

# Attitudes to Pensions: The 2012 survey

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Current long-term population trends mean that older people make up a large and growing proportion of the total UK population. These trends are one of the main drivers of Department for Work Pensions (DWP) pension policy, which is designed to increase the number of people accumulating resources to support their later life and the amount they accumulate, principally through workplace pension schemes. DWP also aims to reduce complexity in the State and private pension systems and establish longer and more flexible working in later life.

This report presents the results of a survey commissioned by DWP to investigate attitudes to pensions and financial preparations for later life, providing evidence to support policy and communications. A randomly selected sample of 1,949 adults in Great Britain took part in the survey between February and June 2012.

Previous surveys in the series were conducted in 2006 and 2009. Reflecting the fast pace of change in this policy area, a number of changes were made to the survey, while retaining comparability on key measures.

## Part 1: Financial preparations for later life

### *Identifying and predicting behaviour*

Almost a quarter (23 per cent) of employees said their employer did not offer a workplace pension. Half (49 per cent) of employees were a member of a workplace pension scheme and almost one in five (18 per cent) were eligible to join one but had not. Of employees who were eligible, almost three-quarters (73 per cent) had taken up membership in 2012, a similar result to that seen in previous years.

Examining all possible ways of funding later life, having some form of private resource was relatively widespread with 59 per cent of respondents having ever had a private pension and 22 per cent having other resources and no private pension. Other resources include savings, investments or property that respondents said were specifically available to fund retirement. However, almost one in five (19 per cent) had no private resources of any kind for later life.

Different combinations of age, gender and economic circumstance were associated with different levels of resource. At younger ages, men and women had a similar likelihood of having no private resources for later life (for example, 42 per cent of 18 to 24 year olds). Older age groups were more likely overall to have ever had a private pension (81 per cent of 45 to 54 year olds and 76 per cent of 55 to 64 year olds had a private pension).

The extent to which people accumulate resources for later life as they grow older varies between men and women, as they tend to take different life courses that are associated with different economic circumstances. Despite this general rule, in particular situations men and women had a similar likelihood of having resources for retirement. For example, a person working in a managerial or professional occupation with an annual household income of £44,000 or more was almost certain to have a private pension regardless of gender (95 per cent of people in this situation had ever had a private pension).

### *Links between attitudes and behaviour*

In general, variation in attitudes towards pensions and saving for later life are not closely associated with different pension behaviour. Instead, perceptions around wider financial management and capability and expectations around time and

money available to them in retirement are all associated with different levels of private resources for later life.

Exploring this further:

- Those with no resources for later life were more likely to be struggling to keep up with their financial commitments (51 per cent), to have no idea what to do about important financial decisions (41 per cent) and to say they knew little or nothing about financial matters (37 per cent). They were also more likely to say they have no idea what their retirement income might be (84 per cent).
- Those who have ever had a private pension, were more likely to have at least a vague idea of their retirement income (57 per cent); to believe they will have the time when they retire to do things they do not have time for now (38 per cent) and were less likely to say they have low levels of financial knowledge (12 per cent). They were also more likely to be keeping up with their financial commitments (61 per cent) and to have a clear idea about what to do when making important financial decisions (44 per cent).
- Those with some private resources for later life were more likely to say they are the sort of person to put money aside for emergencies (58 per cent compared with 35 per cent of those with no resources).

## Drivers and barriers

Despite not being strongly associated with behaviour related to saving for later life there was evidence that some attitudes were changing. In particular, there was evidence of growing uncertainty about the balance between living for today and saving for retirement. At the same time, people increasingly recognised the need to take personal responsibility for financial preparations for retirement (60 per cent in 2012; 56 per cent in 2009 and 52 per cent in 2006) while an increasing proportion in 2012 agreed with the statement 'It's not the government's job to advise people on how much to save for retirement' (49 per cent in 2012; 34 per cent 2009; 35 per cent in 2006).

Women and 18 to 24 year olds were key groups that were more likely to agree strongly that they avoided thinking about retirement (36 per cent and 39 per cent respectively). Unlike younger people, above average levels of women also said they found pensions complex (71 per cent) and 28 per cent said that dealing with pensions scared them, suggesting different reasons behind their reluctance to plan for later life.

## Part 2: Policy

### Workplace pension reforms

Automatic enrolment will make a workplace pension scheme available to workers where one is not currently available. The policy is designed to harness the natural tendency towards inertia that people display in pension behaviour, by making people opt-out, rather than opt-in, to a workplace pension.

There was a relatively high degree of support for the policy among those who were eligible (68 per cent agreed it was a good idea) and a high proportion (70 per cent) at least thought they might stay in a scheme once enrolled.

### State Pension reforms

State Pension age (SPA) reforms have already begun affecting women, so that they are now reaching SPA at a later age than they were in 2009. Changes to men's SPA will start in 2018.

Women, including those within ten years of reaching SPA, were unclear about their own SPA. Six in ten (62 per cent) women expected to reach SPA earlier than they actually will. There was also some confusion evident among men (38 per cent thought they would reach SPA earlier than they actually will) although those within ten years of reaching SPA were much more able to forecast their SPA correctly (74 per cent of men could do this).

Some people thought their SPA was later than it will be. This was more common among men than women (20 per cent of men and 12 per cent of women expect to reach SPA at 70 or 75).

The Government has proposed reforming the State Pension system. The reforms are designed to reduce the complexity of the current system and better support saving for retirement by moving to a single tier State Pension. The 2012 survey will provide a benchmark for monitoring the effect of these reforms.

## ***Redefining retirement***

The confusion around SPA was also evident in responses to questions about when people expected to retire. When respondents knew their actual State Pension age (confirmed SPA), they adjusted their expected retirement age. This demonstrated that individuals use the SPA (or their perceptions of SPA) as a reference point for their own expectations of when they will retire.

Over a third of men in paid work (34 per cent) anticipated retiring before SPA, whereas almost twice as many retired men had in fact retired before their SPA (62 per cent). This may be because those who were working did not anticipate their own ill health stopping them working early. This was the most common reason for early retirement given by those already retired who had done so before SPA (27 per cent gave this as a reason).

Over one in five (21 per cent) respondents expected to retire after their confirmed SPA and three per cent did not plan to retire. Over half (52 per cent) expected to work after retiring from their main job. Where people did anticipate working after retiring from their main job, the majority (60 per cent) suggested they would completely retire in their 70s. This may be evidence of acceptance, by some at least, that a longer working life, in some form, is inevitable.

Overall, 54 per cent agreed with the statement 'With people living longer, we have to be prepared to pay more taxes in order to have a properly funded State pension' while 49 per cent disagreed with the statement 'With people living longer on average, it's right that people should have to work longer before retiring.' There was an increase since 2009 in the percentage saying that when to stop working should

mainly depend on the individual (31 per cent 2012; 11 per cent 2009).

## ***Knowledge of pensions***

Collectively, self-assessed knowledge of pensions as a whole and State Pension issues had reduced, which may be related to the ongoing and relatively rapid changes in pension policy.

Six in ten (60 per cent) were aware that they could delay taking their State Pension when they reached SPA. One-third (33 per cent) were aware that if they did this they could receive a lump sum payment and that they could get extra State Pension in their regular payments.

One area where knowledge of private pension policy had increased over time among respondents was in relation to a personal pension, both the link between final value and stock market performance (72 per cent in 2012, 73 per cent in 2009 and 61 per cent in 2006 knew this) and the need to use it to buy an annuity (50 per cent in 2012 and 21 per cent in 2009 knew this).

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You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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