

Dream retirement: Understanding Britons' retirement aspirations and challenges



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The question of how and when Britons will be able to retire has rarely consumed so much attention. A perfect storm of social and economic factors has resulted in renewed debate over when the right time is to exit the world of work.

The cost-of-living crisis sits at the heart of the issue. Inflation rose to as high as [11.1%](#) by November 2022 and still remains in double digits, currently residing at [10.5%](#) as of January 2023.

As the costs of everyday goods and energy bills rise, so too does the amount of money people need to have saved in order to sustain their desired lifestyle in retirement. Simultaneously, the high levels of inflation that the UK is experiencing have prompted the Bank of England to react – it has made [ten consecutive interest rates hikes](#), bringing the base rate from a record-low 0.1% in December 2021 to 4% at the start of February 2023. While a boost for savings, anyone with existing debt – most notably mortgages – will feel the effects of higher interest rates in the form of significantly increased repayments.

For those in or near retirement, the sudden spike in inflation and interest rates over the past 12 months has disrupted their well-laid plans to stop working. Indeed, last year, [My Pension Expert's research](#) found that 21% of workers aged 40 and above have delayed their planned retirement date because of the cost-of-living crisis. A further 7% of those in work and aged 40 or above told us that they had 'unretired' in a bid to top up their savings.



Inflation is over 10% and the base rate has risen to 4%

The picture becomes slightly more complicated, though, with the UK Government also calling on retirees, particularly those who retired during the pandemic, to return to employment. "Britain needs you", [remarked Chancellor Jeremy Hunt](#) as recently as 27 January; increasing the UK workforce is seen as an [important means of boosting the economy](#). It is possible that pension policies – either to incentivise a return to work or make retirement less financially viable – could catalyse this movement.

As such, retirement plans nationwide are under the microscope. Whether due to macroeconomic factors like inflation and interest rates or pressure from Westminster to return to work, many people will be revisiting their retirement dreams and assessing how realistic they might be.

To delve deeper into this vitally important matter, in late January 2023, My Pension Expert commissioned an independent study among 2,000 UK adults. The timely survey explored how financially prepared Britons currently are for giving up work, what ages they ideally want to retiree and when they think a realistic date might be, and how the cost-of-living crisis is influencing their dream retirements.

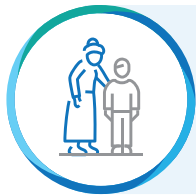
In this report, we share all the findings of our research, along with the thoughts of our CEO on how to prepare for retirement in the current economic climate.



The key findings at a glance...

Between the 20th and 25th of January 2023, a nationally representative sample of 2,000 UK adults was surveyed by leading independent market research agency Opinium on behalf of My Pension Expert. Here are some of the key findings at a glance:

The gap between ideal and predicted retirement ages



Looking at the 18-34-year-olds, when quizzed, the majority (61%) said they want to retire before their 62nd birthday, but far fewer (43%) think it is likely they will do. Indeed, 47% expect to work beyond the age of 65 – 14% think they will still be working in their 70s



Two-thirds (66%) of those aged 35-54 would ideally like to retire before they turn 65, but half that number (33%) expect that will be the reality; 42% think they will be working beyond the age of 68

Pension awareness and preparation are lacking



Just over half (51%) of UK adults in work have a pension that they know about. Even fewer (38%) know how much is saved in it, with women (32%) far less likely than men (48%) to know



Just 33% have a financial plan in place for retirement – among the over-55s, the figure is still strikingly low at 37%



Less than a quarter (23%) of UK workers use a financial adviser; 34% have consulted one in the past but do not currently use such a service



The majority (52%) think financial advice is too expensive

The key findings at a glance...

Cost-of-living crisis derailing financial plans



Less than two in five (35%) UK adults in work think they will be able to retire when they want to, with 55% saying the cost-of-living crisis has made retirement seem impossible



43% say the current economic climate is derailing their financial plans



However, 54% harbour dreams of travelling and seeing the world once they retire, and 71% dream of a long, comfortable retirement with time and money to pursue their interests, passions, and hobbies



People's desired and likely retirement age

The average retirement age in the UK is just under 65, with longer life expectancies and increases to the state pension age steadily pushing this statistic upwards over recent decades.

But, in an ideal world, when would Britons choose to retire?

My Pension Expert put this question to people in full-time and part-time employment. Naturally, one must look at particular age groups to assess their aspirations.

For instance, among those aged 18-34, 15% said their dream would be to retire before they turn 50, while the majority (61%) would ideally stop working before they reached their 62nd birthday. Just 22% want to work beyond 65.

But how realistic do they think this is? Not very, our research found. In fact, when asked when they feel they are likely to retire, only 43% think they will be able to do so before 62, with 47% expecting to work beyond the age of 65 – 14% think they will still be working in their 70s.

As for those aged 35-54, two-thirds (66%) would ideally like to retire before they turn 65, but half that number (33%) expect that will be the reality; 42% think they will be working beyond the age of 68.

Among the over-55s, the vast majority (74%) would want to retire before their 68th birthday, yet only 47% think that will be their reality. More than a quarter (26%) believe they will be working in their 70s.

Evidently, there is a significant disconnect between people's ideal and likely retirement age. While this might not be surprising – someone's ideal salary is likely to be in excess of their actual salary, and so forth – the pertinent question is how effectively are Britons working towards their retirement goals? Moreover, what could they be doing differently to ensure their ideals become a reality?



Pension planning and financial preparedness

My Pension Expert's research found that just half (51%) of UK adults in work have one or more pensions that they are saving into.



The figure is surprisingly low. After all, under the ['automatic enrolment' pension scheme](#), which came into effect in October 2012, all employers must provide a workplace pension for employees so long as the individual is classed as a "worker", is between 22 and State Pension age, earns at least £10,000 per year, and they usually work in the UK.

That just 51% of respondents said they have a pension may indicate that many have pots that they are unaware of.

Indeed, a lack of knowledge about their pension savings was illustrated as just 38% of workers told us they know how much is saved in their pension pots. Moreover, women (32%) are far less likely than men (48%) to know.

Crucially, only a third (33%) of UK adults in employment have a financial plan in place for retirement. Again, women (29%) are less prepared than men (42%).



Only 33% of UK adults in employment have a financial plan in place for retirement

One may think that younger workers are skewing the figures here. However, among the over-55s, the findings are, in fact, just as stark: 59% said they have at least one pension, but only 43% know the value of it and even fewer (37%) have a financial plan for retirement.

These findings should act as a warning to consumers, financial services firms, advisors, and the government alike. My Pension Expert's research demonstrates that millions of Britons are without a firm grasp on their retirement finances and, as a result, are not prepared for their eventual exit from the workforce.

Cost-of-living crisis exacerbates the challenge

The lack of engagement with retirement finances becomes more serious in the current economic climate. High inflation is squeezing people's day-to-day finances as well as eroding the real-life value of their savings, forcing many to reassess their financial plans.

As with last year's study, My Pension Expert's research underlines the knock-on effects this is having on retirement planning. Over two-fifths (43%) stated that the current economic climate is derailing their financial planning.

Further, the majority of respondents (55%) said the cost-of-living crisis has made retirement feel impossible – this includes 44% of those aged 55 and above. And one in three (34%) UK workers said that rising interest rates would likely delay the point at which they can retire.



43% of UK adults feel the current economic climate is derailing their financial planning



Bridging the advice gap

There are several other telling statistics within My Pension Expert's research. For one, 54% say they dream of travelling the world once they retire, and 71% are dreaming of a long, comfortable retirement with the time and money to pursue their hobbies and interests. Yet only a third (34%) of Britons have the savings or plans in place to sustain their current lifestyle into retirement, let alone grander plans.

Indeed, despite the challenges and concerns surrounding Britons' retirement ambitions, the survey also exposed how few UK adults are consulting with a financial advisor.

One in three (34%) Britons say they have spoken with an independent financial advisor (IFA) in the past, while just over a fifth (23%) currently use the services of an IFA. Only 18% have called upon an IFA to assist them with their financial planning and management as a result of the cost-of-living crisis.

Again, disparities between men and women emerged: just 29% of women have ever spoken with an IFA (compared to 39% of men), only 18% of women use a financial advisor at present (compared to 27% of men), and a mere 13% of women have called upon the help of an IFA during the cost-of-living crisis (compared to 23% of men).

Why are Britons not using IFAs to help prepare financially for retirement? Cost emerged as a key factor – 52% of respondents believe that financial advice is too expensive for them to access it, with this figure at its highest among the over-55s (55%).

The findings prove once again the need to tackle misconceptions around the [supposedly unaffordable nature of financial advice](#), and the resulting view that [advice is only for the wealthy](#).



Just 34% of Britons have spoken with an IFA in the past



Advice is for all, and it is more valuable than ever

Reflecting on the findings of My Pension Expert's research, as outlined in this report, CEO Andrew Megson shares his thoughts on the vital importance of pension engagement, thorough financial planning, and improving access to advice:

"Retirement means different things to different people. But most people will have some image in their mind's eye of what life after work entails, whether that's seeing the world, mastering hobbies, spending time with grandchildren, or simply working through a stack of books that they have longed to read.

"The question, then, is how to make those dreams a reality. And our research highlights that there are several challenges in doing so – most notably around effective pension engagement and financial planning.

"Firstly, there is the matter of understanding the state of your retirement savings. For most, this will mean knowing how many pensions they have and the amount saved in each – after all, as people change jobs and move between employers, they will accrue multiple pensions throughout their lives, and it is all too easy to lose track of them.

"Indeed, our research highlights how common it is for people to be unaware of pensions or their value. This is the first obstacle that must be overcome – one cannot plan for retirement without having a firm grasp on their current financial situation. The cost-of-living crisis has only made this issue more acute, heightening the need for careful management of one's incomings, outgoings, savings, and investments.

"Then comes the matter of developing and executing a long-term financial plan. Put simply, each of us must tackle this question: 'If this is the state of my finances right now, and this is when I would like to stop working and the lifestyle I want to sustain in retirement, then what must I do during the intervening period?'

"That is not a simple question, of course. But its complexity does not mean it could or should be ignored. No, this lies right at the heart of our latest study – the lack of engagement in retirement planning.

"And that's where independent financial advice comes into its own. Expert IFAs can do so much of the heavy lifting for consumers, helping them to understand their current situation and, based on their eventual retirement goals, the best options available to them. From increasing pension contributions to specific pension products or investment avenues, IFAs can take the stress and strain out of financial planning.

"Evidently, while some have consulted with an IFA in the past, too few are currently using their services. The perceived cost is one major barrier here, but people ought to ask whether they can afford not to seek advice, given the long-term value it could deliver.

"My Pension Expert's research comes at an intriguing time, with the government keen to keep over-55s 'economically active' in a bid to boost the UK economy. In truth, it won't be a sense of duty that keeps them in employment; as the cold, hard data presented in this report shows, it will be due to financial necessity.

"The government ought to be working with the financial advice sector to ensure more people can access advice to make informed decisions and achieve their financial goals – knowledge is power, and our research shows that a great deal can yet be done to empower Britons when it comes to retirement planning and savvy financial management."



Andrew Megson
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