**Summary**
- Pensioner poverty rates are on the rise, and gender, ethnic and intergenerational disparities are worsening, with the gap between the poorest and wealthiest pensioners growing.
- Auto-enrolment reforms could help address issues facing a number of groups most at risk, including younger workers and women.
- Better use of existing solutions is also needed to support those already struggling, particularly encouraging an increased pension credit take-up.

# Keeping the golden years gold

**Government data has raised concerns that pensioner poverty is on the rise, with past progress at risk of heading into reverse. Sophie Smith takes a closer look at the growing inequalities, and what can be done to help savers avoid spending their golden years in poverty**

Adequacy concerns are a prominent worry in the pensions industry, and rightfully so. Research from the Pensions Policy Institute has suggested that around 90 per cent of DC savers are at risk of not achieving an adequate income replacement rate in retirement, whilst research from LV=, found that around 9.9 million savers are unsure how to avoid running out of money in retirement.

These fears are already translating into a stark reality, with the latest figures from the Department for Work and Pensions (DWP) revealing that the level of pensioner poverty has increased to 18 per cent in 2019/20, compared to 16 per cent in 2018/19.

Although this marks an improvement since the start of the century 20 years ago, the main progress in pensioner poverty was seen in the first decade, with numbers having been on the rise since 2013/14.

"An estimated 2.1 million pensioners now live in poverty," Independent Age head of policy and influencing, Morgan Vine, says. "Of these, a shocking 1.1 million are living in severe poverty."

Aegon head of pensions, Kate Smith, also notes that whilst wealthy pensioners have seen their income rise over the past decade, the gap between the poorest and wealthiest has widened, with the pandemic expected to have further exacerbated these inequalities.

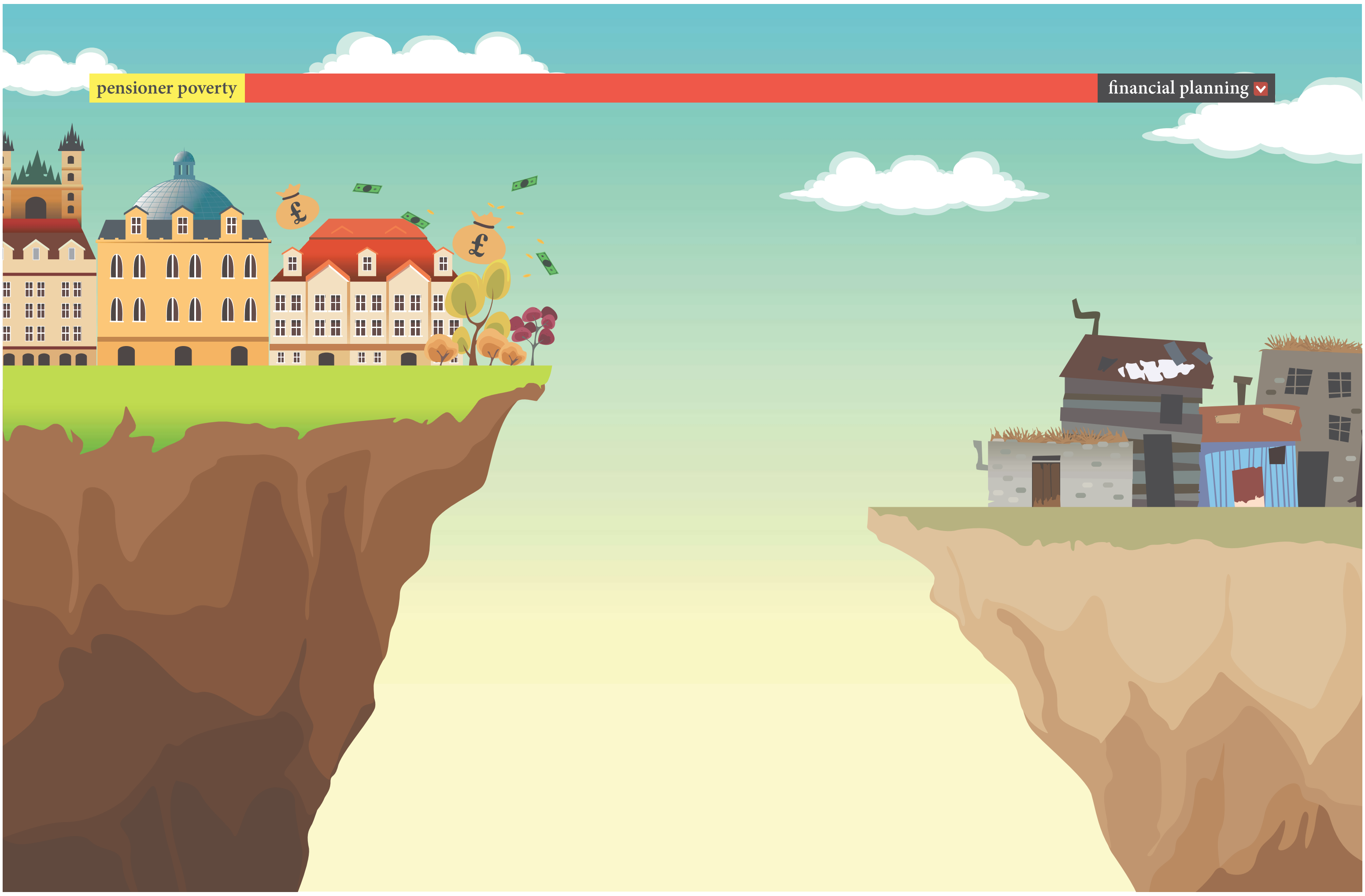
And although the DWP's figures do not yet capture the impact of the pandemic on poverty levels, Vine warns that "there were existing issues for pensioners before the pandemic and if these are not tackled, we expect more and more pensioners to fall into poverty".

Indeed, digging further into the DWP's latest data reveals a number of inequalities that are already all too real, with single pensioners much more likely to be in poverty than those in a couple, as 27 per cent of single female pensioners are living in poverty and 23 per cent of single male pensioners, compared to 13 per cent of pensioner couples.

Smith also stresses that "looking beneath the headline figures for overall single pensioners", shows that gender inequalities remain.

### The haves and have nots

Further analysis of the DWP's figures by Age UK sharpens the focus on this



gender inequality, revealing that current rates equate to 1.25 million women living below the breadline. This means that despite the rise in women's state pension age causing the number of female pensioners to fall by around 800,000 since 2012-13, the number living in poverty has increased by around 260,000.

Now Pensions head of campaigns, Samantha Gould, warns that the situation may be even worse for single mothers, who are reaching retirement age with just one-third the average pension savings of women and one-eighth the UK average.

Ethnic inequalities are also a concern, as Age UK's analysis showed that Black and Asian communities are around twice as likely to be living in poverty as White pensioners, with 33 per cent of Asian pensioners and 30 per cent of Black pensioners living below the breadline, compared to 16 per cent of White pensioners.

A higher risk of poverty is also facing renters, with 38 per cent of private tenants and 36 per cent of social rented tenants living in relative poverty, compared to 14 per cent for homeowners. This is perhaps unsurprising, considering previous research from The Investing and Saving Alliance (Tisa) found that renters could run out of money around 12 years ahead of their homeowner counterparts.

**Preparing for the future**

"We therefore need to make sure that the next generation begins to save early, from the very beginning of their workplace lives," Tisa head of retirement, Renny Biggins, says, emphasising the need to legislate for and implement the auto-enrolment (AE) proposals timetabled for the mid-2020s "as soon as possible".

Agreeing, Gould stresses that whilst the introduction of AE has seen a "fantastic result", with a further 10 million people saving into workplace pensions, there is still "some way to go as over 10 million working people (up from 9 million last year) in the UK are currently ineligible, through no fault of their own".

"The AE policy was designed for traditional patterns of work and isn't geared to help employees who take significant career breaks, work in multiple or part-time roles, or move frequently between jobs," she continues. "This has only exacerbated the widening savings gap and later-life pension inequality experienced by the most financially at-risk groups."

In particular, Gould points to the 2017 AE review recommendation to reduce the age threshold for AE to 18, emphasising the potential value of early contributions, which not only gain from over 40 years of compound interest growth through investment, but would also be taken during a period where there may be less pressures on finances, as the years of mortgage payments and raising children are "mostly still ahead".

"Getting these early contributions in can be particularly important for women, as it enables them to get a period of full contributions under their belt before family responsibilities lead to years out of the labour market or part-time employment," she says.

"Luckily, Gen Z and Millennials have a long time to save," Biggins adds.

"This gives Gen Z and Millennials a real opportunity to reach retirement with the pension pot they need. The longer we defer these decisions, the greater the likelihood current and future generations approach retirement with inadequate savings."

Providing this support is particularly crucial in light of the expectation that most younger savers will have a heavier reliance on DC, rather than DB pensions, as Biggins warns that the ongoing reduction in DB pension value will not be adequately offset by the DC increase.

**Making the most of existing solutions**

Whilst reforms are needed to protect the pensioners of tomorrow, it seems that part of the solution to support pensioners currently struggling in retirement is already in place, but being left to waste.

Research from Independent Age has previously shown that increasing Pension Credit uptake has the potential to lift 440,000 older people out of poverty and reduce the number of people living in severe poverty by half. The value of Pension Credit should not be underestimated, with calculations from the charity estimating an additional £7,000 of savings, as it opens up access to other benefits, including Housing Benefit and Council Tax Support, the Warm Home Discount Scheme, and the Cold Weather Payment.

"It is a lifeline to pensioners most in need of financial support", Vine stresses, noting however, that the benefit has had "the worst uptake of all income-related benefits and has not risen above 64 per cent for almost a decade".

Age UK income policy specialist, Sally West, explains that this may be a result of the complicated systems used for these benefits, suggesting that many savers may not be aware of the benefits available, or if they are, believe that they will be ineligible, and therefore do not want to undergo a complicated process with the expectation they will be denied.

"There's a lot of barriers that put people off, even though they perhaps desperately need a bit of additional income," she says, clarifying however, that there have been some encouraging signs that the government is looking to try to encourage greater take up.

In January 2021, for instance, Pensions Minister, Guy Opperman, confirmed that the DWP was considering an internal review of communications in an effort to improve Pension Credit awareness, and was in discussions on a joint working arrangement with the BBC.

Independent Age, however, has since emphasised the need for more to be done "as a matter of urgency", in a letter to the government that received support from across the political spectrum, including from Work and Pensions Committee chair, Stephen Timms.

"We want the government to take action to ensure that every person who is entitled to Pension Credit receives it," Vine says. "The government must urgently create an action plan that includes a sustained plan for effective awareness campaigns, a full communications strategy, new, high quality, up-to-date research into who is not claiming Pension Credit and why, and looks at innovative technical solutions such as partial AE."

West agrees that a "concerted effort" is needed, suggesting however, that while government will have a role to play, so too will pension scheme, who act as a regular point of contact for pensioners.

**Written by Sophie Smith**

**Sharing the load**

Care costs are perhaps one of the biggest concerns facing those in retirement, and Aegon head of pensions, Kate Smith, notes that as people live longer, "more of us can expect to need some form of social care in later life". However, she clarifies that whilst it was difficult to plan ahead for possible care costs, the new social care deal recently announced by the government will allow individuals to start planning well in advance.

"A key announcement in the health and social care deal is to the means tested threshold, under which the state will step in to cover part of care costs where an individual's savings or wealth are or fall below £100,000," she adds. "Currently, the threshold is a far lower £23,250. The government also plan to increase the threshold at which people will not have to make any contribution for their care (excluding bed and board costs)."

"We welcome the fact that, after years of delay, the government is finally taking action on social care," Independent Age head of policy and influencing, Morgan Vine, adds, warning however, that the focus on the cap misses "so many of the issues people who need social care are facing".

"We want a social care system that enables people to live with dignity and purpose, and to achieve this, bold reform is needed now," she continues: "Proposals need to not only fairly spread the financial burden of catastrophic costs but also clarify and simplify what people are entitled to and improve access so everyone with care needs has them met. It is vital that a clear workforce strategy is developed so professional carers are paid a decent wage.

"It's clear there are no quick or cheap fixes, and small tweaks won't suffice. The government must meet the moment and deliver bold reforms to ensure that those in later life and their families can live with dignity, choice and purpose."

Tisa head of retirement, Renny Biggins, echoes this, agreeing that it is too early to say what the impact of the deal will be, and warning that there is "no silver bullet".

"The total value of the UK housing stock hit an all-time high this year of over £7.5 trillion, and with later life lending solutions increasingly meeting consumer needs, we believe that this is another important source of financing which must play a part in supporting social care provision and costs," he says.