

## Key findings from Individuals attitudes and behaviours around planning and saving for later life

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### Summary

This summary<sup>1</sup> presents high level findings from multi-staged qualitative and quantitative research commissioned by the Department for Work and Pensions (DWP). This research, which was carried out in conjunction with the Personal Accounts Delivery Authority (PADA), set out to explore individuals' attitudes towards planning and saving for later life and included an audience segmentation of people of working age. The segments are grouped together based on the common attitudes and behaviours held by respondents in each segment.

### Aims and objectives

The overarching objectives of this research were to understand how the working age population thinks and feels about planning and saving for later life and better understand people's motivations, attitudes and behaviours towards saving for retirement and working longer.

### Methodology

The research, conducted in the late summer and early autumn 2008, was carried out in two stages:

- two initial, creative qualitative stages consisting of 90 depth interviews to generate hypotheses and typologies; and

<sup>1</sup> Main publication of report findings forthcoming in June/July 2009.

- a quantitative survey of 3,033 telephone interviews<sup>2</sup> to challenge and test the qualitative findings and build a segmentation framework.

### Background

The demographic make-up of the UK is changing. People are living longer and the pensioner population is growing relative to the working age population. The cost of pensions will increase accordingly yet there has been a long term decline in the numbers of people saving for their later life (in part a result of changes in pensions schemes offered by employers).

Against this backdrop, DWP estimates<sup>3</sup> suggested that approximately seven million people were not saving enough to deliver the pension income they were likely to want, or expect, in retirement. This has resulted in three core policy strands being developed by DWP:

- reforms to the state pension, to make it simpler and fairer (particularly with respect to women and carers);

<sup>2</sup> The sample was all adults aged 18 and above who had not yet retired. Thus, the sample included some adults above State Pension age (SPA) who were still working and excluded some below SPA who had already retired. Quota sampling was used in this research to ensure a certain distribution of key demographic variables, which were region and within region by gender and age. Since respondents did not have an equal chance of participating in this research, we cannot generalise the findings to the wider population.

<sup>3</sup> Pensions bill, 2007 impact assessment, published 24 April 2008, p14.

- automatic enrolment of employees into an appropriate pension from 2012 with compulsory employer contributions provided the employee does not opt out, supported by the set up of the personal accounts scheme as a low cost, simple pensions option;
- policies to support longer working lives, such as state pension deferral.

This research will support us in communicating with individuals about these policies and about retirement planning in a way which is sensitive to their attitudes and concerns and engages and resonates with them.

## Summary of qualitative findings

### Money management behaviour

The initial qualitative phase carried out by Define Research and Insight, highlighted that attitudes to money are deeply ingrained, with respondents expressing a very wide range of confidence in and preparedness for a financially secure retirement.

The research uncovered three overarching attitudinal types that suggested where individuals differed in terms of their money management behaviour:

- **spenders:** those respondents who only ever manage to spend money. Their perception is that money ‘flows through their hands’ and, however much they earn, they never have anything left at the end of the month;
- **apportioners:** those respondents who are good at setting money aside for specific tasks (for bills, for holidays, for emergencies). This apportionment behaviour resonates with mental accounting theory whereby people create and use imaginary, although sometimes literal ‘pots’ (so called ‘mental accounts’) to separate money for different designated purposes e.g. holidays, college fees’;
- **money growers:** those respondents who are attracted by the notion that money can be invested somewhere it will grow.

### Pension behaviour

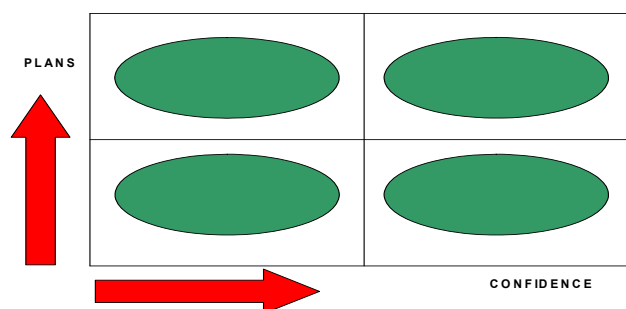
Respondents tend to consider pensions as they begin to assume other responsibilities, such as buying a house, getting married, having children and taking on financial responsibilities. Age was an important determinant that influenced attitudes to ‘when was the right time’ to start making plans for retirement. It was not uncommon for those under 30 to feel they were too young to seriously explore the subject.

### Emerging typology

The qualitative work also identified two key dimensions (Figure 1) to feed into the development of the quantitative survey:

- whether respondents felt that they currently had plans in place for funding their retirement;
- whether respondents were worried or confident about the future based on their current retirement plans;

**Figure 1: Qualitative research framework showing plans in place versus confidence**



- respondents falling into the top right quadrant claim to have financial plans in place and say they are confident about the future;
- respondents in the top left quadrant report that they have plans in place but lack confidence about the future;
- respondents in the bottom right are confident despite having no plans in place; and
- respondents in the bottom left report having no plans in place and no confidence.

This framework and the key findings identified during the qualitative research provided a foundation for the development of the next stage of the research.

## Key findings

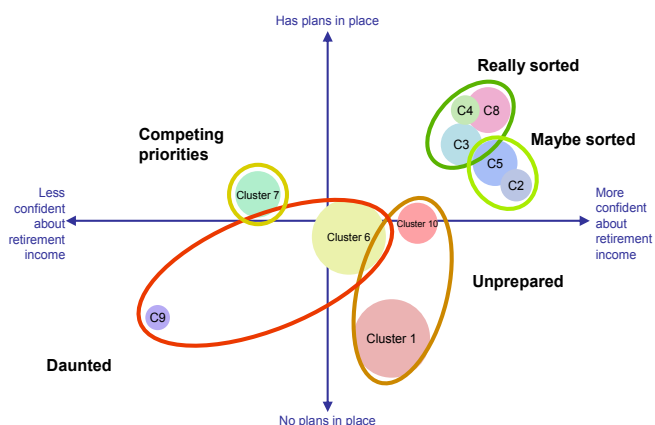
### Overarching segments<sup>4</sup>

The initial analysis of the quantitative survey data carried out by Continental Research initially generated ten discrete and detailed clusters of respondents in our sample<sup>5</sup>.

Segments were then merged on the basis of unifying characteristics to allow DWP to identify a smaller number of groups and generate a simple, memorable and intuitive segmentation. Five overarching segments emerged which have been key to understanding the common attitudes and behaviours held by respondents. Figure 2 below shows how the ten detailed clusters were merged to form five overarching segments.

These five segments provide the greatest discrimination between groups whilst offering good internal consistency.

**Figure 2: Ten clusters to five**



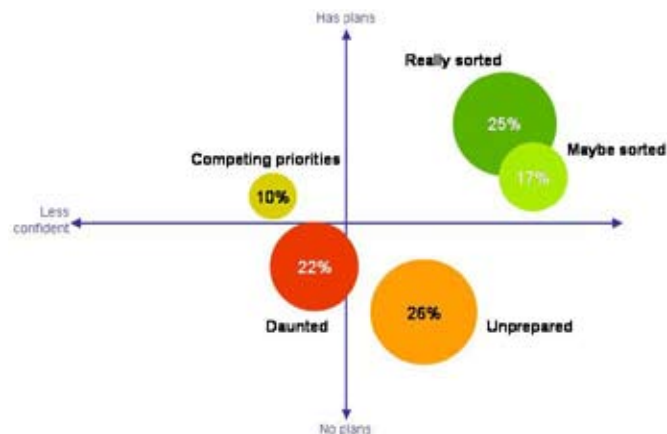
\* C= Cluster

<sup>4</sup> The results from the survey enabled a total of ten clusters to be constructed. Some of these ten clusters were then merged resulting in a total of five 'overarching' segments.

<sup>5</sup> The full draft of the report that will be published in June/July 2009 will provide full details of the survey data and the ten detailed segments.

The following diagram shows how the overarching segments fit with the qualitative framework highlighted earlier.

**Figure 3: Overarching segments in relation to qualitative framework**



Please note that the percentages of each group are indicative of the sample size and not the population at large. However, Figure 3 highlights that:

- the **really sorted** group have plans for and are confident about retirement;
- the **maybe sorted** have plans for and say they are confident about retirement. However, they tend to be relying on someone or something which could ultimately be outside of their control;
- the **competing priorities** segment have plans but are anxious;
- the **unprepared segment** is predominantly younger people who are optimistic about the future but have not made plans;
- the **daunted** is the segment with the lowest financial resources, who tend to be scared about pensions and the future and have not made plans.

### Main findings from the Quantitative stage

A quota sample was used in this research to ensure a certain distribution of key demographic variables. As the sample is non-random the findings are not generalisable to the wider population. However, the findings have been

extremely useful in identifying key attitudes and behaviours towards planning and saving for later life across the working age population.

## Overarching segment one: 'Really sorted'

### Common characteristics

Age	35+
Reported Personal Income	Around £75k
Lifestyle attitudes	Make plans for the future
Retirement attitudes	Confident they have enough put by

The vast majority of this group, in this sample reported that they have made some provision for their retirement. They are likely to be contributing to a wide range of financial products, and are more likely to be financially knowledgeable and responsible. This group are confident about their financial plans for the future and continue to plan with a view to working up to SPA.

Respondents in this group are predominantly 35+. They have high reported personal income, (£75k+) and a high household income (£100k+).

### Attitudes of segment one

The attitudes that are common amongst respondents in this group are that they are likely to *'Make sure money is put aside for emergencies'* and *'Make plans for the future'*.

They are much less likely to say that they *'Take each day as it comes'*, *'Have so much going on they can't think about the future'* or that they *'Avoid planning and do things spontaneously'*.

The following attitudes common amongst this group regarding their retirement are that *'I am putting away as much as I can'* and *'I am confident I have enough put by'*.

## Overarching segment two : 'Maybe sorted'

### Common characteristics

Age	Tend to be 45+
Reported Personal Income	£35-75k; many self-employed in our sample fall into this segment
Lifestyle attitudes	Confident, have money put by for emergencies
Retirement attitudes	Expecting to work into later life, or for someone else to provide them; not keen on pensions

Over half of this group, in our sample reported that they have made some provision for their retirement and respondents in this group reported to be confident about their plans for the future. However, they tended to be relying on something that may ultimately be beyond their control, i.e. they are either relying on a partner for their retirement provision or on working past SPA.

The age range of this group, in our sample was that people were 45+ and most likely to be between the ages of 50-59. Their reported personal income ranges between £35k-75k. There are fewer respondents in this group that are likely to be high earners when compared to the 'Really sorted' group. This group are also less likely to have a household income of £75k+. This group, according to the way the respondents were grouped, is the most likely segment to contain the self-employed and women aged 53-58.

### Attitudes of segment two

The attitudes that are common amongst respondents in this group are that they are likely to *'Make plans for the future'* and *'Have money put aside for emergencies'* but also *'Avoids planning and does things spontaneously'*.

In terms of their retirement, respondents in this group are *'Confident I have enough put by'*. This is a similar attitude to that reported by respondents in the 'Really Sorted' group.

However, respondents in this group are least likely to think that *'pensions are the best way of saving for retirement'* and they do **not** think that *'if I work beyond SPA I will have failed'*.

### Overarching segment three: Competing priorities

#### Common characteristics

Age	Mid-30s to 40s
Reported Personal Income	£15-75k, often with high mortgages
Lifestyle attitudes	Stressed through feeling financially over-extended
Retirement attitudes	Wish they had started saving sooner

Again, a majority of this group in our sample reported that they have made some provision for their retirement. Respondents in this group are more likely to be middle class, working and affluent. However, they may have more financial commitments than they can afford and are anxious about the various demands on their income (but often haven't verified the extent of whether this is a real cause for concern or not).

Respondents in this group are most likely to be in their 40s and earning between £15-75k. The household income of respondents in this group is between £35-75k. There are very few high earners in this group.

#### Attitudes of segment three

Attitudes that are common amongst respondents in this group are that they are unlikely to *'Take each day as it comes'*, they do like to *'Be in control'* and; *'Focus on work and doing well'*, but they are the least confident compared to the other groups in saying that *'They have enough put by for retirement'*.

They are more likely than other groups to think that they *'Should have started sooner'*. They also hold the view that *the 'Government should play more of a role'*. Furthermore, they

are fatalistic and it was not uncommon for this group to hold the view that *'It's not worth saving for retirement - I might not live that long'*.

### Overarching segment four: 'Unprepared'

#### Common characteristics

Age	Under 30
Reported Personal Income	Low – often under £15k
Lifestyle attitudes	Optimistic
Retirement attitudes	Avoid thinking about retirement

This is the group that has the largest proportion of young respondents when compared to other groups, in our sample. Respondents in this group are much more likely to be under 30 than over 50.

Less than half of this group reported that they have made some provision for their retirement.

Respondents are most likely to have a household income that is under £15k and they are least likely to be earning £25k+.

This group is the least likely to contain respondents who are self employed.

#### Attitudes of segment four

Attitudes held that are common amongst this group is that they; *'Expect to be better off in future'*. They are more likely to *'Enjoy spending money'* and; *'Take each day as it comes'* than *'Make plans for the future'* or *'Make sure they have money put aside for retirement'*. They know that they are **not** *'Putting away as much as they can'* so they try to *'Avoid thinking about retirement'*.

## Overarching segment five: 'Daunted'

### Common characteristics

Age	40-64
Reported Personal Income	Low
Lifestyle attitudes	Optimistic
Retirement attitudes	Avoid thinking about retirement

Respondents in this group are likely to have low incomes, and an aversion to thinking about their financial situation, either because they are concerned about their financial situation and the affordability of saving and/or because they have a real fear of all matters financial.

Around half of this group reported that they have made some provision for their retirement

This group is typically aged 40-64 and is most likely to contain those aged 60-64. They are more likely to have a household income of less than £15k and are unlikely to have income of £45k+. Work affected carers are more likely to be in this group.

### Attitudes of segment five

This group are more focused on the day to day compared to the other segments. Attitudes that are common amongst this group are that they are less likely to *'Make plans for the future'*, *'Like to feel in control'*, *'Expect to be better off in future'* and report more than average for *'Take each day as it comes'* and *'So much going on, can't think about the future'*.

They are the most likely to agree that *'Dealing with pensions scares me'* and whilst they know that they *'Should have started saving sooner'*, their financial situation means they *'Try to avoid thinking about retirement'* and *'Can't imagine themselves as a pensioner'* (but have lower expectations for their life expectancy).

## Conclusions

This research has been invaluable in identifying key attitudes and behaviours towards planning and saving for later life across the working age population. Full research findings will be published in the DWP Working Paper Series in June/July 2009.