Summary

- Gen X is facing a unique retirement adequacy challenge, having largely missed out on both widespread DB provision and a full working life of auto-enrolment.
- Pension outcomes within the cohort vary sharply, with women, the self-employed, lower earners, renters and those with caring responsibilities facing the greatest risks.
- Experts argue that targeted support, clearer communications, dashboards, contribution increases and better employer engagement could still help mid-lifers improve their retirement prospects.

A mid-life (pensions) crisis

Callum Conway explores why Gen X has become a key focus for the Pensions Commission, as the cohort approaches retirement caught between the decline of DB provision and the late arrival of auto-enrolment

The phrase 'mid-life crisis' is defined as a period of intense self-reflection and emotional turbulence typically occurring between ages 40 and 65.

This can manifest in several different ways, such as a sudden obsession with a new hobby or dramatic lifestyle changes.

However, the recent interim report from the second Pensions Commission, revived by the government last year, revealed a different type of crisis.

The headline? 15 million people in the UK are currently under-saving for retirement, a figure that could rise to 19 million without action.

The commission found that 45 per cent of working-age adults are not saving into a pension at all, despite nearly half of them being in work.

Low- and middle-income earners, women, and the self-employed were highlighted as groups at particular risk, but 'Gen X' is arguably the cohort facing the most immediate pressure.

Born between 1965 and 1980, this generation is now approaching retirement after living through one of the biggest shifts in the UK's pension system.

Many were too young to build up substantial DB pensions, but too old to benefit from auto-enrolment (AE) throughout their working lives.

As a result, they missed some of the most valuable years of pension saving and now many face a significant shortfall in retirement funds.

Caught between two systems

Standard Life Centre for the Future of Retirement director, Catherine Foot, notes that many Gen X savers have "fallen between the DB and DC pension systems", making them a particular concern for policymakers.

Indeed, research from the Standard Life Centre for the Future of Retirement and the Social Market Foundation found that 54 per cent of Gen X are projected to receive inadequate pension incomes, with 39 per cent falling short of maintaining their current standard of living and 35 per cent potentially falling below minimum retirement living standards.

"Most of them were too late for widespread DB and final salary schemes but only benefited from being automatically enrolled into DC schemes for the latter part of their working lives," Foot explains.

The transition from DB to DC schemes has not just changed how pensions are built up, but has also shifted investment risk, longevity risk and decision-making responsibility from employers to individuals.

As a result of this, Zedra client director, Dan Whincup, suggests that Gen X may be the first generation approaching retirement whose "expectations have been shaped by a pension system that no longer exists".

He adds: "Many grew up watching parents retire on final salary pensions, often with predictable income and comparatively clear retirement dates. Their own reality is likely to be very different."

The adequacy gap

The scale of the challenge for Gen X is now clear in industry data, which points to a cohort facing a distinct retirement shortfall.

PensionBee VP personal finance, Maike Currie, says its data puts the average personal pension for savers aged 45 to 60 at around £35,000, while a typical 55-year-old contributing at standard levels might retire with roughly £164,000 by age 67.

"Set against the Pensions UK Retirement Living Standards, where a single person needs a pension pot of more than £500,000 for even a 'minimum' retirement, that is a significant shortfall," she notes.

Echoing this, Legal & General retail CEO, Laura Mason, says the firm's *Building Financial Futures* report found that of the approximately nine million UK people aged 25 to 54 who are not on track for an adequate retirement, more than half (five million), are aged 40 to 54.

"The result is a cohort that is not only under-saving but often disengaged," she warns. "Four in 10 40-to 54-year-olds said they had not engaged with their pension in the past 12 months, compared with 30 per cent of younger adults."

The consequence of this adequacy gap is not just a lack of savings, but a loss of confidence.

Indeed, Trafalgar House client director, Dan Taylor, claims that people in their late 40s and early 50s are the most pessimistic of any age group about their pension, with only around one in seven believing their pension will allow them to live comfortably in retirement.

"That does not look like confusion," he continues. "Younger savers often say they do not know. Mid-lifers seem to have looked at the numbers and reached a view, and it is not a positive one."

Uneven outcomes

Despite the focus on Gen X as a cohort, their circumstances vary drastically by gender, income, employment pattern and caring responsibilities.

"If we only look at average outcomes, we risk missing the fact that this is fundamentally an equity issue," argues Pensions Equity Group co-chair, Molly Handley.

She notes that many women in Gen X have experienced career breaks, part-time work, or multiple job arrangements, which have reduced pension participation and contribution levels, adding that women's DC pots are around 75 per cent lower than men's.

Supporting this, TPT Retirement Solutions DC proposition associate director, Georgie Edwards, says women in Gen X are also more likely to have had more "traditional" home arrangements and less access to strong maternity or paternity policies earlier in their careers.

She explains: "There is a significant compounding effect on mothers that can lower retirement outcomes up to 25 per cent, due to multiple earnings gaps, often returning to lower paid work and therefore less propensity to save for the longer term."

Royal London pensions expert, Clare Moffat, also points to the impact of caring responsibilities, menopause, and later-life work decisions, adding that women leaving jobs because of menopause symptoms could miss out on important pension saving at a key stage.

The self-employed in this cohort are another major concern.

Currie stresses that they sit "entirely outside AE", while the Pensions Commission found that just 4 per cent of fully self-employed workers are saving for retirement.

Meanwhile, lower earners, renters, people with disabilities, ethnic minority groups and those with interrupted work histories also face heightened risks.

Broadstone head of DC proposition, Kelly Parsons, concludes the greatest risk is among those who have experienced "gaps in employment, lower earnings, time out of work for caring responsibilities, or who have simply not engaged with their pension savings".

Competing pressures

For many Gen X workers, pension saving is often competing with immediate and unavoidable financial pressures, which helps explain the unique challenge this cohort faces.

For example, Rathbones research found that one in 10 people in the "sandwich generation" are either currently funding or expect to fund both their children's university costs and day-to-day living and care expenses for ageing parents.

Nearly two-thirds said this was putting significant pressure on their finances, while almost a quarter had reduced pension contributions and 60 per cent expected to delay retirement.

Rathbones financial planner, Malvee Vaja, says long-term financial planning for this cohort is "increasingly about compromise".

"Trying to prioritise immediate needs such as education and care costs can come at the expense of longer-term financial security."

Parsons describes this as one of the defining challenges for Gen X.

"These competing priorities can make it difficult to prioritise long-term saving."

"Unlike younger generations, they have less time to increase pension contributions before retirement."

Compounding the problem, Moffat warns that some Gen X savers may also continue to face housing costs in retirement.

Indeed, Royal London data found that a third of 50- to 69-year-olds believe they will still have rent or a mortgage to pay after they have stopped working or retired, removing the 'financial buffer' that housing wealth has historically offered to some pensioners.

Forced to work longer

For Gen X, one response to inadequate pension savings may be to work longer, yet the reality of extending working lives is far from straightforward.

The Centre for Ageing Better's *Tale of Two 60s* report highlights the scale of the challenge facing this cohort as they approach retirement.

It found that 1.8 million people aged 60 to 69 are already in financially precarious circumstances, with this number set to exceed two million within the next decade without government action.

Centre for Ageing Better research and evaluation manager, Henry Allingham, says the findings challenge "the perception that people entering their 60s are generally financially secure and approaching retirement from a stable position".

For this generation, just working longer may not be a viable solution, especially when health issues, caring responsibilities and limited access to suitable employment can restrict the ability to stay in the workforce.

In addition, the extension of working lives can have implications for employers too.

Edwards warns that if Gen X employees cannot afford to retire, it could disrupt succession planning and limit opportunities for younger workers.

As a result, employers may need to rethink how they support this generation, with greater emphasis on phased retirement, flexible working and later-life career development.

Whincup says the traditional model of stopping work completely on a set retirement date is becoming less realistic.

"Future retirement journeys are likely to be more gradual, combining part-time work, flexible employment and pension income over a longer period."

Closing the gap

Despite the obvious scale of the challenge for this cohort, contributors are keen to stress that Gen X is not out of options.

"The important thing is that it's not too late," Vahey states. "Gen X can still save money for their retirement."

"Gen X may be the first generation approaching retirement whose expectations have been shaped by a pension system that no longer exists"

Several experts maintain that relatively small changes can still make a difference.

These include increasing contributions, consolidating old pots, checking state pension entitlement, using Pension Wise, delaying retirement, and considering phased retirement options.

Currie urges savers to "track down and consolidate old pots", adding that even small contribution increases can substantially boost retirement outcomes.

Going further, Handley argues that mid-lifers need personalised projections that show not only what retirement may look like, but also which actions can still make a meaningful difference.

"The much-anticipated launch of the pensions dashboard in 2027 will also be an important step in making pensions more accessible and relevant to people," she adds.

Mason stresses providers must turn awareness into action through clearer communications, better access to guidance and timely nudges.

"Most people already know they should probably be saving more, but what they often lack is clarity and a simple next step."

Meanwhile, although the government has ruled out increasing AE contributions during this parliament, many experts argue that a longer-term roadmap for higher contributions and wider AE coverage will be needed.

Yet, Parsons states that the focus now should be on helping people make better-informed decisions at a crucial stage in their working lives.

"For Gen X, retirement may still feel some way off, but the decisions made now will have a significant bearing on financial security later in life."

Conclusion

Gen X is not a lost cause, but it is a generation running out of time.

The cohort has absorbed the consequences of DB decline, late AE coverage, pension freedoms, rising housing costs, caring pressures and longer life expectancy.

For some, property, inheritance or continued work may help bridge the gap, but for many, they will enter retirement notably short of what they need.

The challenge for the industry is to avoid treating Gen X as a single average saver.

The most exposed groups need targeted help, while those with some capacity to act need clearer prompts, better guidance and practical options before they reach retirement.

The Pensions Commission is assessing the adequacy issue as part of a wider national savings challenge, with the findings not due until Spring 2027.

For Gen X, however, the timeline is far tighter.

The industry cannot afford to wait; it must start delivering the personalised support this cohort needs to avoid a different, and far more consequential, mid-life crisis.

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