



Ah, happiness! Difficult to define or measure, but we know when we can see or feel it. Happiness in retirement is the product of multiple interlinked factors, including having a sense of purpose, being healthy, and having good relationships with family or friends and with the wider community. Each of these factors can reinforce the others positively, while also boosting economic growth and easing pressure on public services. But the starting point is still having enough money for a decent standard of living.

Recent research conducted by Legal & General and a Danish thinktank, the Happiness Research Institute, identified an average level of income (£1,700 per month) beyond which retired people are more likely to be happy. But researchers also identified other factors that boosted happiness.

“The key things were money, good health and social connections,” says Legal & General Retail Retirement managing director, Lorna Shah. “Money is also the key to unlocking other factors.”

Mattering

A lack of money is sometimes the primary reason why growing numbers of older people choose to work beyond retirement age – yet this can itself be

Summary

- The pensions industry is preoccupied with the need to encourage people to save more for their retirement, but a happy and fulfilling retirement also depends on other factors.
- Other important elements of a happy retirement include a sense of purpose, staying healthy, having good relationships with friends and family, interactions with the wider community, and having a decent, secure home.
- The pensions industry is already trying to achieve many of the things that will enable more people to be happy in retirement, but more could be done, both within the industry and by policymakers.

Happy days

Everyone hopes they will have a happy retirement, but could the pensions industry and policymakers be doing more to increase happiness among retirees? There's more to this than having enough money – although that does help – as David Adams discovers

a source of happiness. By 2023 there were 1.43 million workers aged 65 and above in the UK, 11.5 per cent of the working population, more than double the share of the working population in 2000, according to the Office for National Statistics.

“Some do it because they need the money, but lots of people really enjoy working and it's an important part of their identity that gives them purpose,” says Age UK head of policy, Chris Brooks. Either way, he continues, “for many people it's really important to be in control of that transition”.

Intuitively, this feels correct, and it also aligns with the findings of research completed by the London School of Economics (LSE), the University of St Andrews and the National Research University Higher School of Economics in Moscow at the end of the past decade, looking at happiness among Russian workers.

Although Russian society is different to British society, there are some similarities between cultural expectations of men and women in work and at home

in Russia and the expectations with which many British people now aged 65 and over were surrounded during their formative years. The research found that Russian men and women were happier if they kept working after they started to draw a pension. For men the primary benefit was rooted in economics and culture: They were continuing to act as breadwinners. For women the situation was more complex: Earning money independently was important, but there was also a benefit in greater social recognition and status outside the home.

LSE professor of employment relations, Sarah Ashwin, one of the team who led the research, says it focused on the importance of ‘money, meaning and mattering’ to retired people. “The ‘mattering’ part was particularly important for women, because ageism is worse for women,” she says. “Recognition women get in the workplace can be very important to them and translates into the household, because they have a bit of money and they're not just there to service the home.”

The problem for many women in the

UK is that their choices may be restricted by the gender pay gap, because they are more likely to take career breaks to look after children, and/or care for ill family members. In addition, says Ashwin, anyone who works in a manual role is less likely to be able to keep working past their mid-60s.

However much money someone manages to save for retirement, the next question is how they use it. The Happiness Research Institute and Legal & General found that buying an annuity can improve an individual's financial confidence and resilience; and may mean they experience less stress.

"One of the advantages of the annuity is the certainty it provides, irrespective of longevity," says Shah. "Everybody's retirement looks different, but an annuity can be a great tool: It might not be right for someone at 65, but it might be at 75." She points out that some retirees may be able to use part of their pension savings to buy an annuity, securing a basic income, then use other savings for other purposes during different stages of their retirement.

Pensions and Lifetime Savings Association (PLSA) head of DC, master trusts and lifetime savings, Alyshia Harrington-Clark, is also keen to talk about the need to secure a basic, reliable income in retirement. But the PLSA believes policymakers should focus on using the state pension as a poverty avoidance measure, and so a means to reduce unhappiness in retirement.

A second crucial element in a happy retirement is a sense of purpose. Some retirees get this from continuing to work, while they can, even if for fewer hours per week. Others may gain sense of purpose from volunteering, from hobbies and by supporting other family members, including by looking after grandchildren or through other caring responsibilities. However, caring responsibilities could also leave retirees feeling exploited or taken for granted, Ashwin warns: "It may be good for your sense of meaning, but not so good for your wellbeing."

Health and relationships

The other important factor is health. Again, this issue reveals inequalities in society, with healthy life expectancy now varying by more than 20 years between the most and least wealthy places in the country. People in poor health may also have been forced to stop working long before retirement age, so are likely to have smaller financial resources, further restricting their choices – and almost certainly their happiness – in retirement. Many people who live into their 80s and beyond are likely to develop long-term health conditions that may reduce their happiness, in part by curtailing their ability to do the things they enjoy.

"Happy pensioners will be healthier and more economically active citizens"

Finally, happiness is not just about individuals, but about relationships with family members and within communities. International Longevity Centre chief executive, David Sinclair, notes that many older people view their finances in terms of how they might help family members financially, both during retirement and after death via inheritance. This can help give them a sense of purpose and may also be a source of pleasure.

The Legal & General/Happiness Research Institute research suggested that people who had good relationships with family and friends were 70 per cent more likely to be happy than those who did not; and identified loneliness as a major factor in unhappiness. It is no coincidence that tackling loneliness is a very important focus for Age UK.

Where someone lives is also an important factor determining their happiness. Both the state of someone's neighbourhood or of their own home are hugely important.

"A lot of older people are living in poor quality housing, which can

be hugely detrimental to health and wellbeing," says Brooks. He points out that without major changes being made to the housing market and the social care system the number of elderly people living in private rented accommodation will continue to increase during the next few decades, meaning more retirees could be living in substandard housing, and with a limited security of tenure.

Industry's role

The pensions industry is already working to support the factors that seem to boost happiness, and mitigate factors that cause unhappiness. There is universal agreement that the mid-life MOT-type services and pre-retirement guidance now being offered by some employers, providers and schemes can be valuable; while an almost endless stream of research shows that using financial advice can make a huge difference in reducing the fear and uncertainty many people feel as they approach retirement – if they can afford to pay for advice.

Further policy changes government could make are those advocated in most issues of *Pensions Age*: Increasing minimum auto-enrolment contributions, improving financial education, addressing gender and ethnicity gaps in pension contributions and retirement income; and building a better social care system. Better funded and functioning public services would help to achieve many of these aims.

We know all about those self-perpetuating, mutually supportive factors involving money, purpose, health, family and the places where we live. Happy pensioners will be healthier and more economically active citizens. But is there a will, within the pensions industry and among policymakers, to do more to make retirement happier and more fun for more people? If there were, all of us, whatever our ages, would benefit. I'll leave you with that (potentially) happy thought.

 **Written by David Adams, a freelance journalist**