The Dunstan Thomas 2022 Consumer Study

Exploring Baby Boomers' Lengthening Journeys to Full Retirement

Management Report of findings from a nationwide study of 58 - 75 year olds

Chapters

Foreword

Supporting Baby Boomers' Lengthening Retirement Journeys

Here at Dunstan Thomas during the last quarter of 2021 we decided to embark on a second round of our Trilogy of Generational Studies focused on the long-term savings levels and expectations for retirement of Millennials, Generation Xers and Baby Boomers.

Any generational study series must surely start with Baby Boomers. Aged 59 to 76 in 2022, Boomers control nearly 80 per cent of the UK's private wealth. These trillions of pounds are held in their pensions, properties and in other savings and investments.

They are also right in the middle of retiring and drawing their personal and state pensions. Our figures indicate that 54 per cent of them have now stopped paid work. In addition, very nearly half of them have access to the more generous Defined Benefit pensions in retirement.

From reviewing the findings contained in this multimedia report of all our findings, it is clear that Boomers' retirement habits have changed even in the five years since we studied them last. More of them want to delay their retirements now. Of the 44 per cent on Boomers still working, more than two-thirds want to work on beyond the State Pension age for an average of nearly 10 years. This substantial minority will be over 70 when they retire – if indeed they are able to retire when they want to.

However, it's not that simple. We also found evidence of Boomers being pushed out of well-paid full-time work in their 50s and early 60s – a trend that appears to have been exacerbated by the pandemic. We know that three per cent of all Boomers we captured here were forced into earlier than planned retirement during the pandemic, for example. The actual average age of full retirement of our nationally-representative sample of Boomers was 63.4 years.

Why do Boomers want to work on longer? One explanation is that people generally enjoy the purpose, direction and sense of fulfilment that their work gives them. However, we also discovered that a third of them anticipate continuing to support their children financially even after they have retired.

This large group is keen to pass any excess retirement income they have to their children, grandchildren and other family members. For many Boomers this intergenerational subsidisation may encourage them to delay retirement for longer, especially if they are still paying for school or university fees, assisting them to get on the housing ladder or just enabling them to take a much-needed family holiday.

We also decided to look at some of the most promising avenues to deeper engagement with Boomers in order to help them optimise their retirement incomes, complete IHT planning, and invest and decumulate wisely. Digitalisation certainly offers some of the answers in this area. Mobile alerts and digitally-delivered financial guidance are areas where Dunstan Thomas might well support providers, platforms and wealth management groups in the coming years.

Our second study of this generation, this time entitled *Exploring Baby Boomers' Lengthening Journeys to Full Retirement*, provides some valuable insights which I do hope will contribute to your planning and product development in the coming months and years.

Yours sincerely,

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Setting the Scene

Introduction

In the final quarter of 2021, Dunstan Thomas embarked on a nine month market research project to investigate the savings levels and retirement prospects of arguably the wealthiest and certainly the largest generation in terms of population, to reach retirement age in the developed world – Baby Boomers.

It is generally agreed that the Baby Boomer generation were born between 1946 and 1963, between the launch of the first atomic bomb and the wide availability of the 'Pill' (made available on NHS prescription for married women from 1961). Within a year of the end of World War 2 in 1946, both the UK and the US saw a very significant rise in birth rates. 1947 was a record one for UK births - topping a million for the first time. This generation was therefore between 58 and 75 years old in 2021 when this study was undertaken.

Middle of 17 year retirement age bubble

The Baby Boomer generation, which is nearly twice the size of the previous generation, is reaching retirement age in large numbers each and every year over the next eight years (with 'peak retirement' for Boomers running from 2012 to 2029). We passed the middle of this 17-year 'retirement bubble' in 2019 – shortly before the pandemic swept across the globe.

Significantly, in 2019, 682,331 UK Boomers reached the current State Pension age of 66 and over 600,000 are set to reach this same milestone every year through until at least 2029 when numbers are set to drop below that threshold once more.

It is interesting to note that analysis by the Resolution Foundation found that in the last 10 years (2008 to 2018), the percentage of the overall population that has gone past their 65th birthday rose by 3.7 per cent and now sits at close to 19 per cent of the whole UK population. There are already 11 million people aged over 65 in the UK today and by 2033 nearly a quarter of the UK population will be aged 65 and over (Source: Commission on the Voluntary Sector and Ageing 2014).

Pension-held asset bubble

The key reason for going back to this audience is that for at least the next 10 years Boomers hold a high percentage of all current pension assets in accumulation and decumulation than any other group. They are also the generation which is in the midst of retiring.

As such, they offer the largest opportunity for the advisor firms, platforms, and providers to help this group over this period and beyond. This is the group that is approaching retirement, at retirement, or in retirement. Their changing experience of retirement or flexible retirement remains a fertile topic for emerging best practice, stimulating industry discussion, as well as for product and service innovation and changes of policy-making and regulation. Without intervention, many face sub-optimal outcomes from their hard-made savings.

Longer retirements in prospect

Life expectancy for those reaching age 66 this year, is 17.2 years for men (giving them an average age of death of 83.2 years) and 19.7 years for women (reaching age 85.7 years). In other words, increasing life expectancy suggests that Boomers' retirements will lengthen. However, that is only the case if they elect to retire at, or close to, the prevailing State Pension age.

Age, gender and national representation

It became clear that, with such a large age group, there was merit in considering age ranges in four tranches as follows: 58-61 (we reached 306 nationwide in this tranche), 62-66 (we reached 388), 67-71

(349 people) and 72-75 (229 people). The gender split of our sample of Boomers was 685 males and 587 females, giving us a total sample of 1,272 Baby Boomers. Boosts were used to assure adequate representative samples were reached in Northern Ireland, Wales, Scotland as well as England, to enable accurate nation-based reporting.

This study also ensured all UK ethnic and sexual orientation groups were accurately represented and that, wherever possible, the representative samples in each group were large enough to report on without having to caveat percentages as 'indicative only'. Official ethnic groups which were used in the latest Census were deployed in this study to ensure the sound diversity of the sample.

Household income clusters

The nationally-representative study also ensures representation for all income levels, measured by annual pre-tax household income.

The largest whole pre-tax household income clusters were £20,001 to £30,000 per year (22 per cent) followed by £10,001 to £20,000 per year (18 per cent). The next largest cluster had annual household income holders of £30,001-£40,000 (16 per cent), whilst 11 per cent had £40,001 to £50,000 annual household income.

18 per cent recorded annual household income in excess of £50,000 – fairly evenly spread all the way up to the over £80,000 group. Average annual pre-tax household income of all Boomers in the study stood at £36,072.20. Social grade spread of our sample was also nationally representative as detailed below:

1

We would now like you to think about the chief income earner in your household, that is the person with the highest income. This maybe you or it might be someone else. Which of the following groups does the chief income earner in your household belong to?

	Total	58-61	62-66	67-71	72-75
Higher managerial/ professional/ administrative (e.g., established doctor, solicitor, board director in large organisation (200+ employees), top level civil servant/ public service employee, head teacher etc.)	10%	10%	11%	7%	13%
Intermediate managerial/ professional/ administrative (e.g., newly qualified (under 3 years) doctor, solicitor, board director of small organisation, middle manager in large organization, principal officer in civil service/ local government etc.)	30%	32%	28%	31%	31%
Supervisory or clerical/ junior managerial/ professional/ administrator (e.g., office worker, student doctor, foreman with 25+ employees, sales person, student teacher etc.)	28%	30%	30%	28%	23%
Skilled manual worker (e.g., skilled bricklayer, carpenter, plumber, painter, bus/ ambulance driver, HGV driver, unqualified teaching assistant, pub/ bar worker etc.)	11%	12%	10%	11%	12%
Semi-skilled or unskilled manual worker (e.g., manual jobs that require no special training or qualifications, apprentices to be skilled trades, caretaker, cleaner, nursery school assistant, park keeper, non-HGV driver, shop assistant etc.)	7%	8%	9%	5%	4%
Retired and living on state pension only	9%	2%	4%	17%	16%
Unemployed for over 6 months or not working due to long term sickness	4%	6%	8%	0%	0%

No. of cases: **1272**
Male: **685** | Female: **587**
58-61: **306** | 62-66: **388** | 67-71: **349** | 72-75: **229**

Two thirds in a relationship

69 per cent of the sample were in a relationship and 31 per cent were single. Of those in a relationship, most were married – 59 per cent of the whole. The balance was made up of eight per cent who were co-habiting/unmarried and two per cent who were in a relationship and living in separate places. We have included civil partnerships within the married figures.

Majority of Boomers have no parents left

Four out of every five (79 per cent) Boomers' mothers had died, while 90 per cent of fathers had already passed away. The number of Boomers which were likely to be helping elderly parents with care and support is dwindling – 76 per cent have no parents left.

Nine per cent of Boomers had mothers which were 85 to 91 already and 5.5 per cent had mothers over the age of 92. Five per cent had fathers aged 85 to 91, while just over two per cent had fathers over 92. The Covid-19 pandemic caused life expectancy to fall a little to 78.6 years for males and to 82.6 years for females. (Source: Office of National Statistics Life Tables).

Dunstan Thomas Generations Trilogy of Studies will run 2022-2024

This study forms the first of a new series of three generation-specific studies from Dunstan Thomas. So, you can expect to see updates of our Generation X study in 2023. Then we will return to exploring the finances of the Millennial Generation in 2024, aiming to produce full executive summaries of our findings around the middle of each year.

Lengthening Journeys to Full Retirement

Boomers want to retire later

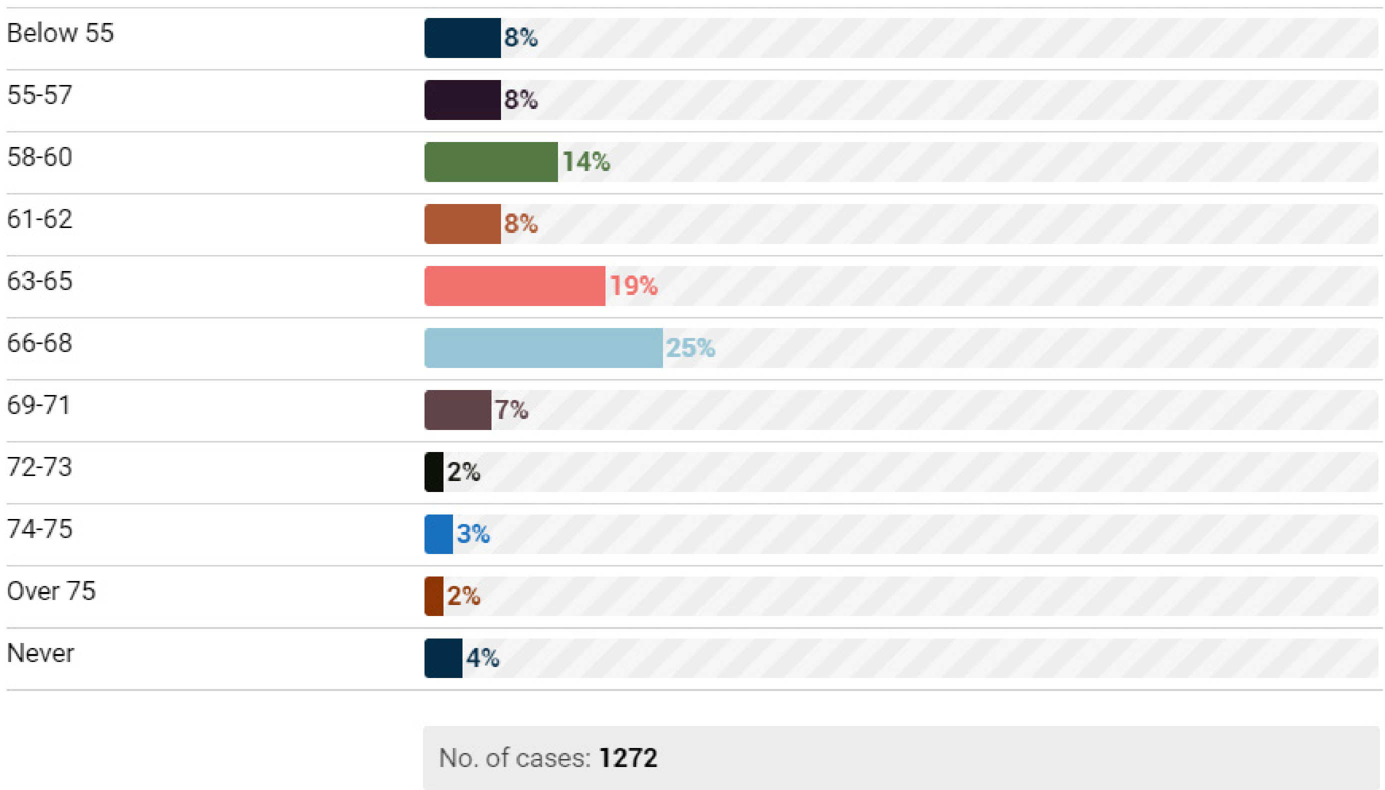
Nearly half (44 per cent) of all Boomers aged 58 to 75 were still in paid work at the time this study was in the field in late January 2022. Furthermore, nearly a third (31 per cent) of the 1,272 Boomers we reached in this study wanted to work on beyond State Pension age currently set at 66. These working Boomers, determined to work on beyond age 66, anticipate working on for an average of 4.3 years - taking their estimated age of 'full retirement' to 70.3 years.

Dunstan Thomas asked all survey respondents when they had already retired, or anticipated retiring, from full-time work. Answers to this question revealed that the average age at which Boomers wanted to give up (or had already given up) full-time paid work was 63.4 years.

A quarter (24.5 per cent) had retired or planned to retire at some point between 66 and 68 years – perhaps aligned with their State Pension entitlement. A further 17 per cent estimated they would retire or had retired at a spread of ages from 69 upwards.

A third of this late retiring group (four per cent of the whole sample) made it clear they never planned to stop full-time work. The largest cluster of Boomers giving up full-time work later than 66-68 were those planning to retire between 69 and 71. This group made up seven per cent of all 1,272 Boomers captured in this nationwide study.

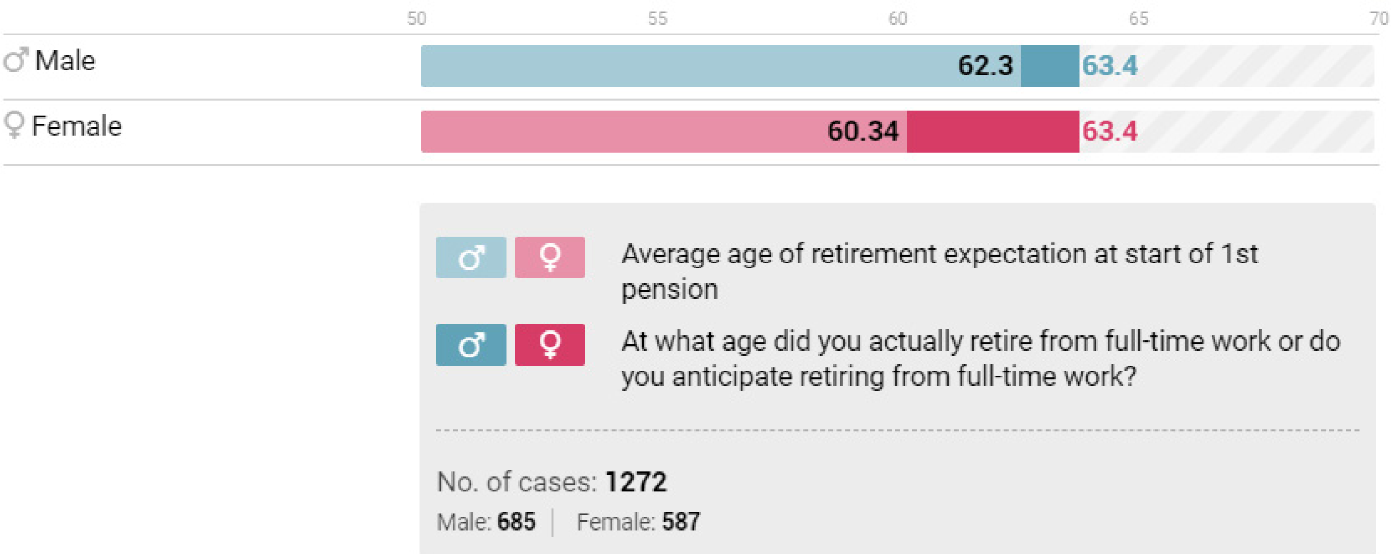
At what age did you actually retire or do you now anticipate retiring from full-time work?



Retirement age expectations have slipped during Boomers' working lives

It was also clear that retirement age expectations have shifted significantly for Baby Boomers aged 58 to 75 years old since they started their first pension and first addressed the question of their anticipated retirement age. The average retirement age stated back then was 61.4 years. When they took out their first pension, the average age women expected to fully retire was just over 60 (60.4). Men, on average, anticipated retiring at 62.3 years.

When you took out your first pension plan and/or started working, at what age did you expect to retire from full-time work? And at what age do you expect to retire (or have already retired) from full-time work today?



However, for women in particular, the average difference between original retirement age expectation and what is becoming a reality has shifted over their working lives by a full three years to reach 63.4 years, almost certainly pushed upwards by the gender equalisation of State Pension age which was completed last year. Men, who have generally always expected to retire later than women, have also adjusted expectations upwards during their working lives and now have exactly the same average age expectation for retirement as women at 63.4 years.

15% of Boomers have retired since our 2017 study

Nearly half (44 per cent) of UK Boomers have not yet retired, down from 59 per cent of this generation that had not retired back in December 2017, when we last asked them this question.

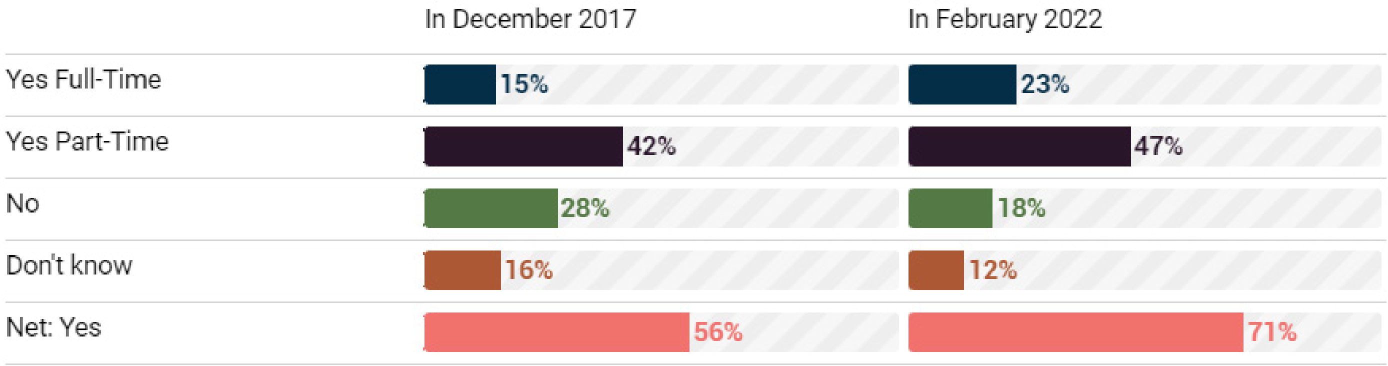
It should be no surprise that 15 per cent of the Baby Boomer generation has retired over the intervening 4.5 years, bearing in mind that over 650,000 Boomers have been reaching State Pension age each and every year since 2017. Retirement numbers may have been boosted by the uncertainties of the pandemic – an estimated 179,000, 50 to 64 year olds left their jobs between December 2021 and February 2022, a study by Rest Less found. Dunstan Thomas also investigated the impact of the pandemic on Boomers' retirement planning. [More on this is in Section 3 below].

Of the working 58 to 75 year olds, 24 per cent wanted to stay, or were already remaining, in paid full-time work and 47 per cent in paid part-time roles beyond age 66. Interestingly, there has been a significant increase in the percentage of working Boomers expecting to work on full-time beyond State Pension age just in the last five years.

15% more Boomers want to work on beyond State Pension age

Back in 2017 when we conducted the last study of working Boomers, we found 15 per cent wanting to work on beyond State Pension age full-time, and 42 per cent part-time. The overall percentage of working Boomers planning on working beyond State Pension age has risen by 15 per cent in under five years so that today 71 per cent of working Boomers want to continue working on in some capacity even after they are entitled to receive their State Pension.

Do you anticipate working full or part-time/ do you currently work full or part-time to supplement your income in retirement? (i.e., after State Pension Age becomes/became payable).



Arguably, this reveals a mismatch between what many Boomers would ideally do (i.e., work on beyond State Pension age) and what is still happening (i.e., older workers being pushed out of the labour market in their 50s and 60s) which we will explore in more detail in Section 3 below.

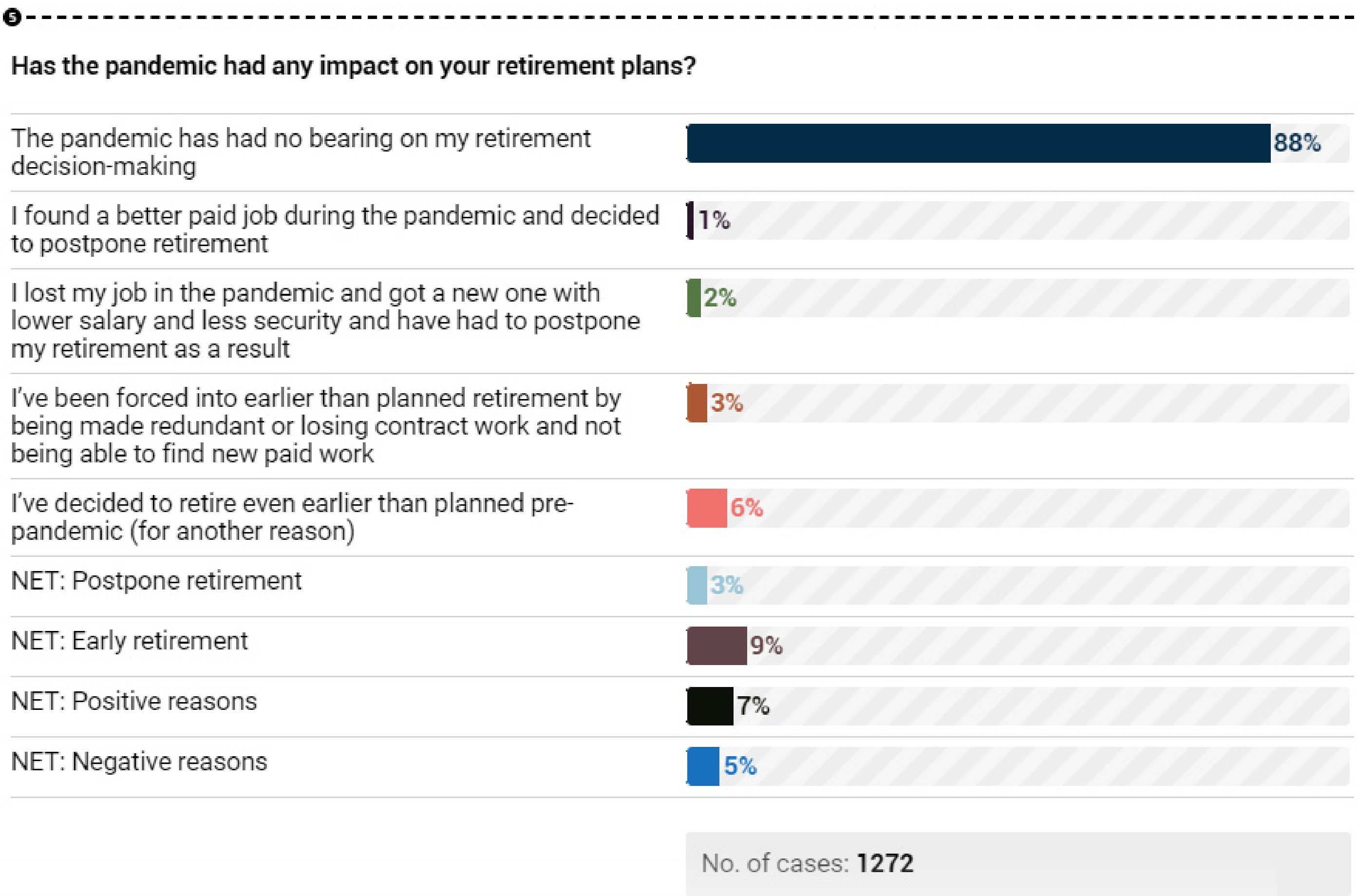
Impact of the Pandemic on Retirement Plans

Evidence of the 'Great Resignation' - 9% of Boomers took early retirement in the Pandemic

Because of the timing of this study, we thought it right to add some questions to probe the impact of the pandemic on the retirement plans of Boomers. Just over one in every 10 (12 per cent) Boomers reported that the pandemic had influenced their decision-making on the timing of retirement.

Three per cent of Boomers admitted they were *'forced into earlier than planned retirement by being made redundant or losing contract work and not being able to find new paid work'*. Interestingly, a further six per cent *'decided to retire even earlier than planned for another reason'* that they did not declare (but was not related to being made redundant). A further one per cent went the other way and decided to postpone retirement as a result of finding *'a better paid job during the pandemic'*.

A further two per cent *'lost (their) jobs in the pandemic and got a new one with lower salary and less security and have had to postpone my retirement as a result'*. This mixed picture does provide some evidence of the much-publicised *'Great Resignation'* of older workers during the pandemic as nine per cent of the Boomers we questioned took earlier than planned retirement during the 2020-2021 period, whereas just three per cent admitted deciding to push back their retirement plans during the same period. For those that did decide to work on longer, the average number of years which they added to their original retirement age expectation was 3.7 years.



Older workers need to be encouraged to stay longer in the workforce. Our study uncovered anecdotal evidence (we interviewed Boomers on camera in three UK cities during April 2022) of Boomers being forced out of full-time work in their late 50s and early 60s, perhaps having to set up on their own on a freelance basis, embrace agency work on less secure terms or even change careers altogether.

These findings have considerable implications for employers, many of whom are now struggling to recruit and retain the skills and expertise offered by older workers in the wake of the pandemic. With fewer older workers in the workforce, some business leaders are already reporting difficulties in training and supporting younger workers, as well as in re-establishing and reinforcing cultural norms of behaviour for interactions with customers for example.

One CEO we spoke to for this study, commented on the 'Great Resignation' trend and the Work From Home phenomenon which was so widely adopted during the pandemic:

"The problem is that older workers have been more likely to hold off on full-time return to the office – preferring to work from home even as the pandemic threat recedes. That can mean many younger workers missing out on all that informal training which they would otherwise pick up in meetings and informal chats with older workers around a busy office.

"Cultural cues and norms are not being passed on. If you are not careful, this feeds through to an inability to meet the behavioural norms and expectations of valued customers and prospects. It can hit the bottom-line and certainly hold back the personal development progress of younger workers. In short, we need older workers to exhibit and pass on their 'at work behaviours', as well as their expertise and skills to younger employees. We need them to stay and we need them back in the office more."

The good news is that many Boomers are willing and able to work on, even beyond State Pension age. However, current evidence indicates that many of them are likely to be forced out of the labour market long before that age, as employment trends stand.

The fact that many want to work on but struggle to find suitable work, points to a clear need for the pensions industry to provide flexible retirement solutions, that can bridge gaps in employment for this age group.

Exploring the DB versus DC Retirement Income 'Fault Line'

Household income expected to drop by nearly a third at full retirement

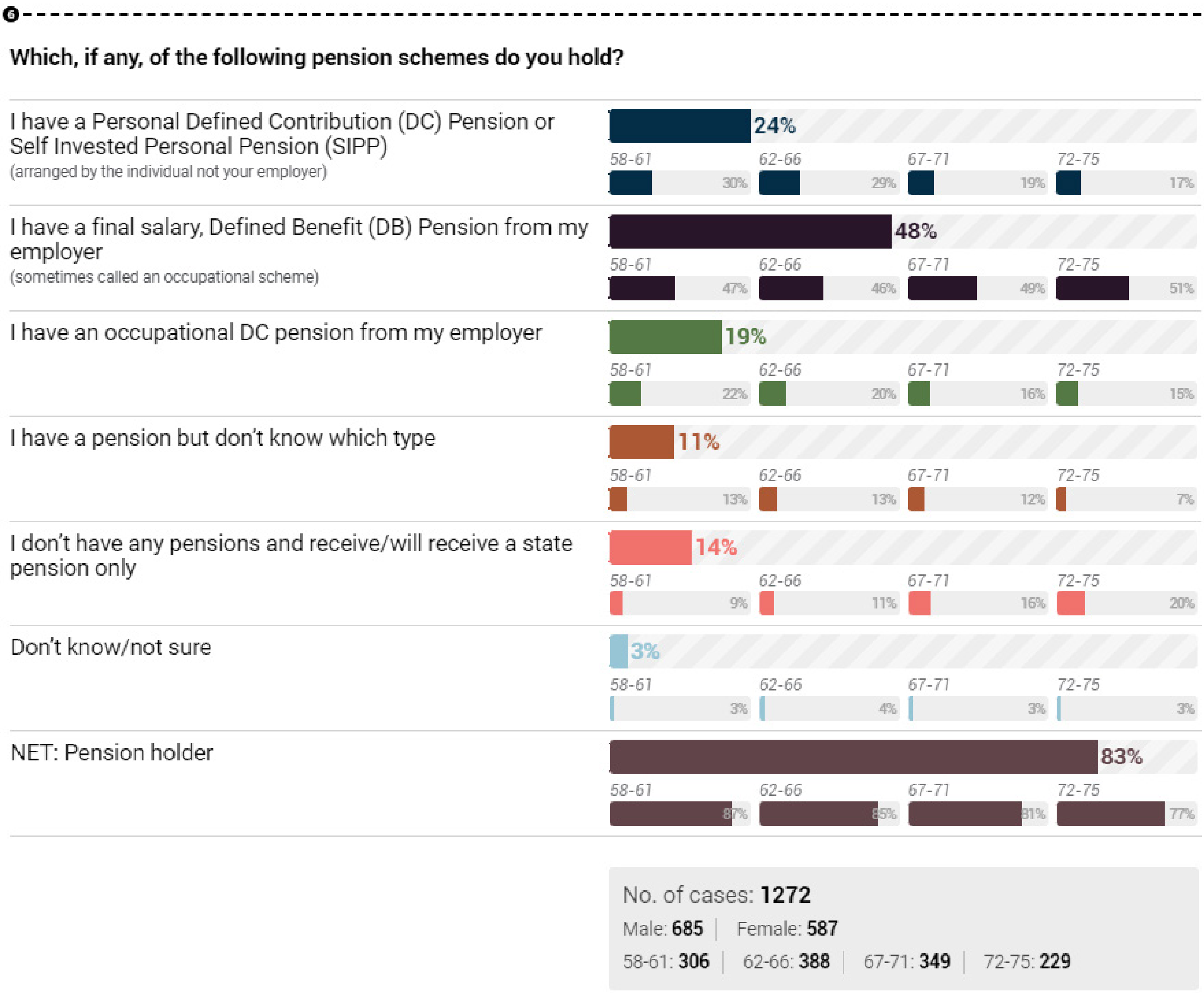
The average annual pre-tax household income amongst all UK Boomers that were still working in early 2022 was £44,711. However, average annual pre-tax household income of fully retired Boomers captured by in this study falls to £30,259 – a drop of very nearly a third (32.4 per cent) at retirement, falling very close to the Pensions & Lifetime Savings Association's 'Moderate' Retirement Living Standard pre-tax household income recommendation for a UK couple (living outside London) which currently stands at £30,600. Compared to the Dunstan Thomas' 2017 Baby Boomer study, average annual pre-tax household retirement income has risen by just over £4,000 (it averaged £26,258 in late 2017).

DB versus DC Retirement Income Gap

A vital aspect of this study was the exploration of the range of different types of pensions that Boomers were drawing/will draw on in retirement. We found 24 per cent had non-workplace, Defined Contribution (DC) personal pensions or SIPPs. One in five (19 per cent) had occupational DC pensions including auto-enrolment workplace pensions.

Most importantly, very nearly half (48 per cent) had occupational Defined Benefit (DB) pensions. Of course, within this age group the youngest tranche, aged 58 to 62 years, have had less access to the more generous DB schemes than the older Boomers: 47 per cent of 58-62 year olds had a DB pension, whilst 51 per cent of oldest tranche, aged 72-75, had DB pensions.

Just over one in 10 (11 per cent) had a pension but didn't know what type it was. Interestingly, one in every seven (14 per cent) Boomers only had the State Pension and three per cent were unsure whether they had any pension at all. This finding echoes a known failing of auto-enrolment, namely that a disproportionately high number of workers who were close to retirement age opted out when auto-enrolment was launched in 2012.

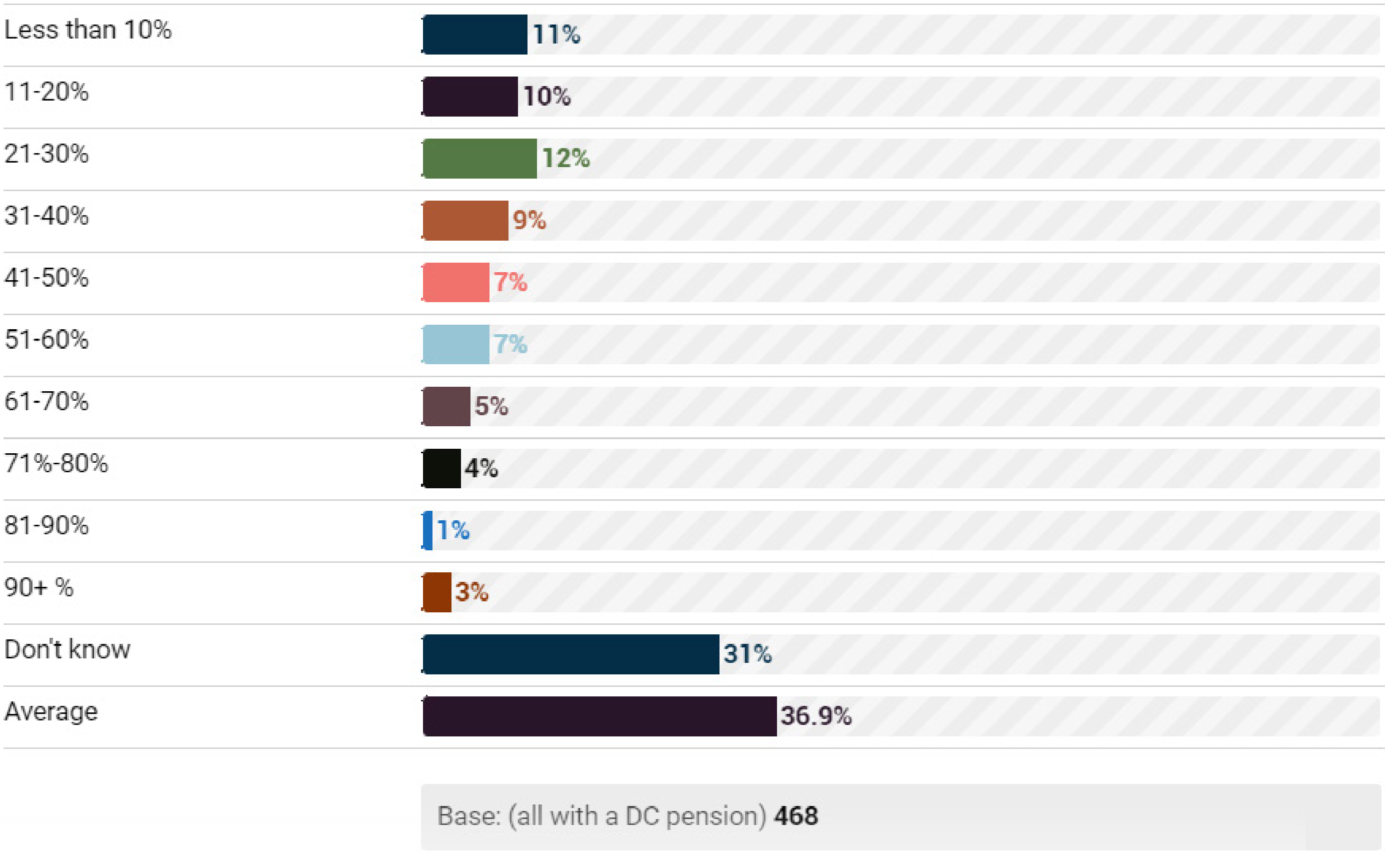


Boomers with DC plans set to get average of 37% of total retirement income from them

Boomers who had DC plans could expect to rely on these plans for 37 per cent of their total retirement income, bearing in mind over half of these were already in retirement, so they had a very accurate knowledge of this.

The largest single group, 12 per cent of the DC holders (15 per cent for men and eight per cent for women) derived/will derive between 21 and 30 per cent of their total income from DC-based savings. It is also worth noting that nearly a third (31 per cent) of DC-holding Boomers did not know what percentage of their total retirement income which they would be able to extract from their DC plans.

What percentage of your total retirement income will come/comes from your defined contribution (DC) pension scheme?



Boomers with DB plans set to derive average of 51% of total retirement income from them

The 48 per cent of Boomers with DB plans are definitely in a stronger position financially - with an average of just over half (51 per cent) of their total retirement income coming from their DB pensions. That said, engagement levels tend to be much lower amongst DB pension holders - with 44 per cent (as against 31 per cent for DC policy holders) admitting they could not provide an estimated percentage of total retirement income likely to come from their DB plan – despite the fact that most will be annuitised and annuity income estimates must be given on annual statements and be showing in their bank account statements for those already drawing them.

Average of 57% of total retirement income from all pensions including State Pension

33 per cent of Boomers derived over 80 per cent of total retirement income from all pensions , while one in five (20 per cent) were set to derive, or were already gaining, all of their retirement income from their pensions. Other non-pensions income delivers an average of 29 per cent of total retirement income.

Appetite for DB to DC Transfers rising

Two per cent of Boomers with DB schemes were actively considering transferring from DB to DC (up from one per cent in Dunstan Thomas' 2017 study of Baby Boomers' retirement prospects). That percentage of those considering transferring to DC increased to three per cent for women with DB pensions (although less women than men have DB pensions).

More worryingly, nearly a third (32 per cent) of DB holders seemed unsure whether to explore transferring out to DC and answered this question ‘Don’t know’, indicating further scrutiny and communications may need to be directed into this area by providers and/or the regulator.

Tax-Free Cash accessed by nearly half of Boomers

For many, decumulation journeys at retirement begin by accessing their Pension Commencement Lump Sums (PCLS), more commonly known as your pension Tax-Free Cash (TFC) lump sum. All personal pension holders can take at least 25 per cent of its total value out tax-free from age 55. Some holders of older DC pensions have much higher TFC access percentages.

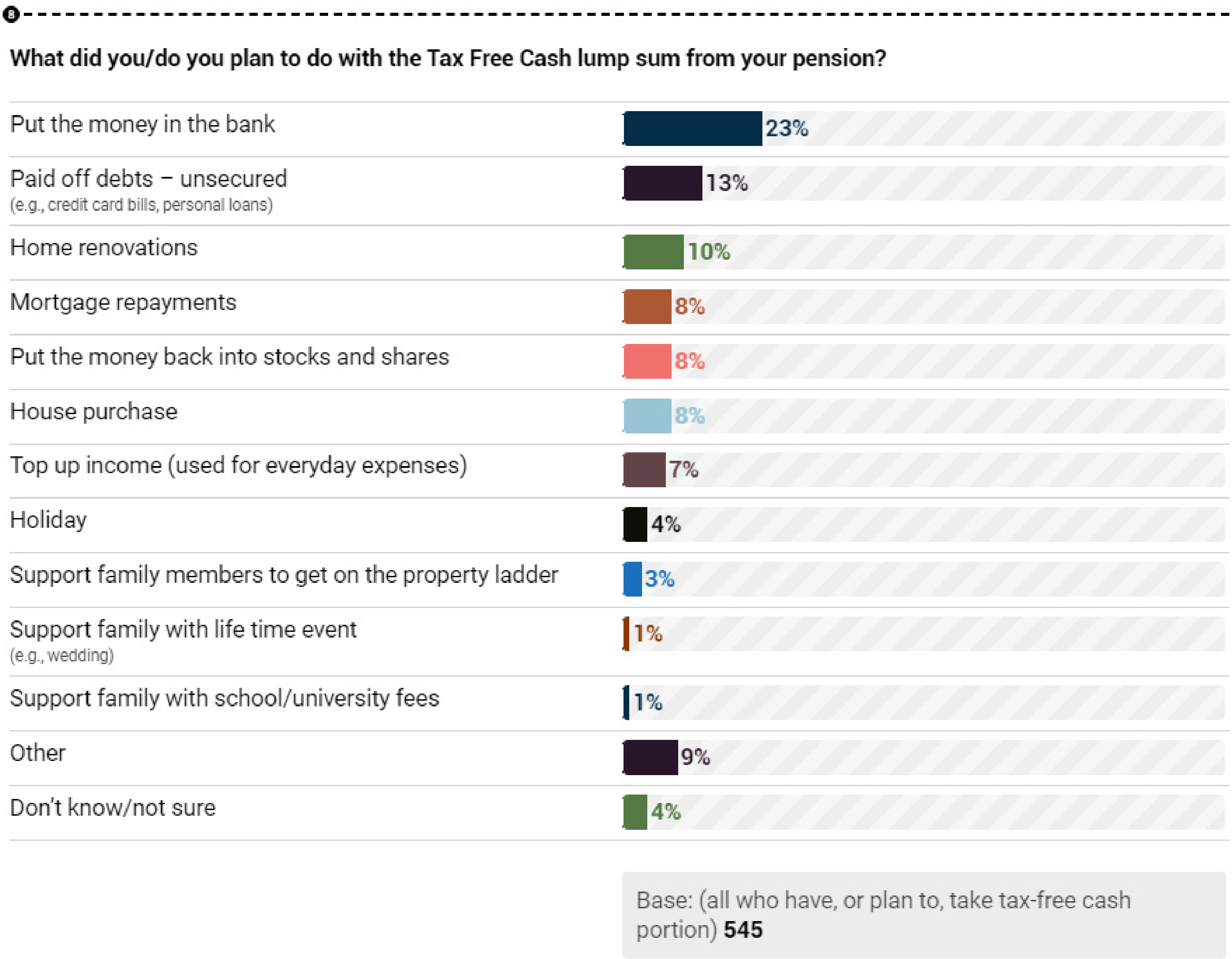
Looking at what Boomers have been doing with their TFC lump sums to date, we found that 24 per cent of Boomers had already extracted all of their allowable TFC, and a further 19 per cent had extracted some of their Tax-Free Cash allowance. In total 43 per cent of Boomers had used their Pension Tax-Free Cash facility to some degree.

Of the Boomers that have taken some or all of their TFC, 24 per cent had put the cash pay-out straight in the bank. A further seven per cent of Britain’s Boomers used their TFC to supplement their income to cover everyday bills, while just over four per cent decided to splurge the cash on a good holiday. Other Boomers who have taken their pension TFC seemed to have made more sensible choices:

- 13 per cent used it to pay down unsecured debt including credit card debts
- 10 per cent used it to pay for home improvements
- 9 per cent to make additional home mortgage repayments
- 8 per cent invested that cash lumpsum into stocks and shares
- 8 per cent used it to help purchase an investment property

Nearly four per cent used the money to help family members secure a place on the property ladder and just over one per cent used it to subsidise the cost of a major life event of family members such as a wedding or honeymoon. Nearly one per cent put the funds into savings for school or university fees for family members.

The flood of money we are seeing out of pensions and into bank accounts as tax free cash perhaps reflects the lack of confidence or understanding in pensions. Customers may be disadvantaged as the interest on bank deposits is so low. The pensions industry may have served the customer needs better had it retained their assets.



Dunstan Thomas also investigated the level of intergenerational and within family subsidisation by Boomers. This is explored in a dedicated section later in this report.

At- and In-Retirement Advice Opportunities

Quarter of Boomers approaching retirement likely to seek regulated advice

A quarter (25 per cent) of Baby Boomers plan to or have already used regulated financial advice to gain more knowledge about pensions before they fully retire. A further 15 per cent plan to use, or have already used, guidance services from the likes of Citizens Advice Bureau, MoneyHelper and Pension Wise services.

Worryingly, 36 per cent recorded that they *'don't understand the difference at all'* between regulated financial advice and guidance, which means that many regard information they might gather from their bank or building society as regulated independent financial advice when it is very unlikely to be so.

Six per cent use digital services including *'live chat and other PC-based communications techniques such as online planning tools and platforms'*. Just under 15 per cent derive their pensions knowledge from reading the personal finance pages of the national newspapers.

Answers to a separate question uncovered the fact that 37 per cent of Boomers have used a financial adviser at some point in their lives, indicating that a much larger group of Boomers have already been convinced about the value of regulated advice in order to get a professional third party opinion on financial planning matters. However, many of these historical advice experiences will have been supported by tied agents in the era of provider-employed Direct Sales Forces pre-RDR before the so-called advice gap emerged.

Advice hot spots include younger Boomers who are still working full-time with DC plans

Nearly half (46 per cent) for those with DC pensions, including SIPP holders, had sought or would seek financial advice about their pension before they retire. The youngest segment of Boomers captured in this study, aged 58-61, were the most likely to seek pensions-linked financial advice – nearly a third (32 per cent) of them have done so or plan to seek regulated financial advice at this stage.

Over a third (35 per cent) of all Boomers who had not yet retired, had not calculated how much retirement income they would be able to take from accessing all their pension and investment savings at retirement. 40 per cent of Boomer age working women reported that they had not yet worked out how much retirement income they would be able to take from their pensions, as against 31 per cent of male Boomers.

Only one out of every six (17 per cent) unretired Boomers knew exactly what they would be able to take in terms of regular income in retirement; however, nearly half (48 per cent) of working Boomers claimed to know 'roughly' what they could afford to take in terms of regular monthly retirement income. The study also uncovered that 31 per cent of all DC pension holders did not know what percentage of their total retirement income they were going to be able to extract from their DC plan(s).

Over-drawdown threat real amongst DC policy holders

Working Boomers who were depending on DC pensions in retirement are right to be concerned about sustainable drawdown levels. The Dunstan Thomas Baby Boomers' Retirement Income Study 2022 found out that 28 per cent of those taking retirement income from DC plans (and not currently accessing financial advice) were taking more than 3.5 per cent of the total value of their DC pots each year.

Most pensions experts believe that if you want an income drawdown plan to last through retirement you should not take more than 3.5 per cent each year. The average drawdown rate amongst Boomers with DC plans (and no advice) was however 3.6 per cent and over six per cent of Boomers are taking out more than six per cent of the total value of their policies each year.

Third of Boomers plan to take financial advice to determine sustainable drawdown level

There is also clear evidence that a trigger for engaging or re-engaging with regulated financial advice is when needing to determine sustainable pensions withdrawal rates and optimising retirement income more generally.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas:

"The new Pension Freedom choices available to Boomers place a much greater onus on provider communications to guide and nudge customers to good outcomes."

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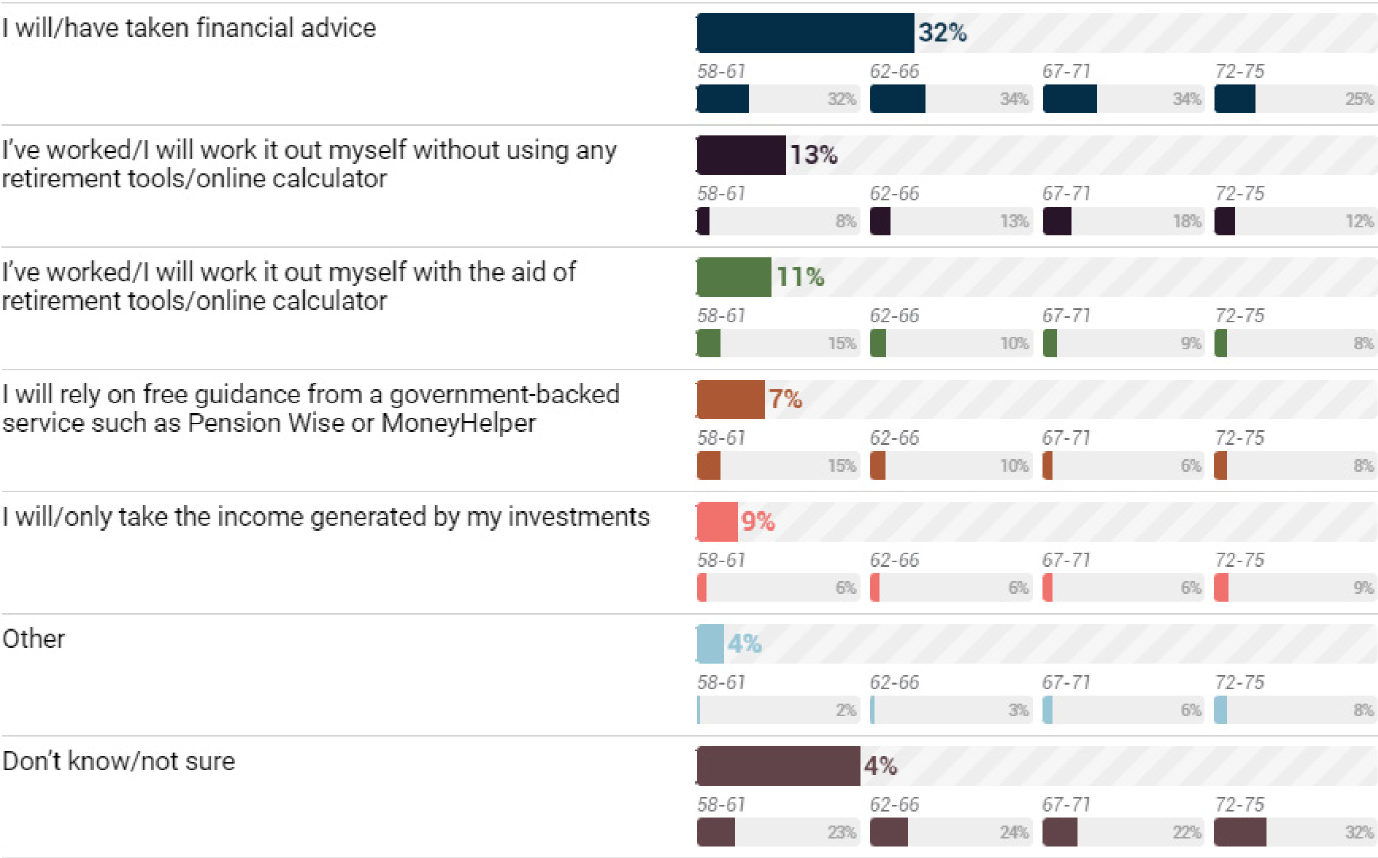
As your pension is no longer automatically used to purchase an annuity at maturity, how are you/do you plan to work out how much income to draw out of your pension pot each month to avoid running out of money too early?



Base: (all with a pension, but not solely a DB pension)
655
Male: **372** | Female: **283**
58-61: **185** | 62-66: **218** | 67-71: **160** | 72-75: **92**

1 in 5 Boomers leave de-risking of portfolios too late

One in five (21 per cent) Boomers were not considering de-risking their portfolios until 12 months prior to full retirement. Only one in ten appeared to have this covered by their pension provider confirming *'my provider arranges this automatically, assuming I'm buying an annuity'*. Seven per cent confirmed that de-risking started five years before retirement and four per cent confirmed de-risking glide paths had begun 10 or more years before planned retirement date.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas:

"We've uncovered evidence of over-drawing down, late de-risking of portfolios, and many Boomers not being able to determine the retirement income they are likely to be able to afford going into retirement."

Burgeoning demand for IHT advice

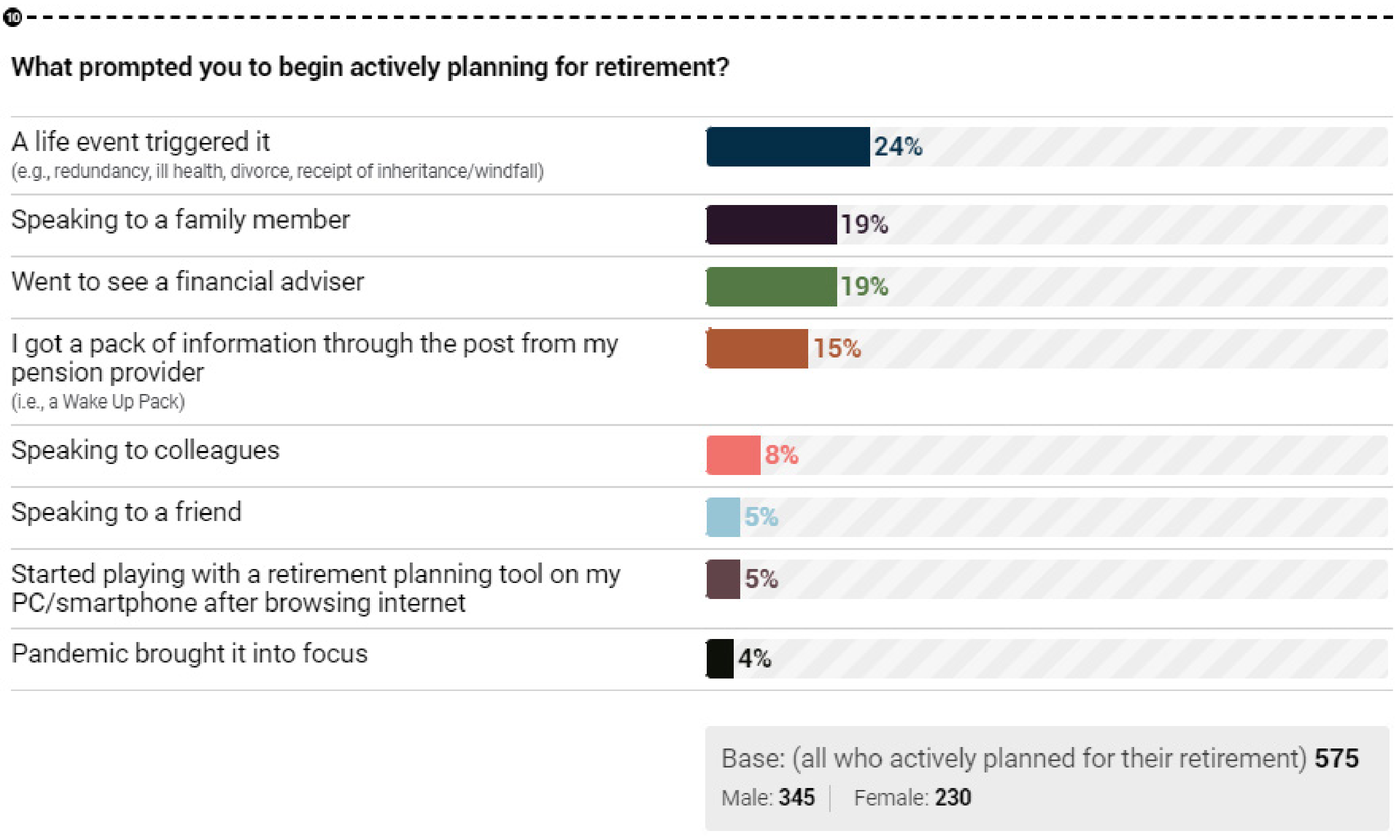
Approximately one in six (16 per cent) Boomers were intending to seek regulated advice associated with Inheritance Tax Planning (IHT) for the benefit of their children and grandchildren. Even higher demand was expressed amongst Londoners (19 per cent of them), those still working full-time (18 per cent), and amongst the Asian (26 per cent) and Black communities (23 per cent).

'Life Event' biggest trigger for 45% of Boomers actively planning for retirement

For a quarter (24 per cent) of those who were actively planning for retirement (other than paying into a pension), it was a sudden 'life event' which triggered the start of this planning work. That life event might be redundancy, ill health, divorce, or receipt of an inheritance, for example.

Treated separately (in Section 3 above), the pandemic had also triggered active retirement planning – an additional four per cent admitted beginning their retirement income planning work during the pandemic. One in five (19 per cent) began planning following discussions with family members and a further 19 per cent spoke to a financial adviser.

There was also a strong indication that 15 per cent may have been triggered to begin planning as a result of receiving a Wake Up Pack (see below). We also probed what percentage of those reaching nominal retirement age recalled receiving these Packs.



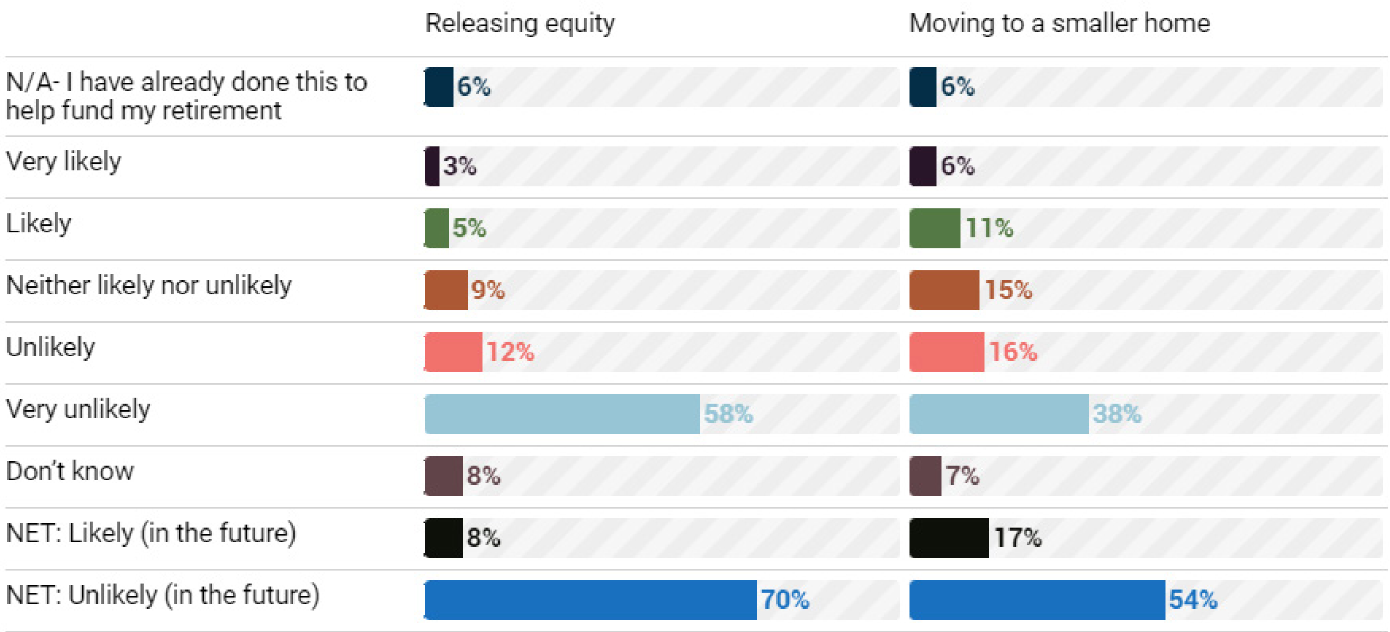
Quarter of Boomers set to downsize to boost retirement income

In terms of what Boomers have already done to realise additional capital at- or in-retirement, an almost exactly equal number of Boomers have released equity from their existing home as have downsized to a smaller home – six per cent each.

Looking forward it looks likely that we will see many more Boomers selling up and downsizing to part-fund their dreams in retirement. 17 per cent of Boomers were 'likely' to downsize, while less than half that percentage plan on Equity Release (eight per cent).

The increasing willingness to dip into housing assets is entirely consistent with our earlier finding that retirement incomes are falling as the proportion of individuals with DB pensions decreases.

How likely or unlikely is it that you will be releasing equity from your existing home, or move to a smaller home to help fund your retirement?



Equity Release hot spots

Probing a little deeper into hot spots where equity release penetration was highest, interestingly we found:

- 12 per cent (double the average) of LGBTQ+ respondents had already released equity from their homes to support their lifestyle in retirement
- Boomers over the age of 67 were nearly twice as likely to use Equity Release as younger Boomers aged 58 and 66 (average of four per cent versus eight per cent take up amongst 67 to 75 year olds questioned).
- Household income level influences propensity to use of Equity Release. For example, nearly seven per cent of Boomers with pre-tax household income of up to £50,000 had already released equity from their home, whereas less than one per cent of those with higher than £50,000 household income had released equity from their home.

Downsizing hot spots

Again, the LGBTQ+ Boomers seemed more attuned to downsizing to help fund their retirements – 12 per cent of this group had already downsized to subsidise their retirement income. Notably, 13 per cent of widows had also downsized following the passing of their partner or spouse.

In addition, 11 per cent of Boomers in the Southwest had downsized and the same percentage of Asian Boomers had downsized. Understandably, age is a big determinant in making downsizing moves. For example, on average 3.7 per cent of Boomers aged 58 to 66 had downsized, whereas in the older group aged 67 to 75 more than double the number - over eight per cent - had moved to smaller homes to release funds for retirement.

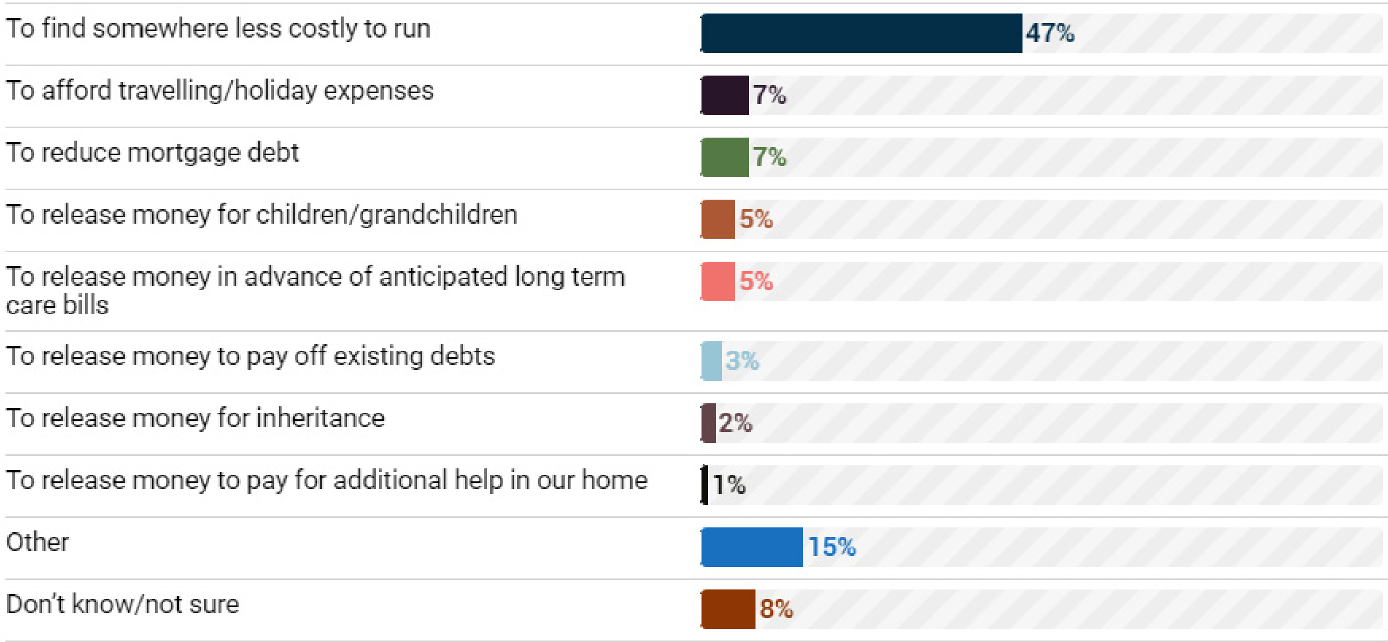
Downsizing motivations

For nearly half of all Boomers that have already downsized the prime motivation was to find somewhere less costly to run. Some seven per cent used downsizing to release money for inheritance purposes or for gifting to children and grandchildren. Only one per cent were looking to release money to buy more additional help.

We also found an increasing number of people were downsizing simply to move to a home that is more suitable for their late stage in life as they prepare for the potential of having mobility issues for example.

12

Why would you be /did you primarily plan to downsize/release equity from your home to fund retirement?



Base: (all who plan to, or already have, downsize their home) **295**
Male: **144** | Female: **151**

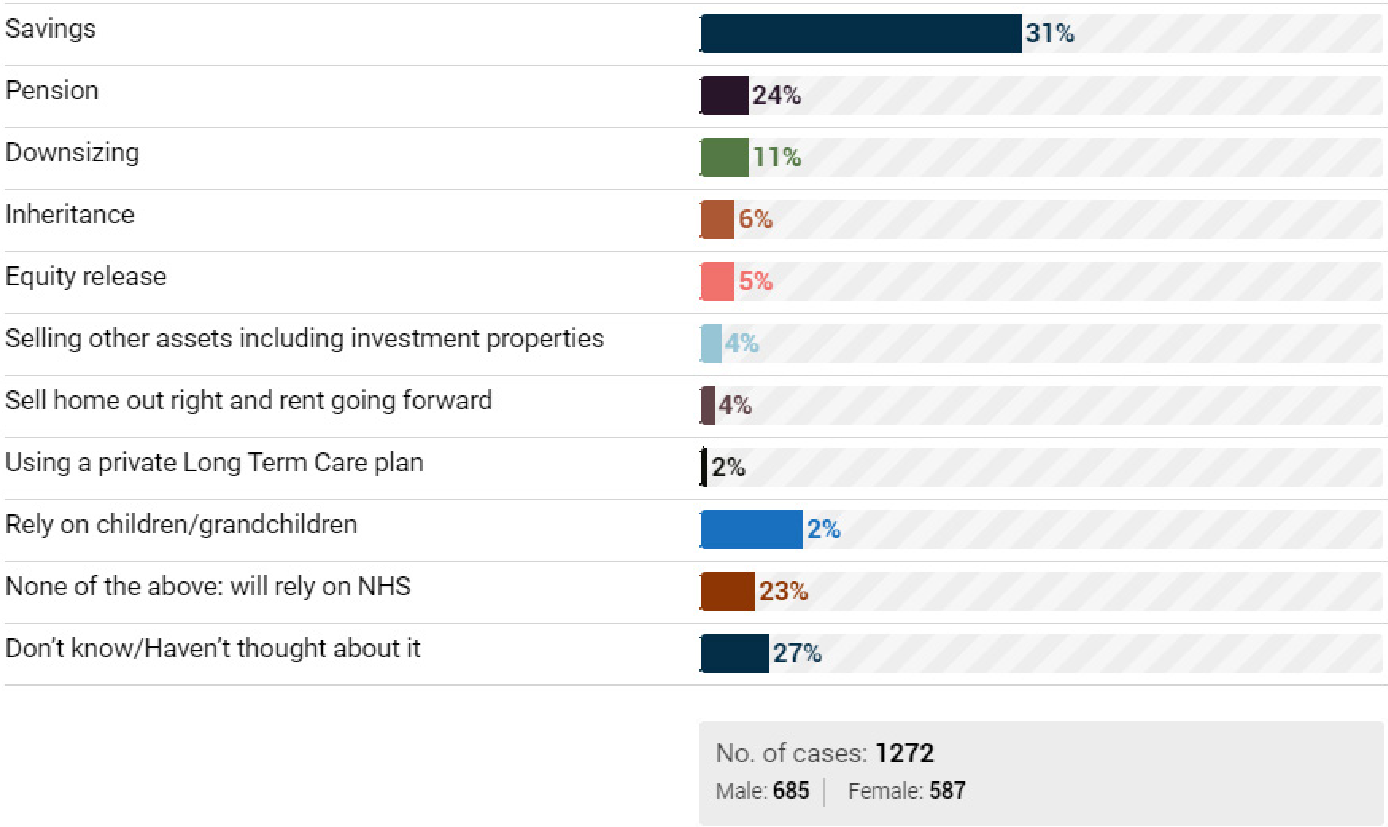
50% of Boomers either relying on the State completely or 'burying their head in the sand' as regards funding of Long Term Care provision

The final area that the study explored was the planned funding of Long Term Care in later retirement. Many Boomers had witnessed and even paid for care to support their now very elderly parents. For many families, it had dented or even drained savings which might otherwise have been inherited by the next generation (i.e., Boomers themselves).

Are Boomers looking to learn from their parents? The Silent Generation - who in large part never expected to live as long as they have as a result of the massive advances in medical science during their lifetimes. How do Boomers intend to fund their Long Term Care needs should this care be a necessity?

13

How are you funding or do you plan to fund your and, if applicable, your spouse's Long Term Care?



Savings pots were clearly a popular way of funding Long Term Care today. While nearly a quarter (23 per cent) of Boomers would rather rely entirely on the state for this care provision, more than a quarter (27 per cent) would rather not think about it (despite the fact that the oldest Boomers may be less than 10 years away from needing additional care).

Intergenerational and Inter family Subsidisation

Financial support for children and other family members continues deep into retirement

A third (33 per cent) of all Boomers anticipated continuing to support their children financially in some way, even after they retire and would be drawing their pension. The average number of years this large group of Boomers anticipated continuing to support their children in retirement was 9.6 years (on average up to age 72).

Those with pre-tax household income of under £10,000 (our lowest income group in this study) indicated they would be supporting their children income-wise for more than 21.6 years into retirement – more than double the average number of years.

That, for many of these low income Boomers, is throughout their entire lifetimes. By contrast, at the other end of the income scale Boomers with pre-tax household income of over £80,000 anticipated supporting their children for 10.7 years of retirement – only a little over the average.

Interestingly, the oldest group of Boomers, aged 72-75, recorded supporting their children in retirement for a record 14.3 years – and many of them had been retired for many years when we questioned them in early 2022.

16% of Boomers supporting grandchildren

This intergenerational subsidisation is increasingly spreading to a second generation – Boomers' grandchildren. The Dunstan Thomas study found that 16 per cent of Boomers were financially supporting grandchildren and nearly half of these Boomers (seven per cent of all Boomers) were supporting three or more grandchildren. A further five per cent were supporting two grandchildren and four per cent were supporting one grandchild.

Boomers were supporting grandchildren in diverse ways, with a number clearly making substantial contributions to help them through school and university, or to buy their first home and build personal savings pots: a third (32 per cent) were making contributions towards holiday costs, 63 per cent were making gifts into their savings pots, seven per cent contributed to or fully paid school and university fees. Four per cent of Boomers had contributed towards the cost of a first property, and 13 per cent had set up a trust fund for their later life. A total of 38 per cent of this group had made provision for their grandchildren in their will.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas, explained:

"Many Boomers are clearly financially supporting their children and increasingly grandchildren. And what they are likely to be setting aside for this purpose could well run into the thousands of pounds per year."

Our study also uncovered some national, regional and ethnic group hot spots of subsidisation. For example, Boomers living in Wales anticipated supporting their children up to 14.7 years into retirement. In Northern Ireland they planned to support their children through 15.2 years of retirement. In addition, Black Boomers anticipated supporting their children for 11.4 years of retirement.

Asians committed to helping their children in retirement more than any other ethnic group

A total of 57 per cent of Asian respondents reported that they were planning to subsidise their children once they themselves were in full retirement. This was the highest percentage of all, although 21 per cent of them (the largest cluster) only planned to continue subsidising them for up to five years into their retirements. Admittedly, 18 per cent did not know how long they would need to support them for out of their retirement income.

Although not asked directly, it may be that the higher percentage of Asian parents committed to supporting their children even after they have retired themselves is due to a higher level of intergenerational cohabiting in the Asian community (at least until children are married). This may result in mor Asian parents contributing to the finances of their children.

10% of those in higher income groups spending more to support other family members in retirement than while they were working

Certain groups anticipated spending more money supporting family members once retired than they when working. Here we identified that in two higher income groups (those with annual household income of £60,000 to £70,000, and the highest income group we captured with household income over £80,000) nearly 10 per cent of Boomers anticipated paying more to financially support other family members after they themselves had retired.

However, when you look at those with combined household income of less than £50,000, the percentage of Boomers anticipating paying more out to help their family members financially after they have retired dropped significantly to just over two per cent.

An average of four per cent of Boomers predicted that, once retired they would spend more money supporting family members financially than they did whilst working. Furthermore, an average of half (50 per cent) thought they would spend just as much on family members in retirement as they did before retirement. Only a third were convinced they would spend less money subsidising the income of family members once they were retired.

7% of Boomers still supporting their parents for average of 7.5 years of their retirements

Furthermore, seven per cent of Boomers were anticipating supporting their own parents, presumably with care costs, for an average of 7.5 years of their retirements. Eight per cent anticipate supporting other family relations for an average of just over seven years out of their retirement income.

Unpaid caring set to increase in retirement

On average, 19 per cent of Boomers provided unpaid care for a member of their family such as grandchildren or parents. Furthermore, nearly half (42 per cent) of Boomers who provided this unpaid care anticipated the number of care hours would increase following full retirement.

The age group which appears to be most likely to be helping the family out in this way was the 62 to 66 year olds - over a quarter (26 per cent) of them were caring for some member of the family.

On average, amongst 62 to 66 year old Boomers who were caring, they were doing an average of 3.6 hours of unpaid caring per week. Five per cent of them were providing more than 30 hours of unpaid care each week – practically equivalent to one full time job! This age cluster provided the most unpaid care as they were the most likely to have younger grandchildren and many also had parents who need care as well.

This 'sandwich effect' of caring (and potentially subsidising) for both an older generation and a younger one begins to reduce in the oldest Boomer age group aged 72 to 75. Just nine per cent of this demographic group provided any unpaid care. It's likely that the majority of them may have lost one or more parents by this stage, so do not need to provide care. Their children are also more likely to be fully financially independent.

Our research shows that providing support for much loved family members, especially children and grandchildren, is an important part of leading a fulfilling retirement for Baby Boomers. This underlines the importance of including adequate provision for this support in financial planning and in generic guidance tools such as PLSA's Retirement Living Standards.

Keeping pace with inflation

Four out of every five Boomers (78%) surveyed were expecting outgoings to continue to rise each year in retirement. But most of this group didn't think it was going to be a problem because those rises were going to be in line with inflation (for 47 per cent) or even behind inflation (for 12 per cent).

In other words, the majority anticipate being able to contain costs so that inflation does not eat away at their spending power. It's also worth remembering that nearly half of all Boomers have DB pensions, many of which are linked to the more generous Retail Prices Index (RPI), so whatever inflation is happening out there, those DB annuity holders can keep ahead of it.

However, when inflation runs rampant, as it is right now, nearly everyone worries about whether their income can keep pace with rising prices and therefore potential outgoings. Even in early 2022, one in five (19 per cent) were worried that their retirement outgoings could increase faster than inflation rates. Just 15 per cent expected their outgoings to remain the same each year, effectively this group didn't plan to give themselves a pay rise each year in retirement. Seven per cent anticipated a steadily decreasing expenditure as retirement progresses.

Although evidence in this study indicated that average household income fell by very nearly a third at retirement, nine out of 10 (93 per cent) of all Boomers did not expect their outgoings to decrease in retirement.

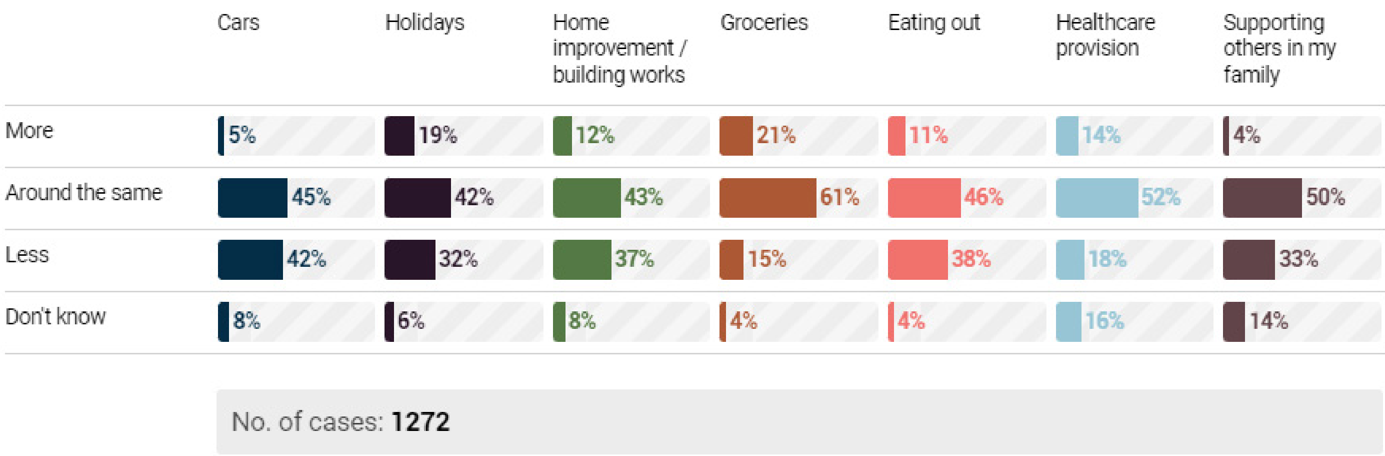
It is likely that in early retirement there will be some higher costs associated with buying a new car, renovating a home, paying off a mortgage, or going on a luxury holiday. You only have to look at how Boomers spend their Tax-Free Cash (detailed earlier in this report in Section 4) to see how regularly these big ticket items were paid for early on in retirement.

Most Baby Boomers anticipate spending will be the same or lower in retirement

When we looked in detail at how many Boomers anticipated paying more for key items of expenditure in retirement, only in specific areas like holidays (19 per cent), groceries (21 per cent) and healthcare (14 per cent) do sizable numbers of Boomers anticipate spending more in retirement than they did/do whilst working. Most simply believe that they would be able to 'cut their cloth' to fit the new reality of reduced income in retirement, with or without rampant inflation.

A high number of respondents also predicted an increase in spending on grocery shopping. Once retirees have finished working, many will spend an increased amount of time at home, and as a result spend more on groceries. For example, 27 per cent of the oldest tranche of Boomers surveyed, aged 72-75, predicted an increased grocery shopping bill in retirement. In this age group, retirees tend to go eat out a little less, so their expenditure on groceries will increase accordingly.

Do you think you will be/are you spending more or less on the following expenditure items once you are retired?



Luxury spend increases in retirement for those on higher incomes

32 per cent of respondents whose pre-tax household income was between £60,000 and £70,000, predicted their spending on holidays would increase. It is likely that this income bracket has more disposable income than others and can therefore plan to spend more money on luxuries such as holidays.

Engagement & Digital Adoption Challenge

The Dunstan Thomas study found that industry initiatives designed to increase pensions engagement which have been imposed on providers in the wake of Pension Freedoms were not working well for Baby Boomers. Regulatory changes introduced in November 2019 required Wake Up Packs to be delivered when prospective retirees turn 50, and then every five years after that until they have fully crystallised their pensions, meaning that every personal pension holding Boomer should have received at least one pack by now.

Wake Up Packs not working for 70% of DC-holding Boomers

The study explored the level of recognition of receipt and impact of Wake Up Packs. Engagement results did not look good: 40 per cent of Baby Boomers aged 58 or over (with DC pensions) didn't even remember receiving a Wake Up Pack and a further 30 per cent confirmed that they had 'not received the pack from their provider'. Of the 30 per cent that did remember receiving it, the average age of receipt was 60.5 years.

Given the lack of engagement with Wake Up Packs evident in these findings, it makes sense to explore digital delivery of these packs via a web portal or mobile app. Customers would be more likely to look at their pensions earlier and decide if they need to make changes. With the help of digital projection tools (if non-advised) they could make changes to their contribution levels and underlying fund selections well ahead of starting their decumulation journeys.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas, commented:

"Providers need to think about how they can increase the percentage of customers they engage in a more interactive retirement planning discussion as the Wake Up Pack 'goes digital' and interactive."

Lack of engagement with Pathways suggests it's still too complicated for non-advised

The study also researched retired Baby Boomers' engagement levels with the new Investment Pathways which came into force in February 2021 for those accessing their pension for the first time without access to financial advice and holding DC pensions. However, Investment Pathways communications also seems to be falling on stony ground: only 15 per cent of retired and non-advised Boomers questioned remember being offered Investment Pathways decumulation options over the previous year. Furthermore, 62 per cent of this group of Boomers confirmed they had not been offered the Investment Pathways since they went live.

At the time of the survey, Investment Pathways had barely been running for a year, so it didn't come as a surprise that such a substantial portion (83 per cent) of our sample claimed to not have even been presented with the four pathways. Investment Pathways are only offered to non-advised DC pension policyholders at the point of decumulation, so this does narrow the sample size considerably.

However, in January 2022 major UK self-directed investment platform Interactive Investor, reported that just five per cent of all its customers starting their decumulation journeys in the last year had considered the four Pathways mandated by regulation. Furthermore, only one per cent went on to purchase one of these pathways! Based on this, the platform called for the Financial Conduct Authority to review the Pathways with a view to further simplification to stimulate increased uptake of the four options.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas added:

"These numbers are depressingly low but are only averages. I believe that the best communicators are already achieving much higher scores, whilst the worst are leaving their customers almost in the dark."

Digitisation and Boomer Resistance

There's positive news for providers digitising their policy information delivery services, as Baby Boomers gravitate online for consumption of financial information: over half (58 per cent) of 58 to 75 year old Boomers now 'research financial or retirement options and products online'. While 30 per cent were prepared to have 'financial planning discussions via video calls or webchat', and only a quarter (26 per cent) still preferred to go into a local bank branch for financial advice on retirement planning.

Mobile app demand strong

The drift in demand for digital services is extending to the smart phone as mobile apps are now in hot demand, the study also uncovered. Yes, 70 per cent of Baby Boomers now like the idea of instant alerts being sent to their mobile if a tax policy change is likely to impact their pension pot. Nearly two-thirds (61 per cent) favoured being alerted via their mobile if their portfolio became unbalanced, for example.

Furthermore, well over half (58 per cent) would like to get mobile alerts if the value of their retirement investments goes up or down by more than 10 per cent in one quarter. A lot can be achieved through mobile instant alert services as they can now be designed for easy access, to enhance understanding and help policyholders stay up to date with their pension wherever they are.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas:

"Boomers' openness to receiving mobile alerts highlights a shift in their attitudes towards receiving relevant, timely and potentially actionable communications via a mobile app and/or web portal."

Digital resistance amongst oldest Boomers

However, providers still have a balancing act to perform as amongst older Boomers, there was still compelling evidence of 'digital resistance'. Resistance to technology and digitization was most prevalent among female Boomers aged 72-75, our oldest sub-group: 47 per cent of female Boomers of this age group still did not use email to communicate with their pension provider and 73 per cent of them were avoiding using a smartphone app too.

Resistance to using technology has delayed the digitization of document delivery services but the tide is beginning to turn as greater numbers of Boomers accept that they need to do more online than they used to do in the past.

Boomer digital adoption in more detail

The vast majority of Dunstan Thomas' sample of 1,272 Boomers own tech such as tablets, smartphones, e-readers and laptops but they do not spend much time on them each day:

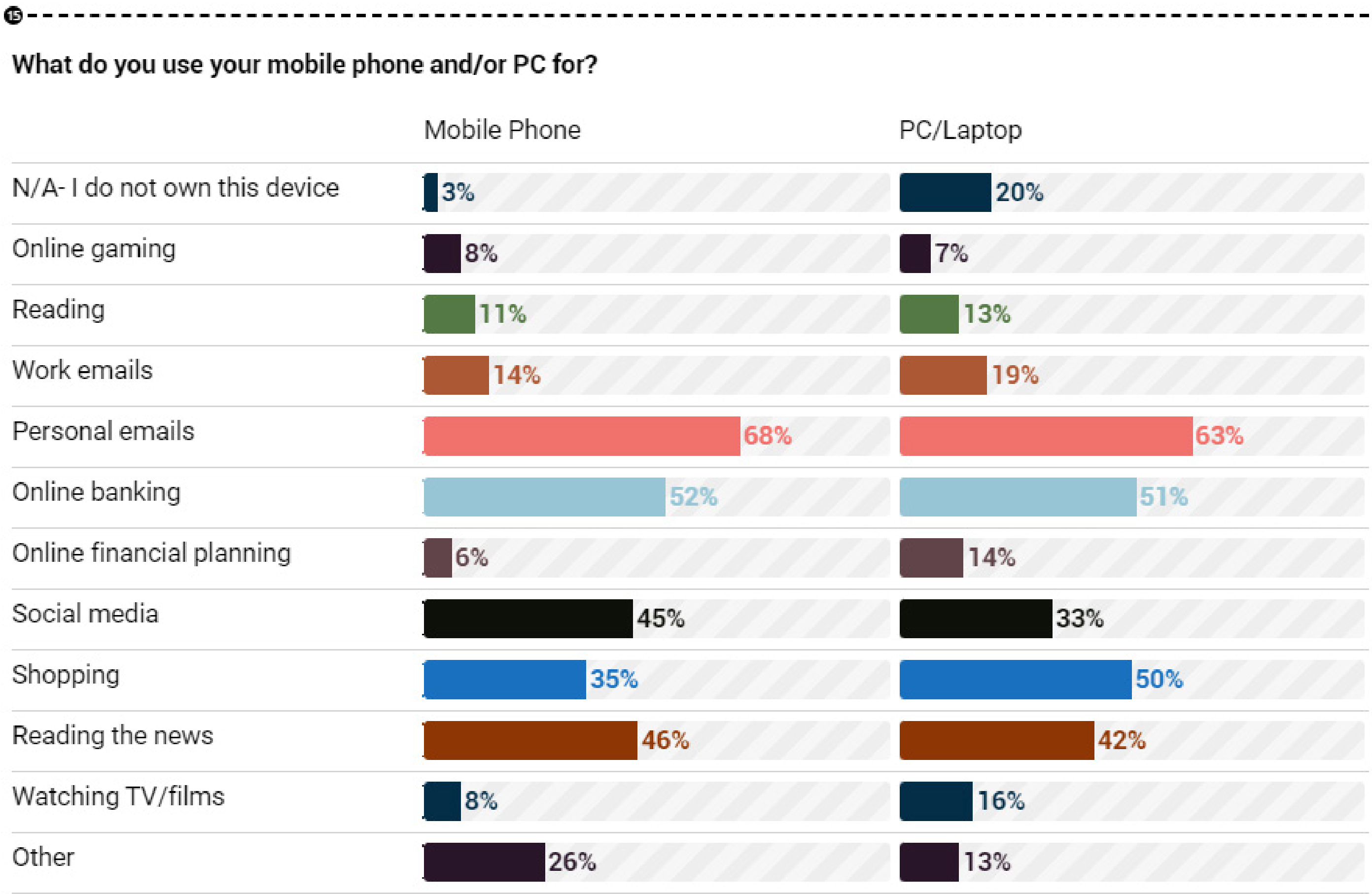
- 36% spent less than one hour per day on their smartphones
- 27% spent less than one hour per day on their tablets
- 42% spent less than one hour per day on their e-reader
- 24% spent 1-2 hours per day on their laptop
- 24% spent less than one hour per day on their laptop

What are boomers using this tech for?

68 per cent of Baby Boomers were using their smartphones for personal emails, 52 per cent for online banking and 46 per cent for reading the news. 35 per cent were using it for online shopping. They have the same pattern of usage on their laptops also, although their PCs are used more for shopping (50 per cent) and for watching TV/films (16 per cent).

Older Boomers own more devices

The older Boomers were more likely to own these devices but were a little more limited in what they use these devices for. For example, 23 per cent of the youngest tranche of Boomers (58-62) don't own a PC, whereas just 14 per cent of the oldest tranche (age 72-75) didn't own a PC.



Boomers gravitating to online retirement advice and guidance

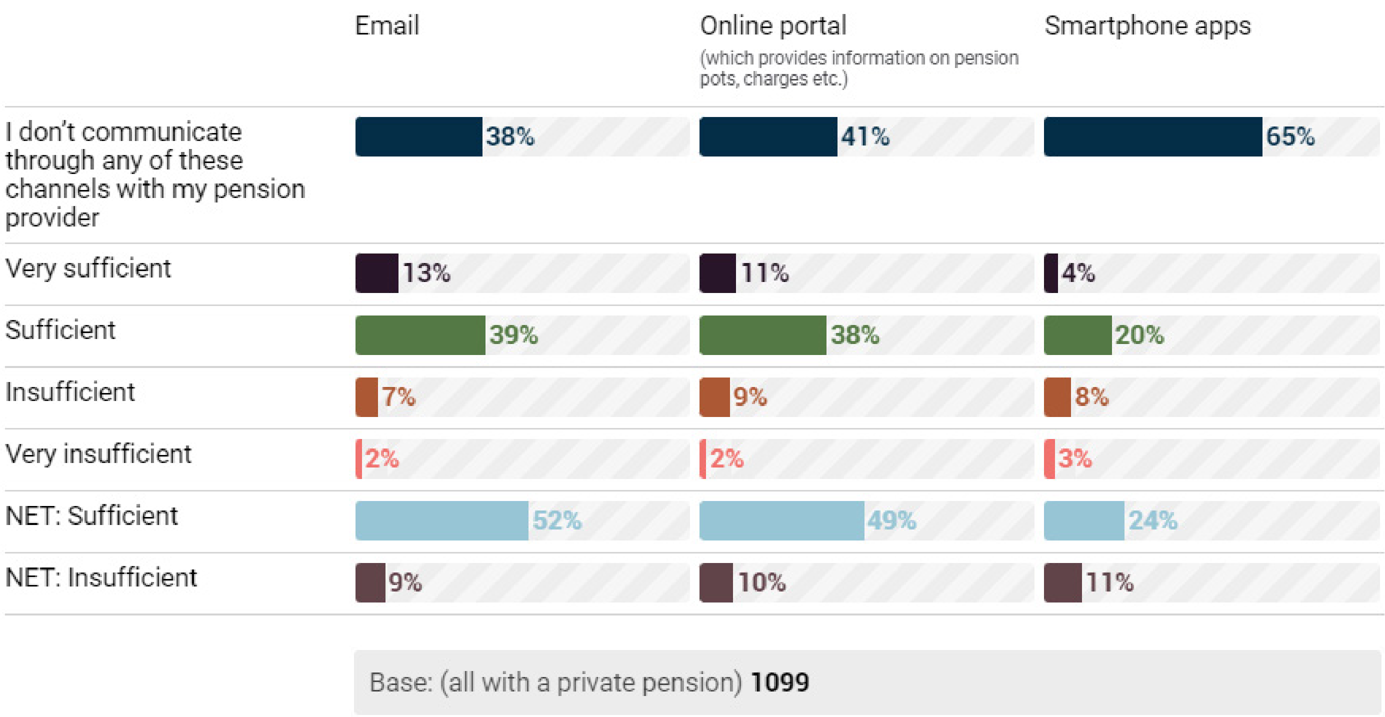
In terms of which channels Boomers preferred to go to for retirement planning advice and guidance, an impressive 58 per cent (and the largest single group) 'would research financial, even retirement, options and products online', while 30 per cent would be up for financial planning discussions online perhaps via video calls or webchat.

Over a quarter (26 per cent) still preferred to go into their local bank branch for financial advice or guidance on retirement planning and 18 per cent preferred more telephone-based retirement planning communications.

Provider 'Digitization' still Work in Progress

About half of Boomers with personal pensions found their providers' email and online portal-based comms 'adequate'.

How sufficient do you find your pension provider in helping you/answering your queries through the following media:



Less than a quarter (24 per cent) are happy with their providers' smartphone app, yet there is good evidence that mobile alerts could be well received by Boomers. This suggests there is room for providers to improve engagement via mobile app-ready dashboards and mobile alerts.

'Digital resistance' still strong amongst Boomers

Yet a disturbing number of Boomers were not using digital channels to communicate with their providers at all. For example, 47 per cent of women Boomers and 45 per cent of 72-75 year olds as a whole didn't use email for correspondence with their providers. Furthermore, 52 per cent of women and 49 per cent of all 72-75 year olds were not currently using online portals to communicate and get information from providers about their pension.

Nearly three quarters of all women Boomers (73%) and the same percentage of 72-75 year olds eschewed use of a smartphone app for communicating with their personal pension provider and keeping up with their pension.

Mobile instant alert services as Trojan Horse into deeper pensions engagement

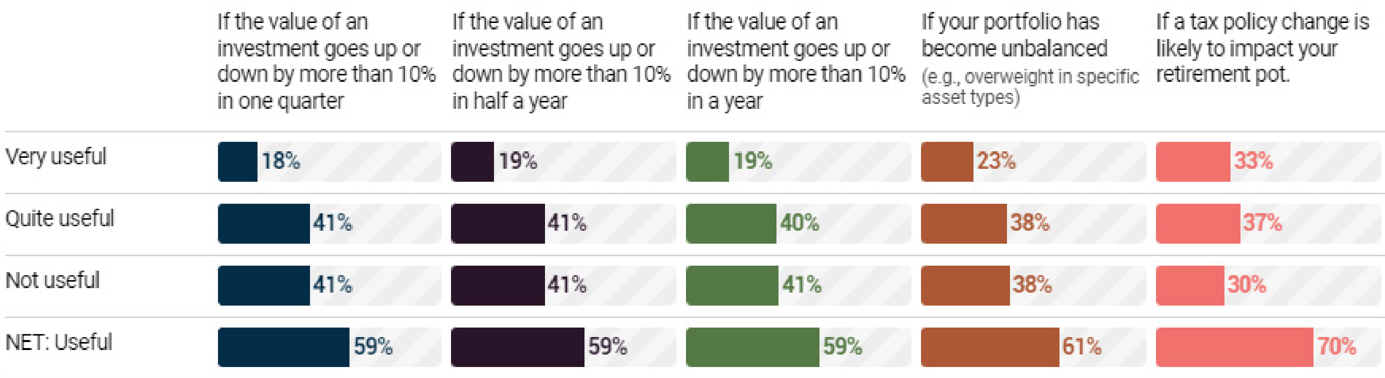
70 per cent of Boomers liked the idea of an instant alert to their mobile phone if a tax policy change was likely to impact their retirement pot (if they don't act/make a change), and 61 per cent favoured getting an alert if their portfolio had become unbalanced (e.g., overweight in a specific asset type). 59 per cent of Boomers who owned a mobile phone and had a personal pension, said that they would like to be alerted via their smartphone if the value of an investment went up or down by more than 10 per cent in one quarter.

Adrian Boulding, Director of Retirement Strategy at Dunstan Thomas:

"Technology offers the scope for providers to deliver a very different form of communication than that historically envisaged by regulators. The demand for information alerts via smart phone was particularly encouraging. Technology also provides the means to measure the effectiveness of new communications, so Boards signing off on such investments can really hold the feet of the executive to the fire for delivery."

17

How useful would it be for you if your pension provider/platform sent instant alerts to your mobile phone about the following?



Base: (all with a private pension and a mobile phone) **1068**

Dunstan Thomas commissioned financial services specialist market research agency Opinium to complete the research which gained responses from 1,272 nationally-representative 58-75 year old Baby Boomers across the UK. Respondents completed an online questionnaire containing 34 core questions and 15 qualifier questions between 28th January and 10th February 2022. Dunstan Thomas also conducted 20 on the street video 'vox pop' interviews with Baby Boomers in Southport, near Liverpool, as well as in London and Bristol during week commencing the 18th of April 2022 to check and confirm online research findings.

Top 8 Findings

There is a good deal of change going on in the retirement behaviour of Boomers which we've detailed in this report, wherever possible comparing them with our previous investigation of Baby Boomers retirement prospects completed in late 2017. The top 8 key findings here offer a catalyst for further industry discussion and technology and product innovation over of the next few years:

1. **Nearly half of Boomers are still working and many want to retire later** – 44 per cent of them were still working at the start of this year and 71 per cent of this group of working Boomers plan to work on beyond today's State Pension age (66 years). The average age these Boomers plan to work on is 4.3 years beyond State Pension age i.e., at 70.3 years old.

2. **Some Boomers are being pushed into retirement earlier than many wish** – despite age discrimination laws, there appears to be some evidence that many Boomers were being pushed out of full-time work earlier than they wish to. For example, average actual retirement age of Boomers in this study is 63.4 years old. That said, the pandemic does also seem to have precipitated a spike in voluntary resignations amongst the over 50s.

3. **Boomers' household income drop by a third once fully retired, falling to just under the PLSA's Moderate Retirement Living Standard recommendation:** Average annual pre-tax household income amongst all UK Boomers that were still working in early 2022 was £44,711. Average annual pre-tax household income of fully retired Boomers captured by in this study falls to £30,259 – a drop of very nearly a third (32.4 per cent) at retirement, and running very close to the **Pensions & Lifetime Savings Association's 'Moderate' Retirement Living Standard** household income recommendation for a UK couple (living outside London) which currently stands at £30,600.

4. **A third (33 per cent) of all Boomers anticipated continuing to support their children financially for an average of nearly 10 years into full retirement:** For these Boomers, it seems clear that their retirement income may well be well below the PLSA's Moderate retirement income level because the body only sets aside £600 annually for 'helping others' into its model, including providing grandchildren with gifts and helping their children pay for school uniforms and/or school trips for their children. In addition, we found evidence that younger Boomers were subject to the 'sandwich effect' of still supporting their elderly parents with unpaid care or subsidising care arrangements.

5. **DB versus DC retirement income divide remains marked:** Boomers with DB plans were set to get an average of 51 per cent of all their retirement income from this plan, whereas those with DC plans estimate they would/were deriving 37 per cent of their retirement income from their DC plans.
   When State Pensions are factored in from age 66 for men and women – all pensions generate an average of 57 per cent of overall retirement income. Those with DB pension entitlement have a bedrock of guaranteed income which many DC pension holders do not have. 14 per cent of Boomers were reliant on State Pensions alone for their retirement income.
   Anecdotal evidence captured in interviews around the UK suggests that many have retirement income savings held in their banks, building society, in ISAs as well as in stocks and shares. Others had Buy to Let properties.

6. **Nearly one in 10 (9 per cent) Boomers' retired during the pandemic** – admittedly only three per cent were forced out of work by redundancy but a further six per cent made up the Great Resignation bubble, electing to retire earlier than originally planned for their own reasons.

7. **Prospects for wealth management businesses very good as demand for advice close to and in-retirement is strong:** Nearly half (46 per cent) for those with DC pensions including SIPPs, had sought or will seek financial advice about their pension before they retire. And the youngest segment of Boomers captured in this study, aged 58-61, were the most likely to seek pensions-linked financial advice – nearly a third (32 per cent) of them have done so or planned to seek regulated financial advice. Advice hotspots at- and in-retirement this study uncovered included setting affordable drawdown rates whilst optimising retirement income, Inheritance Tax Planning, as well as Equity Release and downsizing.

8. **Wake Up Packs and other regulatory Member Engagement Interventions have had only limited success** as nearly a fifth of Boomers with non-workplace DC plans had not yet realised what Pension Freedoms were available to them at decumulation.
9. **Increasing digitisation of member communications and increased mobile usage offers a major opportunity to increase pension engagement:** This will be increasingly critical as DC pension-held savings start to dominate and optimising retirement income becomes an increasingly pressing issue for those planning their retirement.

All these factors combined, create a massive opportunity for providers to engage with their customers and help them navigate these changes using new digital tools, portals and platforms. If they don't grab this opportunity, others will. Indeed, the regulator will force modern, smarter consumer communications requirements.

We hope this report provides food for thought in terms of finding opportunities to engage or re-engage with your customers wherever they are on their retirement planning or decumulation journeys.

Conclusion

Making good financial choices at- and in-retirement is proving harder and more critical

Before Pension Freedoms, for the majority at least, there weren't many at-retirement financial decisions to make. Your employer generally determined at what age you retired. If you were one of the lucky ones, you had a generous final salary pension providing you with a guaranteed income (often index linked) for the rest of your life.

The percentage of Baby Boomers now reaching State Pension age with generous Defined Benefit pensions has fallen dramatically. This study found that only 48 per cent of Boomers still have one, and many of those were frozen to new contributions many years ago. Only about a quarter of Generation Xers have a DB pension. Generation Z will just have to ask their ageing relations what a final salary pension was, along with the compact disc, Woolworths, fax machines and the tortuous ring tone of early dial-up internet access.

Pressure on retirement income from both sides

We are already seeing retirement incomes from pensions falling, partly because of the big DB to DC pensions transition.

Dunstan Thomas has also been monitoring the increasing level of financial support Boomers are providing to their children and even grandchildren, subsidising the next generation or two out of generally reducing retirement incomes.

The average household retirement income sits fractionally below the PLSA's 'Moderate' Retirement Living Standards, and that this Standard assumes Boomers are subsidising other family members to a maximum of £600 per year.

Our research indicated that many Boomers are paying far more than this to help their children and grandchildren and they are doing so for many years into retirement. Much of this intergenerational subsidisation goes towards big ticket items like holidays, school fees, university accommodation, buying a first home and weddings.

Increasing use of equity release and downsizing

Perhaps it's not surprising that many Boomers have already used equity release products or downsized to release funds to unlock additional funds for retirement. We found out that six per cent of Boomers had already downsized and that 17 per cent said they were likely to move to a smaller home deeper into retirement. We predict that property-held wealth will play an increasingly important part in retirement income planning.

Budgeting & Bucketing

Optimising retirement income will lead to a new generation of retirement products and online tools broadly aimed at some core objectives:

1. Maintaining investment growth on retirement savings.
2. Deciding whether to provide a guaranteed income from a portion of retirement savings.
3. Avoiding 'over-drawdown' – being prepared to reduce income when possible in order to reduce sequencing risk.
4. Determining if or when to release additional equity from your home.
5. Working out affordable sustainable subsidisation levels for family members.
6. Working out how to afford home help, personal care in the home and residential care if needed.
7. How to minimise inheritance tax bills.

We plan to use the insights from this study to keep working with our customers and partners to develop innovative retirement products, services and technology solutions delivering better customer outcomes in-retirement.

I really hope that our latest Baby Boomer Report provides you with some additional insights which can help your business plan and grow in the future.

Yours sincerely,

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