three years time, touch wood I'll be doing better in my job and will be able to earn a little more than I am, the extra earnings I could put towards this. Maybe not now, but in three years time definitely.

Female, aged 36-50, saver, BC1C2

Overall, the main benefit which participants believed would result from automatic enrolment was the **normalisation of pensions and discussions about retirement planning** – something which the majority admitted that they had ignored. They felt that if everyone was forced to make a decision about whether or not to enrol into a pension then pensions would become something which was discussed with colleagues, friends and family which, in turn, would mean that it was more likely that people considered retirement planning early.

I think it puts pensions out there you know, it makes people start to think about their pension at an earlier age, thinking about making contribution or maybe even if it's not a pension start a savings plan, so I think that is getting the words out there.

Male, aged 25-35, non-saver, ABC1

Concerns about automatic enrolment

Despite the positives as discussed above, there were a number of concerns raised as well, the main one being that the **opt-out process would be too lengthy and complicated** which might mean that some people who want to opt-out will not because they may not have the time or the ability to do so. Indeed, some believed that the opt-out system would be purposively designed to be difficult to discourage people from opting-out. Connected to this, many **believed that the opt-out window was too narrow**, and that people should have a longer period to decide whether they wanted to opt-out after enrolment and still receive back all the contributions they had made. There was no consensus on how long the window should be, but many felt that six months would be a reasonable amount of time for people to make the decision.

I am just wondering about the opt-out procedure and would it be easy or are they going to make you jump through hoops to get out and then keep your money?

Female, aged 25-35, non-saver, ABC1

Another common concern was how these changes would affect small businesses. Most participants felt that large companies should make a contribution towards their employees' pensions if the employee chooses to have one, but they **did not think this would be fair or manageable for small businesses**. Participants believed that the burden of making pension contributions would be too much for some businesses to bear in the current economic climate, and could lead to redundancies. Further to this, some participants thought that small businesses might ask staff to opt-out in order to protect their jobs, and informally make opting-out a condition of new staff joining the company.

I don't think it will help small businesses. There are small businesses already struggling to make ends meet. It could actually cause redundancies I think.

Female, aged 36-50, saver, BC1C2

Finally, a small number of participants who were already paying into a pension were concerned about the **impact that automatic enrolment would have on the pensions market**. They feared that if most people started paying into a pension, that the market would be suddenly flooded with money, which might have an impact on their own pension fund investments.

I think possibly, in that it might be too much, if you think there are 20 million people working in the country and the average contribution is probably £100 per person per month, that's probably around an extra £2 billion that's going into the market, and it's like anything, if there is too much money going in then it's going to soften the growth on that. My worry is if you throw too much into the pot it will devalue something.

Male, aged 36-50, saver, ABC1

5.4 Attitudes towards NEST

Initial reactions

Again, when the idea of NEST was introduced to participants, the groups tended to return to their discussion about how the reforms would affect the State Pension. In the first instance, the idea of having a pension fund run by a non-departmental government body was confusing to some participants who believed that, alongside the, State Pension, there would be **two departments doing the same thing in different names.** This was largely driven by participants' lack of understanding about how the State Pension works, with some believing that individuals' contributions are invested, or kept in the Bank of England, rather than being used to pay for the current generation of retired people. In this context, the idea of NEST did not make much sense to some participants.

Sort of seems to kind of cross-breed the current state pension and other work pensions, what's the point?

Male, aged 36-50, saver, BC1C2

However, participants raised a number of other issues in relation to NEST and these are explored in detail below.

Perceived advantages

The main perceived advantage of a scheme such as NEST was that someone would be able to have **one pension pot for life**. This was felt to be particularly useful for younger people who may change jobs frequently until they start a career, and those from lower social grades whose employment status was believed to be more volatile. As some participants had said that one of the reasons they had turned down their workplace pension was because they did not know how long they would work for the company, it was thought that NEST would help to overcome this barrier.

It's not so confusing because obviously if you leave one employer you can carry on with the next one which I think that's quite appealing really because I wouldn't want to keep having to change and end up with a load

Female, 25-35, saver, C2DE

NEST was also felt to be a **good way of providing a default option** for those who would not otherwise save for retirement. Although, most participants were sceptical about the kind of returns they could expect from NEST, they also felt that having a default scheme would be beneficial to both small businesses and some employees. There was a strong feeling that NEST would be a very basic pension fund, but that this would be better for people than not having any savings at all. Although most participants felt that the State Pension rate should be high enough for someone to live comfortably without the need for additional pension funds, they thought that if this was not possible, then NEST would be a good alternative.

It's probably going to be basic, but it's good to have a simple, basic default option for people.

Male, 36-50, saver, BC1C2

Concerns about NEST

Participants, however, had a number of concerns as well. For those from higher social grades, their worry was that **investments with NEST would not be as successful as those with a private insurance company.** Three main reasons were given for this. They stated that, as NEST is a new organisation, staff may not have as much experience in investing and managing funds which could result in poor decisions being made. Linked to this, some wondered whether a fund managed by a non-departmental public body would be able to attract quality staff as, they presumed, private sector companies would offer higher wages. Further still, a few wondered if NEST's staff would be as motivated to ensure their funds performed highly as it was believed they would be unlikely to receive bonuses in the same way as their private sector counterparts.

But would they be just as competitive as like you know Prudential or, you know, one of the other pension companies?

Female, 36-50, saver, C2DE

What's their motivation to make your investment grow? It could be just for flat, almost like a building society account. What's their motivation, if they are actually good fund manager to make it actually become a good investment, if they are thinking at work it gets to 5 o'clock I'm going and actually they are going to get 2%

Male, 36-50, saver, ABC1

There were also two key concerns about NEST being delivered bv a non-departmental government body. Firstly, NEST's connection with government was a source of anxiety for some who felt there was a risk that a **future government might interfere with peoples' pensions or scrap the scheme** altogether without people receiving the money they had invested. Secondly, there was a fear that **NEST's connection with government would mean that it would be bureaucratic** and overstaffed which would make it ineffective, inefficient and difficult to deal with. Participants drew on their other experiences of dealing with government as evidence for this.

I mean look at the government and the way they sort of run certain things anyway, say the state of the NHS. If they're going to be running NEST like some of their departments then they've got absolutely no chance

Female, 25-35, non-saver, BC1C2

.

Information Needs

6 Information Needs

6.1 Introduction

This chapter explores how information about savings and pensions is currently accessed as well as the preferred and trusted sources of information. Finally, this chapter looks at what information is needed about pensions and how this information should be presented.

6.2 Current sources of information

Most participants said that they **relied heavily on friends and family for financial advice**. It seemed that financial behaviour was heavily influenced by parents, both in the habits instilled by them as children, and the advice given to them as adults. Many of the participants who were saving said that they had **started saving as a result of encouragement by their parents**, and this seemed particularly true of those paying into pension schemes. In regards to other types of investment such as property, friends seemed to be an important source of information, with some participants saying that they talked through options and plans with friends before they bought a property.

My dad is always going on about where I should put my money, when I should do things, which provider, all that, I probably wouldn't have joined my pension if he hadn't told me to.

Male, 25-35, saver, ABC1

There seemed to be three main reasons for family and friends being the main sources of information about savings and investments. Firstly, these were the **sources that participants trusted the most,** which reassured them and made them more confident in their decisions. Secondly, most participants **did not know where else they could access free, accurate, and impartial advice** and so advice of friends and family was their only option. Thirdly, some participants said that they never actively sought advice, but instead **received it passively** from friends and family who were trying to encourage them to save.

I don't tend to spend time looking into these things, you just pick it up from people, they say 'oh, you should really do this, it's great' and you just sort of find things out that way.

Female, aged 36-50, saver, C2DE

Websites providing information about financial products and advice such as **Martin Lewis' Money Saving Expert** website also seemed to be a popular source of information. Participants who used this source felt that the information provided was easy to understand and had consumers' best interests in mind. A small number of participants said that they had previously used this website to compare pension schemes in the past as well as accessing information about other financial products such as credit cards, ISAs and mortgages.

A very small number of participants had previously spoken to an **Independent Financial Advisor** (IFA). Although none of these participants said they had decided to do this for advice about retirement planning specifically, they said that the advisors they had seen had all discussed pensions with them. As a consequence of this, these participants seemed to **have the best understanding of different types of pensions available and how they worked**. However, although these participants were happy about receiving accurate and unbiased advice, they acknowledged that this came at a cost, and so would not be possible for many.

I didn't really know anything about investments or pensions until I went to see her (IFA), she was great, explained it all, but didn't push me either way.

Male, aged 36-50, saver, BC1C2

6.3 Preferred sources of information

Trust, cost and motive were the key issues when it came to financial advice. Participants **wanted free, accurate advice from someone who was not trying to sell them a product**. In line with this, they suggested a number of sources which could used to both disseminate information about the pension reforms and financial advice in general.

Schools were felt to be in a good position to educate pupils about financial products, and financial management more generally. They felt that education about this in schools would prevent people from making mistakes and also instil good financial habits at a young age. Indeed, many participants thought that they **would have benefited from some lessons about interest rates, investments, budgeting and debt management.**

You know it could become like a curriculum for children, school kids, to have some sort of management, you know, money saving and things like that, whether it should be started from a very young age, not to kind of like leaving it very late, the age of 18/20 maybe far too late.

Male, aged 25-35, non-saver, BC1C2

Despite many participants saying that they distrusted the government to control pension funds, they felt that the Government was to be well placed to inform people about the workplace pension reforms and provide information about the options available. Most participants thought that the **Government should undertake a large communications campaign to inform people of the changes** and how it might affect them. Some participants referred to other communications campaigns such as Self Assessment Returns and Tax Credits renewals, and thought that the pension reforms could be communicated in the same way, using billboards and television advertisements to make people aware of the changes and point them to further information.

The Government needs to lead this really, it's needs to be on TV so people know it's happening and where they can get advice.

Male, aged 36-50, saver, C2DE

Additionally, many thought that detailed advice and **information should be supplied by employers,** who should either take this responsibility on themselves, or hire an IFA to come into the workplace and talk to employees. They believed that the benefit of this would be that they would receive information about their company's own pension scheme rather than general information, which would help them to make an informed decision.

I think you are employer should definitely have some kind of session where they explain how their pension scheme perhaps works and what this is and you can then make an informed decision

Female, aged 25-35 non-saver, BC1C2

Conclusions

7 Conclusions

The high value which participants placed on the State Pension, both ideologically, in terms of its principles, and practically, in terms of the importance it would have in their retirement had a significant impact upon discussions. However, there was a **widespread lack of understanding about the how the State Pension works and what it is meant to achieve,** which meant that many participants were unable to understand why there should be a need for anyone to have additional retirement savings. There was very low awareness that individuals' National Insurance Contributions are used to pay for the current retired generation, which meant that the impact of the UK's ageing population on the State Pension was not understood by many. Participants **viewed the State Pension either as being similar to personal or employer pension schemes**, which happened to be run by the government, or as a long-term savings account, where each person has their own retirement 'pot'. Because of this, there was a strong feeling that **if additional savings needed to be made to ensure that everyone could live comfortably in retirement, then the Government should achieve this through the State Pension system**. While most participants were against an increase in National Insurance Contributions, to some extent, this was felt by many to be preferable rather than having to make their own provisions to top-up their retirement income.

Participants' **attitudes towards saving seemed to be developed at a fairly young age**, with most savers saying that they had started to save as soon as they could. Family and friends, and **parents in particular, seem to have considerable impact upon individual participants' saving habits** and were used as key sources of financial information and advice in general. This is partly as a result of parents wanting to instil good financial habits in their children by actively giving them encouragement and advice and also because participants were **unsure of where else they could easily access free, unbiased and accurate information**. Participants clearly identified a need for more information about retirement planning, and personal finance in general, and employers, schools and the government were felt to be well placed to provide this.

Tangible assets such as property were, by far, the most popular form of investment. Participants felt **more confident about investments which they could see**, firstly because they could have physical ownership and control over the asset, rather than depositing it with a bank, and secondly, because **these kinds of investments made the most sense to them.** Participants had confidence in property and other tangible assets such as jewellery because they felt that they were desirable items, which other people would want to buy, and this made them valuable. The belief that the price of property would always increase meant that most participants saw this as a **safe investment**. Additionally, tangible assets were seen as the most **flexible form of investment** as they could be used, rented, or sold at any time.

Non-tangible investments such as **stocks, shares and pension schemes were far less popular**. The main reason for this seemed to be because participants did not understand how these investments were managed or how profit was generated. There was widespread **distrust towards banks and other financial institutions** which made many participants reluctant to allow them to control their money. When it came to pension schemes specifically, participants had **low awareness of how schemes worked**, and the extent to which they would be able to control the level of risk in their scheme. There was a perception that **investments made by financial institution were often reckless and this was compounded by a general distrust of non-tangible assets,** which participants felt could be lost easily, while 'bricks and mortar' could not.

Additionally, many participants did not want to place their money in a pension scheme which they would not be able to access for a number of years. While many acknowledged that they were unable to stop themselves from spending money they had access to, there was still a strong feeling that they **have a right to spend their own money when they want to**. There was a lot of unease about the idea of paying money into a pension, firstly as they might die before they can access it, and secondly because they might have need for the money before they retire.

While there was **generally a positive response to the workplace pension reforms** in terms of encouraging people to think about saving for retirement, and, through NEST, providing a default option for people, there were a number of concerns. The main concern was the **extent to which reforms will impact about eligibility for the State Pension**, and the rate which people could expect to receive. There was also cynicism about the way the reforms would be operated, with some believing that the opt-out process would be designed to be complicated and lengthy in order to deter people from doing it. While automatic enrolment was felt to be a **good way of getting people to consider their options**, participants were generally against forcing people to save, or making it difficult for people to opt-out. There were also a number of concerns about NEST, with many participants **questioning how competitive and successful a not-for-profit organisation with no track record can be.** While some participants found the idea of being able to have one pension provider which they could use throughout their lives attractive, in the most part, the was a belief that people would be able to get a better deal with an established provider.