

# **UK Adult Financial Wellbeing Survey 2021 Future Focus Report**

October 2022

## Contents

1. Introduction .....	3
2. Summary .....	4
3. Understanding enough – the national goal.....	6
5. Planning retirement finances .....	8
6. Paying for retirement.....	9

## 1. Introduction

The Adult Financial Wellbeing Survey is a nationally representative survey of adults aged 18+ living in the UK. The survey was previously run in 2018 and 2015, when it was known as the Financial Capability Survey.

This latest wave was conducted through online access panels and with posted invitations in order to represent both heavier and lighter users of the internet.

The questionnaire covers the building blocks of financial wellbeing:

- current and longer-term financial wellbeing
- day-to-day behaviours like managing credit, active saving and keeping track of spending
- planning behaviours like pension saving and building resilience against expected and unexpected life events
- enablers and inhibitors like confidence, sense of control, financial numeracy, and engagement with money information, advice and guidance.

The survey provides robust measures of UK Financial Wellbeing which help MaPS and other organisations working in Financial Wellbeing to design and target interventions more effectively.

For further details on the method, sampling and weighting processes, please see the accompanying technical report.<sup>1</sup>

## Reporting

The approach taken towards reporting for 2021, is to create a series of short reports, each focused on a specific topic or audience group of importance. The reports will cover the Agendas for Change and the cross-cutting themes of the UK Strategy for Financial Wellbeing and other topics of interest to MaPS.

This report summarises the primary findings for **planning for retirement and later life**, in particular the amount individuals have done to plan their finances for later life and the extent to which they understand enough to make financial decisions about later life, which is the national goal measure for Future Focus.

Where appropriate, comparisons are made between different demographic groups and their level of financial planning for retirement and retirement understanding.

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<sup>1</sup> <https://www.maps.org.uk/2022/03/28/financial-wellbeing-survey-2021/>

## 2. Summary

Financial wellbeing is about feeling secure and in control of your finances both now and in the future. It is knowing that you can pay your bills today, can deal with the unexpected and are on track for a healthy financial future in retirement.

Planning for retirement and later life is important, but many adults living in the UK are still not doing so.

- There are always challenges in balancing the day-to-date and the longer term. This is particularly the case when economic circumstances are difficult. This report is based on interviews from summer 2021. This was as most Covid restrictions were ending but before the most recent cost of living pressures. Just over half (52%) of adults living in the UK say they do not have a plan for their finances in retirement
- Just under half (47%) of working-age adults say they understand enough about pensions to plan for their retirement
- Just over half (56%) had interacted with their pension over the last 12 months by methods such as reviewing their pension online or reading their annual statement.

There is also a clear link between planning finances for retirement and understanding enough to make decisions. Over three quarters (77%) of those who say they do not understand enough to make decisions about retirement do not have a financial plan for later life.

### Barriers to longer term saving

Whilst automatic enrolment has significantly increased participation and savings in workplace pension schemes, this does not necessarily mean that people have more of an understanding of their pension or are involved in active decisions about their pension.

In addition, the introduction of pensions freedoms has meant that people now have more choice about how to access their pensions in the future. This means they are now required to try and understand all the complex options available to them and make the right decisions in how to best access their savings for a healthy financial future.

These decisions are further complicated by the culture of moving from one job to another, so people are increasingly reaching retirement with multiple defined contribution pots and the need to consider each of these as part of their planning for later life.

As part of the UK Strategy for Financial Wellbeing the Money and Pensions Service (MaPS) identified six key barriers affecting long term saving and planning for retirement<sup>2</sup>. These included:

- *Psychological and behavioural.* Present-bias means people prioritise the present over the future.
- *Cultural.* Talking about money and pensions is not a social norm.
- *Accessibility.* Pensions are generally considered to be inaccessible, and the use of jargon exacerbates this problem.
- *Digital exclusion.* Certain socio-demographic groups have less access to the internet and digital devices making it more difficult to engage.
- *Trust.* Trust in financial services is often low. Trust in government pensions policy is also a barrier. The constantly changing policy landscape has also created mistrust and concern that the State Pension might disappear.
- *Socio-economic.* A number of factors have an impact on the affordability, or appeal of pension saving.

The impact of these barriers, means that there is a differential impact on people's willingness and ability to engage with planning for their

<sup>2</sup> <https://moneyandpensionservice.org.uk/uk-strategy-for-financial-wellbeing/>

retirement and later age – often affecting the already more financially vulnerable.

A lack of planning for retirement is of particular concern for a number of different socio-demographic groups.

### The gender pension gap

We found evidence of a continuing gender gap in retirement planning:

- Six in ten (60%) of women do not have a plan, compared to 44% of men.
- Four out of ten (39%) of women say they understand enough about pensions to make decisions about saving for retirement.

It is also striking that, when comparing women’s and men’s financial wellbeing across a range of key indicators, the biggest gaps relate to retirement planning.<sup>3</sup>

Causes of this are likely to include factors related to women’s economic activity (e.g. women’s higher likelihood to have caring responsibilities, work part time, or the gender pay gap). Other issues may relate more specifically to pensions and retirement savings (e.g. prioritising partner/spouse’s pension savings or issues around complexity of the decisions and products involved).

### Age

Perhaps unsurprisingly a lack of planning for retirement is more common amongst younger age groups. Six in ten (59%) of those aged 18-24 do not have a plan, but perhaps of more concern is amongst the 50–65-year-old age group who are approaching the age of retirement. Over one in four (43%) of those aged 50-65 years old still do not have a plan for their retirement, despite the fact that they will soon be reaching the age of retirement.

### Other groups less likely to plan for retirement

Those socio-economic groups who are less likely to say they have a plan for life in retirement and later life include:

- Single parents
- Living in low income households
- Those with mental health problems
- Unemployed
- DE Socio-economic grade
- Living in rented housing (either privately rented or social housing)
- Those who are not regular savers

### Change since 2018

Whilst it is clear that many are not engaging with their pensions or making a plan for retirement there is evidence of some improvement since 2018 – particularly in some of these more financially vulnerable groups.

Perhaps this is in part due to the impact of automatic enrolment, which means more people now have a workplace pension. The number of people of working age with a plan for their finances in retirement has increased to 48% in 2021, up from 44% in 2018.

The biggest improvement over the past few years is the increase in retirement planning seen amongst young adults (74% with no plan in 2018, fell to only 59% in 2021), putting them much more in line with the rest of the working age population

Encouragingly, groups that are now more likely to have a plan for their retirement than in 2018 include women, younger adults and those living in low income households.

This report reviews the extent to which people are engaging with their pensions and making a plan for their retirement, and explores some of the changes since 2018, prior to the start of the COVID-19 pandemic.

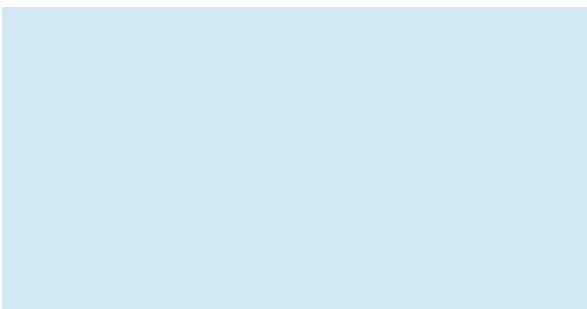
<sup>3</sup> This is covered in more detail in the report Financial Wellbeing and Gender, which is also based on the 2021 survey.

### 3. Understanding enough – the national goal

To align with the Future Focus national goal, this section focusses on understanding enough to plan for retirement.

For many, lack of planning for retirement is linked to not feeling they understand enough about pensions to make decisions about saving for retirement.

*“I feel I understand enough about pensions to make decisions about saving for retirement”*



Reflecting the slight increase in retirement planning over the past few years among working age adults there has also been a slight increase in understanding enough to make decisions about retirement.

Despite this, the majority of people still do not feel they understand enough to make decisions about their retirement. Just under half (47%) of working-age adults say they understand enough to plan for their retirement.

Women, single parents, renters (renting either private or social) and those on the lowest incomes are less likely to say they understand enough to make decisions about retirement.

% who understand enough to make decision about retirement <sup>5</sup>		
<b>Gender</b>	Male	55%
	Female	39%
<b>Age</b>	18-24	42%
	18-65	47%
<b>Parents</b>	Single parent	41%
	Couple parents	51%
<b>Mental health</b>	Problem last 3 years	44%
	Not in last 3 years	50%
<b>Disability/long-term condition</b>	Yes	42%
	No	50%
<b>Ethnicity</b>	White	46%
	Ethnic minority	49%
<b>Income</b>	Lowest income up to £13,499	39%
	Middle income	43%
	Highest income	60%
<b>Housing tenure</b>	Private/social rented	37%
<b>MaPS Segment</b>	Struggling	39%
	Squeezed	45%
	Cushioned	53%

<sup>4</sup> Source: WASOU - Understand enough to make decisions about retirement  
Base: All Adults of working age (% saying Agree)

<sup>5</sup> Source: WASOU - Understand enough to make decisions about retirement  
Base: All Adults of working age (% saying Agree)

The difference in understanding enough to make decisions about retirement between those living in the lowest income households (under £13,000 per annum) and the highest income households is stark.

Just four in ten (39%) of those who live in the lowest income households understand enough to make financial decisions about their retirement. In comparison amongst those who live in higher income household six in ten (60%) do so.

Providing sufficient support and access to information, guidance and advice for these groups is important – ensuring all have access to support for retirement planning when they need it is important. Not just when someone is approaching the age of retirement.

Not understanding enough to make plans for retirement also appears to be linked with confidence managing money day-to-day. Many of those groups who say they do not understand enough to make decisions in their retirement also lack confidence in managing money day-to-day – particularly younger adults, women and those from the lowest income households.

This lack of knowledge about planning for retirement is also having an impact on people engaging with their pensions and savings for later life. There is a clear link between understanding enough to make decisions about retirement and people interacting with their pensions (such as reviewing their pension online or reading their annual statement).

Overall, only about half of working age adults (56%) had interacted with their pension over the last 12 months – but of those who say they do not understand enough to plan for their retirement only four in ten (39%) have done something to review their pensions.

### Changes since 2018

Since 2018 there has been a small increase in the proportion of working age adults who say they understand enough to make decisions about their retirement and later life.

Encouragingly, understanding has increased amongst younger adults (up from 34% in 2018 to 42%) – again perhaps in part due to the impact of automatic enrolment and more engagement with pensions as a result.

Demographic differences in understanding enough to plan for retirement do though remain.

Only 39% of women say they understand enough (similar to 36% in 2018), and 39% of the lowest income groups do (again similar to 37% in 2018).

## 4. Planning retirement finances

*“How much have you done to ... plan your finances for retirement?”*

Planning for a comfortable retirement, knowing that you can pay the bills today, being able to deal with the unexpected, and being on track for a healthy and stable financial future, are all important financial indicators.

Not being well prepared for retirement can cause real issues in later life, especially as individuals approach the age of retirement.

Despite some small improvements since 2018 this remains a concern, because the majority of working age adults in the UK do not have a plan for their retirement.

Whilst three quarters (75%) of working-age adults think it is important to put money aside for retirement, only 44% had acted over the past 12 months to engage with their pension (such as reviewing their pension online or reading their annual statement) and 52% said they had not done very much or anything at all to plan their finances for retirement.

As with other measures of financial wellbeing, planning for retirement and later life varies by demographic group. Those below the UK average

include younger adults, women and those from lower income households.

% who do not have a plan for retirement <sup>7</sup>		
<b>Gender</b>	Male	44%
	Female	60%
<b>Age</b>	18-24	59%
	18-65	52%
<b>Parents</b>	Single parent	60%
	Couple parents	48%
<b>Mental health</b>	Problem last 3 years	57%
	Not in last 3 years	49%
<b>Disability/long-term condition</b>	Yes	58%
	No	49%
<b>Ethnicity</b>	White	53%
	Ethnic minority	51%
<b>Income</b>	Lowest income	61%
	Middle income	55%
	Highest income	37%
<b>Housing tenure</b>	Private/social rented	68%
	Struggling	63%
<b>MaPS Segment</b>	Squeezed	55%
	Cushioned	43%

Age is, unsurprisingly, an important factor.

Many do not have a plan for their retirement until they start approaching retirement age. Almost six in ten 18-49s do not have any plan for their retirement. This falls to four in ten (39%) of those aged 55-65. This does though mean that a significant proportion of those close to State Pension Age do not have a financial plan for when they retire.

<sup>6</sup> Source: D7C - How much have you done to ... plan your finances for retirement?

Base: All Adults of working age (% saying Not very much/Nothing at all)

<sup>7</sup> Source: D7C - How much have you done to ... plan your finances for retirement?

Base: All Adults of working age (% saying Not very much/Nothing at all)



This lack of planning for retirement is of concern. Many of the demographic groups who are less likely to have a plan for their finances in later life are also faring less well on other key measures of financial wellbeing. They are less likely to be satisfied with their financial circumstances or to be financially secure – many would be unable to pay an unexpected bill of £300 without borrowing. Of those who do not have a plan for their retirement in later life 61% are struggling to keep up with bills and credit commitments now.

### Changes since 2018

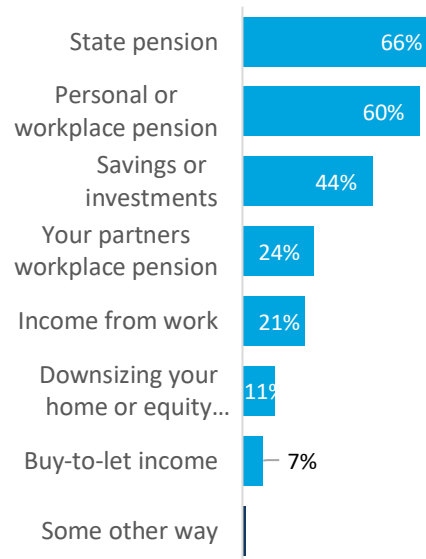
The biggest improvement over the past few years is the increase in retirement planning seen amongst young people (74% with no plan in 2018, fell to only 59% in 2021), putting them much more in line with the rest of the working age population. This may be in part due to the role out of auto-enrolment over the period 2012 to 2018. Since 2018 there has also been a corresponding increase in the number of young people (aged 18-24) paying into a pension (up from 41% to 48%).

However, single parents are now less likely to have a plan than they were in 2018 (53% without a plan in 2018, increased to 60% without a plan in 2021). This is perhaps not that surprising as the impact of Covid-19 has widened pre-existing gaps for single parents on many measures of financial wellbeing. As a result, it is likely that many single parents are focusing more on meeting their day-to-day needs now, rather than planning their future in retirement and later life.

## 5. Paying for retirement

People most commonly expect to fund retirement using the state pension or a personal or workplace pension.

Chart 1: How expect to pay for retirement?<sup>8</sup>



Expected funding sources vary, particularly between different age groups.

Only 29% of those aged 18-24 expect to use the state pension, but among those close to retirement age (aged 55-65) nine in ten (90%) expect to do so.

Many 18-24s simply do not know how they will pay for their retirement. Perhaps, in part due to government changes to the timetable of age for receiving the state pension over the coming years<sup>9</sup>, a third (35%) of those aged 18-24 expect to pay for retirement through income from work.

Amongst older age groups (aged 55-65), who are approaching retirement, alongside the state pension three quarters (76%) are expecting to use a personal or workplace pension, with 56% expecting to use existing savings or investments to pay for their retirement. Relatively few of this older age group (14%) are expecting to supplement this income with income from work.

<sup>8</sup> Source: H34 - Which, if any, of the following are you expecting to use to pay for your retirement?

Base: All Adults of working age

<sup>9</sup> <https://www.gov.uk/government/news/proposed-new-timetable-for-state-pension-age-increases>

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