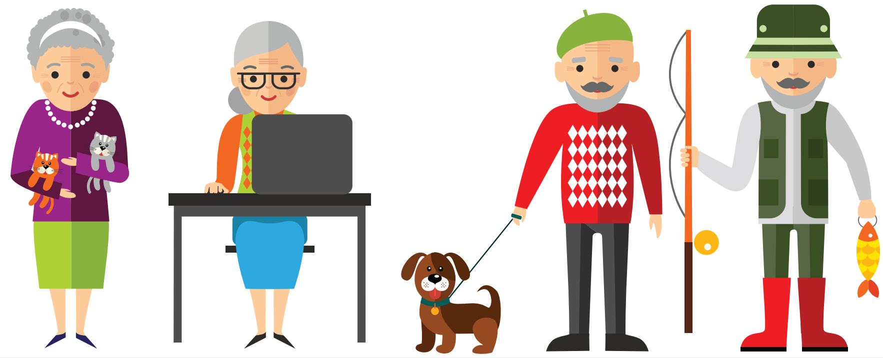

Summary
• There is a growing number of areas where some pensioners are becoming increasingly worse off than their peers and the rest of the working population.
• Differences in pay between men and women for reasons such as maternity leave has inevitably led to significant differences in pensions also.
• There is now a greater fluidity between work and retirement, where many choose to remain in the workforce.
• While continued employment can bridge any gaps in retirement income, not all pensioners will be able to remain in work.
• Employers and pension providers should consider external factors such as health in retirement planning.

Health and wealth

Pensioners are often discussed as a homogeneous group, but Talya Misiri reveals the varied experiences for those beyond pensionable age

The BBC's recent controversial decision to scrap free TV licences for over-75s caused considerable outrage among pensioners across the country.

While not all retirees will feel the difference that this could make, however, it highlights the growing number of areas where some pensioners are left worse off than their peers and the rest of the working population.

Increasing life expectancy, the pensions gender gap, the continuation of employment and differences in health, have lead to stark differences in how the ageing population experience life beyond pensionable age.

Smart Pension director of policy and communication, Darren Philp, says: "All research points to the fact that there is still a lot to be done to get people to save enough for their retirement, and that there are significant differences when it comes to potential outcomes for men and women."

Gender gap

Differences in pay between men and women has inevitably led to significant differences in pensions also.

Research from Fidelity, conducted last year as part of its *The Financial Power of Women* report, found that the gender pay gap between men and women is almost 11 per cent.

Further calculations based on Office for National Statistics (ONS) projections and adjusting for inflation, found the average pension pot for a man currently aged between 25-34 will be worth £142,836 at the state pension age of 68, falling to a pot of £126,784 for women.

The current state pension paid to women is £125.98 per week, compared to £153.86 per week for men. This means that over a typical 20-year retirement period, women could end up £29,000, or 67 per cent, worse off.

The People's Pension director of policy, Gregg McClymont, says: "A root cause of this is the motherhood penalty women pay when their children are born. Mums can often find that the cost of childcare and the lack of flexibility from their employers means returning to work or working full-time isn't feasible, which unfairly affects their rates of pay and potential for progression." As a result of this, "their pension savings take a hit".

While differences between men and women's pensions can be caused by women taking longer periods out of employment, changes made by the government have also been a factor. The ongoing Waspi and Backto60 campaigns currently highlight this inequality relating to changes made to the state pension age for 3.8 million women born in the 1950s.

Women affected by the state pension age equalisation at the time argue that the government's communication of the changes to those impacted was insufficient and as a result has left these women financially worse off and retiring later than they expected to.

Employment

Nonetheless, today both men and women have been seen to be working beyond pensionable age. The changing social landscape has largely brought an end to the three-stage life, consisting of education, work and retirement. Now, a greater fluidity exists among the latter two stages in particular.

Whether individuals choose to or not, there is a far greater number of workers in employment beyond retirement age in comparison to previous generations. Now, more than one in 10 over-65s are still working and that proportion has doubled since the turn of the century.

Aegon pensions director, Steven Cameron, says: "Many people are now adopting a transitional approach to retirement by continuing in employment after traditional retirement ages. They are reducing their working hours over a period of time rather than a 'cliff edge' approach."

According to ONS data provided to Rest Less, (a UK membership site offering work and volunteering specifically to over 50s), the number of over 70s still working has more than doubled in a decade to nearly half a million in 2019.

In addition, one in three (34 per cent) people in the UK plan to work beyond their state pension age and two in five say this is because they cannot afford to retire.

Where some women go part time or leave employment earlier in their careers, those working post retirement age has increased by 50 per cent in the past decade. Today there are 1.26 million women in their 60s who are working – an increase of 420,000 or 50 per cent since 2009. This is three times the rate of increase of men being a 16 per cent increase for men in their 60s in 2019 compared with 2009.

Where a large number of those working beyond pensionable age remain in the workforce because they cannot afford to retire, however, some may simply choose to remain. This can be due to not feeling ready to leave employment and wanting to work part time, or due to increased life expectancy.

Nonetheless, it is important to note that remaining in the workforce is not always an option for all pensioners. Royal London pension specialist, Helen Morrissey, says: "We are seeing more people working beyond traditional retirement ages and while this will go some way to helping people bridge any gaps in their retirement income, we need to consider that not everyone is able to continue working after this point."

Financial differences

Quilter head of retirement policy, Jon Greer, highlights: "The elephant in the room is whether people will be fit and well enough to carry on working because healthy life expectancy has not risen as fast as life expectancy."

Research by Quilter found that among over-65s who retired early, almost six in 10 left the workforce due to events outside of their control, including 25 per cent because of ill health. Other reasons included redundancy (25 per cent) and to care for family members (10 per cent).

"There's a host of measures that need to be aligned to help people remain economically independent for longer, ranging from encouraging healthier lifestyles to promoting professional financial planning so that people are better prepared, whatever happens," Greer adds.

Aegon's recent health and retirement report, *Vitality and Ageing*'s authors Mike Mansfield, David van Bodegom and Frank Schalkwijk stress that: "Health can enable or impede aspirations for retirement and quickly dash long-held dreams of how people would fill their retirement days. The state of one's health is often overlooked in retirement planning which often concentrates almost solely on financial planning."

As a result, the report urges that employers and pension providers consider offering guidance to members for successful retirement beyond the traditional financial scope. "Focusing on the health of employees and retirees should be part of any retirement planning scenario," Mansfield, Bodegom and Schalkwijk emphasise.

Changing demographics

When comparing generations, however, recent retirees have been found to currently be better off financially than their older peers. The average weekly income of recently retired households being £392, after taxes and national insurance. Whereas for a less-recently retired household, average weekly income is 20 per cent lower, at £326.

This is seen to be due to transitional shifts into retirement, as previously mentioned, and the baby-boomer generation enjoying increased life expectancy, some defined benefit pension income and potentially inheritance from their parents.

However, it would be naive to assume that this trend will continue, particularly with the decline in DB pensions and the next generations that will wholly be dependent on defined contribution pensions.

Aegon pensions director Steve Cameron explains: "The retirement income of the post-war generation has been boosted by favourable economic conditions. Many but by no means all retirees will also be benefiting from generous defined benefit pensions, but this feature will tail off for future retirees, making it unlikely that each future wave of newly retired will have average incomes higher than the previous one.

Change is therefore needed as demographics, in turn, will also evolve. Cameron concludes: "Policymakers need to ensure they look at the changing income profiles of pensioners to understand the distribution of wealth across this large and growing proportion of the population.

"Adopting a 'one-size fits all' approach would be dangerous and risks overlooking what can be significantly different financial challenges facing pensioner groups of different ages and wealth."

Written by Talya Misiri, a freelance journalist