Summary

- Financial stressors vary significantly across different generations, with both market changes, such as the shift of DC and DB, and differences in stressors, such as dependents, impacting this.
- Pension scams can have a huge impact on personal wellbeing, while personal wellbeing can also affect how vulnerable a member is.
- Innovative products are required to encourage pension savings, alongside other financial commitments and goals, like saving for a house deposit.

The bigger picture

Sophie Smith looks at the financial stressors facing UK savers throughout life and how the pension industry can encourage retirement saving without adding to the pressure

Wellbeing is a growing priority for many people and with New Year's resolutions in full swing, improving financial wellbeing seems like it should be at the centre of many resolutions, as almost 27 million UK adults have entered the year with up to £100,000 debt.

Recent research conducted by *money.co.uk* showed that, not including mortgages, around 63 per cent of people have started the year with some personal debt. Financial pressures can quickly have a significant impact on broader personal wellbeing too, with research from Lloyds Bank finding that a third of UK adults admitted to having sleepless nights due to financial pressures.

However, with *The State of Ageing in 2019* report from the Office for National Statistics (ONS) showing that older people report some of the highest levels of life satisfaction in the UK, peaking between the ages of 70 and 74, while those in their 40s reported the highest anxiety scores, it is clear that financial stress can impact different generations differently.

On the approach

"We know people in their 40s and 50s can face huge pressures on their time," says Centre for Ageing Better researcher, Amy McSweeney, "which can in turn impact their wellbeing. As well as saving for retirement and thinking about career changes, mid-life is the peak age of caring for children and looking after older relatives."

Generation X, while often overlooked, can also face significant issues when looking to their retirement income, thanks to the shift from DB to DC pension arrangements.

Royal London pension specialist, Helen Morrissey, points out: "While generation Xers may not face the same challenges as younger generations – such as managing large amounts of student debt – they still face significant challenges in building up a pension.

"Added to this, generation X are most likely to be in a position where they are juggling the financial responsibilities of bringing up children alongside dealing with elderly relatives. As well as the financial burden, this situation can also lead many to opt for part-time work, which again affects their retirement planning."

Finding common ground

So, clearly, the challenges of prioritising financial pressures is not an experience isolated only to baby boomers, with many generations facing financial stress from all directions. Whilst younger people may not have to consider the role of dependents as much as their older counterparts, only 76 per cent of 16-24-year olds felt they had someone that they could rely on themselves if needed, compared to 88 per cent for those aged over 75.

Often faced with increasing levels of student debt, and the average 20 per cent house deposit being equivalent to the entire pre-tax income of an average earner, according to the Nationwide House Price Index, it can be hard for young people to prioritise what to save for, and when.

"It might help if the pensions industry did not see pensions saving as being in competition with other kinds of saving," suggests Quietroom lead writer, Simon Grover, "but rather as all part of the same process. It's exciting to see some financial service providers helping savers to think about different pots of savings that are for different uses – from short term to long term.

"Most people inherently feel that 'saving' is a good thing, so we should make pensions feel part of that, rather than about giving up some of your income."

Older and wiser?

Perhaps one of the biggest contributors to financial stress is the threat of scams, with the average amount of money a pension scam victim loses equivalent to losing 22 years' worth of savings in 24 hours, according to analysis by ScamSmart.

Whilst older members may be the expected target, the Pension Scams Industry Group deputy chair, Tommy Burns, warns that "scammers are not precious in terms of who their victims are. We have seen scams perpetrated on both young and old. In essence, every pension scheme member is a potential target".

Recent research from FCA found that those who consider themselves smart or financially savvy are just as likely to be persuaded by one of six common tactics used by pension scammers. Subsequent research also showed that those with a university degree are 40 per cent more likely to accept a free pension review from a company they've not dealt with before.

Perhaps aptly named, 'the silent generation' is seemingly left more vulnerable to scams due to loneliness. Citing recent research from FCA and TPR, Burns explains: "The research showed that any pension scheme member who may be vulnerable is more likely to fall victim to scams. They may be specifically targeted through unsolicited approaches or more likely to be persuaded to disclose personal financial details."

For those affected by a pension scam, the impact can be felt not only within their financial wellbeing but well into their personal wellbeing and happiness. "We can only imagine what it must be like to have fallen for the wiles of the scammer," says Burns, "and to have signed our financial future away literally at the stroke of a pen." Burns emphasises that for many the reality is too 'stark', with some not telling their families to avoid potential embarrassment.

Burns adds: "Many have suffered ill-health from the stress and worry as well as financial ruin. Sadly, some victims have taken their own lives."

A question of engagement?

The impact of being left without a retirement income is clear, but with financial pressures affecting all people at all stages of their lives, pensions can often slip down the agenda. So how can the industry support members, and encourage them to save into a pension alongside their other financial responsibilities?

"As an industry we need to do all we can to communicate clearly with savers," argues Morrissey, "to help them understand what their goals are for retirement and assess whether they are on track or if they need to do more."

Relieving the pressure

With the government consultation on simpler annual benefit statements having recently closed, there has been an increasing focus on how pension schemes can best communicate with members to help alleviate the various financial stressors they may face.

Grover highlights that "communications to members approaching retirement are often the least satisfactory, just when a member most needs support", urging schemes to make communications "short, relevant and clear" rather than "churning out jargon-laden volumes from third-party administrators".

The reintroduction of the pension bill has also put the pensions dashboard firmly back on the agenda, with many arguing that this could be a crucial way to help alleviate member stress by helping with the 'lost pot' problem.

"With people typically having a dozen different jobs over their lifetime, it's crucial that they have a way of seeing their total pension savings," says Grover, "and what they might get for that in terms of future income. When all their pension pots are added up on a single dashboard, that will be amazing."

This was echoed by Morrissey, who highlights: "Giving people easy access to this information will go a long way to decreasing people's stress as they will have a clear idea of where they are and where they need to get to.

"The situation we want to avoid is people getting to retirement and only then realising they don't have enough to meet their needs. If they are unable to keep working, then they face real financial difficulties in retirement."

The big picture

The most recent financial capability survey, run by the Financial Capability Strategy, found that 11.5 million adults have less than £100 in savings, and it is increasingly clear that pension savings needs to be addressed as part of the bigger picture.

Innovative products that allow a flexible approach to saving, for example one that would allow people to use some of their pension saving towards a house deposit, are arguably the next step in helping improve financial wellbeing. In fact, a recent Hymans Robertson survey found that one-third of trustees have already taken steps to facilitate reputable financial advice for members.

General wellbeing is arguably becoming more important for every age group, and as companies begin to take even more holistic approaches to their benefits, it seems likely that pensions may finally make it into the bigger picture of financial wellbeing.

Written by Sophie Smith