



▶ As people are increasingly reaching key life events, such as buying a home or getting married, later in life than previous generations, Laura Blows considers what this means for pensions communications

▶ Summary

- The number of late financial bloomers – people who hit key life milestones such as marriage, having children and home buying, later in life, if at all, is expected to increase significantly over the next 15 years.
- Hitting these milestones later in life is likely to have a detrimental knock-on effect to those people's pension saving.
- Relying on life stages to target communications to members remains a key part of many schemes' engagement strategies, yet the communications may not always match when individuals are actually reaching milestone events in their life.
- Schemes holding better quality data, and generally being more aware of people's different life journeys, will help to improve the timing of communications.

having children, at broadly set times is no longer as common as it once was. A growing number of people are hitting these life stages later than used to be the case, if even hitting them at all.

"It is fair to say that the historical life phases of school, work, retirement are no longer the distinct events they once were. We live in a much more agile society where these typical boundaries are now blurred, particularly in relation to the retirement phase," Gallagher director of retirement communications, Karen Bolan, says.

Canada Life's recent *Late Financial Bloomers* report states that 'late financial bloomers' secure their financial stability later in life and currently make up just 6 per cent of the retirement market but is expected to grow significantly over the next 15 years.

"This group is characterised by people getting married later, buying property later and families choosing to have children later in life or not at all. While

New rules in the game of life

“Today, the game of life is less like a Monopoly board where a member will move around accumulating wealth to the point of retirement, and more like a game of Snakes and Ladders, where plans and

expectations for the future can move up and down at short notice.”

Aon senior communications consultant Andy Partridge's above description is apt. The 'traditional' journey of life, hitting key life milestones, such as home buying, marriage and

this group is relatively small amongst today's retirees our research shows that this group will continue to grow to represent a much larger percentage by 2035," Canada Life technical director, Andrew Tully, says.

Hitting key life stages at later points than they did historically can have a significant impact on people's eventual pension fund – as the retirement saving journey is arguably still best set up to match traditional life expectations.

Moving goalposts

For example, many people nowadays do not start work until they are in their 20s, which is very different compared to previous generations, SecondSight partner, Darren Laverty, says. "Some have large amounts of student debt to repay too, which may stop them even starting a pension."

Individuals are also staying at home for longer, with many people not moving out until they are in their late 20s or even early 30s, he adds.

"Mix into this the rising cost of living and it's no surprise people aren't buying their first homes until they are well into their 30s. All of this then has a knock-on effect to the next stages of people's lives, like getting married or starting a family, which then has an impact on pension pots too," Laverty explains.

Canada Life's report states that first marriages are now taking place four years later than 20 years ago (the average age is now 34 among men and 32 among women). Divorce rates are also peaking 20 years later in life, compared to 20 years ago, with a notable uptick occurring at over 60 years old.

Redington senior vice-president of defined contribution (DC) consulting, Paul Enderby, cites ONS statistics that in 2019 showed just over half (50.4 per cent) of the population aged 16 years and over in England and Wales were married and that the proportion of people married is slowly declining over time for all ages.

Instead, he says, "more of a milestone might now be that people start cohabiting

and sharing the cost of renting a home. For most people, money will remain tight, so they will look to cut costs and retirement savings are one that might be vulnerable".

Those that do get married often find it an expensive business, which can be used as a reason to cut back on pension saving, Partridge says, adding that older members may also withdraw pension savings to help their children to pay for the cost of a wedding.

Canada Life's report also highlights how more women over 40 are giving birth each year than those under 20 - meaning that there will be a growing number of late financial bloomers supporting their children much later in life, which may reduce their focus on retirement planning.

According to Tully, as this growing demographic approach retirement, they are likely to have less wealth when they reach the 'typical' retirement age and, as a result, may have to work later in life and think differently about their assets and financial planning.

For instance, people renting their home in retirement face higher living costs in retirement, as well as having no property equity to access if needed, The Investing and Saving Alliance (Tisa) head of retirement, Renny Biggins, says. "Tisa's research shows that a lifetime renting household can expect to run out of private pension savings 12 years before a household who own their property at the point of retirement."

Instead of the traditional 'cliff-edge' retirement, "it's more about reaching age 55 and suddenly being able to access retirement savings, especially DC pots", Enderby states.

For many people, it's the point at which they may be able to pay off unsecured debt and help their children move into that first home, but then also risk being penalised by the MPAA if they continue paying into a pension scheme, he adds.

These changes, together with the decline in final salary pensions, mean

more people will be heading towards retirement with mortgage debt and smaller pension pots, Tully warns.

Even that great constant, death, is having a different effect on those left behind, compared to the past.

Enderby highlights research by the Institute for Fiscal Studies, which finds that whilst the average (median) inheritance of the 1960s generation will be worth 8 per cent of their average lifetime earnings, it will rise to 14 per cent of lifetime earnings for the 1980s-born generation. "So for future generations, a pension is likely to be a smaller proportion of their retirement income," he adds.

Milestones and pensions comms

"People no longer following 'traditional' life stages, and instead crafting futures that suit their wants and needs is a more preferable way of living, as people now focus more on their overall wellbeing instead of the next life stage or whether they are keeping up with certain, often outdated, expectations," Fidelity International investment director, Maikie Currie, says.

"However, there can be a downside to this, and that is that without a linear 'path' throughout life, some people forget that retirement planning is an essential part of financial wellbeing," she warns.

Therefore, using member's key life events for pension communications can still help drive engagement.

Life events or milestones, whilst they may occur later, are still good communication opportunity points as they usually coincide with individuals looking to take stock for the next phase of their lives, Bolan says.

"Milestone birthdays and marriages are particularly good opportunities to remind members of the benefits of paying more or ensuring that their nominations of beneficiaries are up to date. A birthday card from your pension scheme may come as a surprise for many people and this surprise can be used to your advantage to encourage the member



to take action,” she adds.

Partridge agrees that the method of aligning messages with milestones is an effective way to make communication feel more relevant “as you are pushing specific messages for a specific audience at a time that’s right for them, so it feels authentic for the member. It helps to ensure that your messages are simple, relevant, and timely”.

Improving timing and techniques

However, while tying life stages to pensions comms still has a role to play, there is more that could be done to make this engagement more timely and relevant to the recipient.

“The challenge with *[the using member life milestones for sending comms]* approach lies in how well you really understand the individual journeys that people are on; this is usually reliant on the data that’s used,” Partridge says.

“Most commonly in the pensions industry the data is very broad demographic data splits – rather than any real insight into people’s lives. Of course, the advertising industry has known for a long time that this will lead to a one-dimensional view of an audience, so it serves up the risk that some of the

messaging will be irrelevant and can even alienate audiences.”

Quantum senior consultant, Robin Dargie, agrees that pension schemes have limited member information, so they have to make assumptions about members’ life stages, “particularly as, with GDPR, those running the scheme cannot ask about members’ personal circumstances as that information is not needed to run the scheme”.

However, SEI DC sales director, Nigel Aston, predicts the use of data for pension communications to become increasingly important over the next few years, due to member use of pension apps increasing, therefore providing better quality data for the schemes to tailor their communications.

Partridge says it is key for schemes to really look at the data they hold on their members to make sure that they can create a strategy that will really work for their people. “It’s about looking at more than demographic data to truly understand people’s drivers and preferences and how you can create impactful messages for your membership at timely points in their lives,” he explains.

For this, help is at hand courtesy

of behavioural science and the EAST framework (make it Easy, Attractive, Social and Timely), starting with making it timely, Columbia Threadneedle head of pensions and investment education, Chris Wagstaff, says.

“As people are more receptive to reassessing their lives and changing their behaviours on special occasions and at pivotal points of major change – think big birthdays, marriage, divorce and death – there’s more the pensions industry could do to capitalise on these fleeting points of maximum engagement,” he explains.

“The retirement industry needs to start planning ahead to respond to members’ changing needs, Tully suggests, considering more complex retirement journeys and adapting existing models and services in order to support late financial bloomers.

As Lavery says, “at the end of the day we are human beings, which means our lives change continuously and so do our circumstances. We need flexibility and solutions that are bespoke to us as individuals. A one-size-fits-all approach to pensions just isn’t possible”.

➤ **Written by Laura Blows**