PEOPLE SAVING ADEQUATELY REACHES RECORD HIGH – YET 8 MILLION THINK THEY’LL NEVER RETIRE

The number of people saving enough for a comfortable retirement has hit its highest ever level, with almost three in five Brits (59%) now saving adequately for the future*. This is a significant improvement from the 55% proportion recorded 12 months ago, suggesting April’s auto enrolment step-up had an immediate positive impact on saving habits.

It’s not all good news, however. The 15th annual Scottish Widows Retirement Report shows that the proportion of people not saving at all for later life remains static at 17%. Meanwhile, more than a fifth of UK adults (22%) – equating to almost eight million people – expect they’ll never be able to afford to retire.

Who are never-retirers?

Those who think they’ll never be able to retire are more likely to have no pension savings at all (35% of this group, versus 26% national average), with over half (51%) expecting to rely solely on the State Pension in later life.

In fact, never-retirers are those who are already financially vulnerable. They have an average income of £21,500 a year – significantly below the UK average salary of £27,396 – and are much more likely to have faced a financial emergency in the past, from an unexpected bill to a sudden drop in income (86% of this group, versus 67% national average).

They are understandably anxious about making ends meet: 85% of ‘never-retirers’ are concerned about running out of money in retirement, compared to 53% of the wider population, and almost three in five (63%) are worried they will have to work when they are no longer fit and healthy.

The young feel the benefit of auto-enrolment, but still aren’t saving enough

The number of under-30s not saving for retirement has fallen dramatically thanks to auto enrolment: almost half a million under-30s started saving for the first time in the last two years, with four in 10 (40%) 22-29-year-olds now saving adequately. This is a significant uplift from the 30% recorded in 2017.

This still, however, leaves three in five young people saving below the recommended level for a comfortable retirement, with 14% of 22-29-year-olds not saving anything.

15 years of progress

Scottish Widows' research highlights progress over the last 15 years. The proportion of people who are not in a defined benefit scheme and saving something for retirement has risen from an average of just 43% in 2007, to 55% today. The biggest gains have been among younger people, with an 18% rise in 22 to 29-year-olds saying that they save for later life.

Peter Glancy, Head of Policy at Scottish Widows, said:

“One in five people say they’ll never be able to retire. With no further step-ups in auto-enrolment contributions planned, this is a timely reminder that bold action must be taken to ensure no-one has to face the spectre of poverty in their later years.

“While the past 15 years have proved that things have been changed for the better, auto-enrolment alone won’t avert a pension crisis in the UK. Government and industry need to take the next step together and stop pretending the long term savings challenge can be solved in isolation.”
Notes to editors

Scottish Widows deems minimum adequate retirement savings as 12% of an individual’s income.

About the research

- The research was carried out online by YouGov Plc across a total of 5,036 adults aged 18+. Data is weighted to be representative of the GB population. Fieldwork was carried out 11th - 29th April 2019.
- Almost 8 million (7,826,626) calculated as 22% of the GB adult population (50,744,595) who do not expect they’ll ever be able to afford to retire.
- Almost half a million under-30s (473,920) started saving for the first time calculated as: 20% were non-savers in 2017, reducing to 14% in 2019. This difference is calculated as 6% of 22-31 year olds (who were 29 in 2017) (7,898,680).

Our policy proposals

Our proposals are intended to be considered as a package, not as a menu of options. Each proposal is a critical ingredient of a future system that delivers substantial reform:

- Auto-enrolment minimum contribution levels to increase to **15% by 2030**, with employers and employees continuing to share the cost
- additional Government support with an annual **£500 bonus for savers**, of particular help to the young and those on low to middle incomes;
- a portion of the savings pot to be made available to help fund the deposit on a first home, encouraging younger people into long-term savings;
- a hardship facility which would build on the successes of automatic enrolment to help up to 14 million people avoid problem debt each year;
- both features to be incorporated into a new ‘lifetime savings product’ that represents an evolution of the pension product, letting people manage all their long-term savings needs in one place;
- better education and guidance that properly accounts for the role of retirement income and property, allowing people to make choices whether to save for a home or to save more to cover renting in retirement;
- greater freedom for individuals to choose their own lifetime savings product provider;
- a principle that the self-employed should enjoy similar benefits, alongside a default mechanism that should aim to achieve the same increase in participation and savings as automatic enrolment.

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About Scottish Widows

Created in 1815, as the Scottish Widows Fund and Life Insurance Society, the business’s purpose was to prevent the widows, sisters and other female relatives of fund-holders plunging into poverty on the loss of the male breadwinner during the Napoleonic wars – an ambitious undertaking. Now, more than 200 years later, the insurance provider continues to do so, helping millions of Britons plan for their financial futures and protect their families.

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