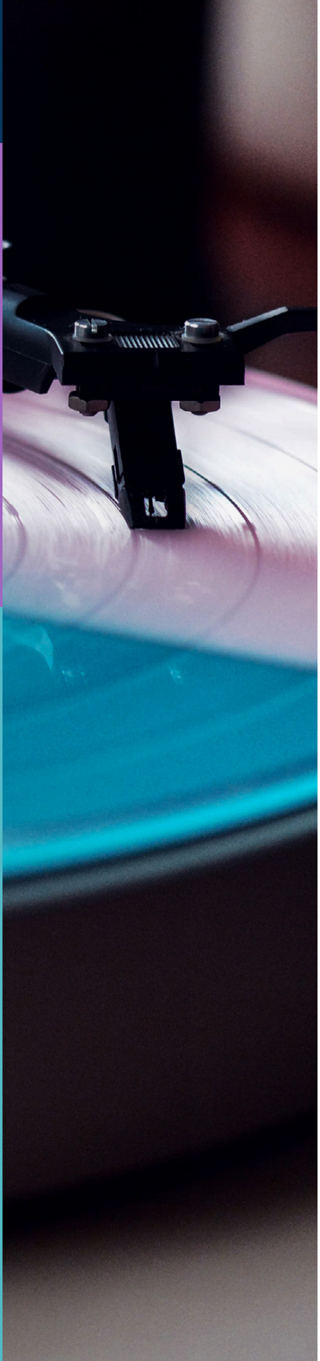

The Dunstan Thomas

# ‘ENGAGING WITH BABY BOOMERS' RETIREMENT JOURNEYS’ Consumer Study

*Management Report of Findings from a nationwide study of 54 to 71 year olds*

# Preparing for engagement on longer semi-retirement customer journeys

Here at Dunstan Thomas we have invested a good deal of research time and resources this year into understanding the longer-term savings expectations, behaviours and motivations as well as the existing engagement and the 'digital maturity' levels of two very different demographic groups – Millennials and Baby Boomers.

This knowledge will inform our own research and development of savings, investments and retirement planning and engagement portals for providers, platforms and administrators in the coming years, as the market braces itself for accelerating digitisation and even greater levels of transparency.

These insights will also help ensure that we are meeting your customer engagement requirements through customers' new (and likely lengthening) 'semi-retirement' journeys. The intelligence can be put to work to help you with the engagement aspects of your own customer platforms, adviser platforms or via new digital initiatives such as Pensions Dashboard.

The first group, the Millennial Generation aged 23-36, was subject to a nationwide consumer study which we commissioned back in December 2016. You can find a summary of our findings in The Dunstan Thomas 'Engaging with Millennials' Consumer Study report on our website. The second, detailed in this report, covers the entire Baby Boomer Generation age group from 54-71.

There are clearly opportunities to engage millennials by using providers' online portals and mobile apps as well as product innovations which meet their needs more directly. Customer loyalty can be built with the next generation of savers by helping them budget and set aside money for short, medium and longer-term goals - including for retirement.

Indeed, we were surprised and delighted to see that millennials' attitude to saving was far from the 'You Only Live Once' mantra that we are often fed by the mass media. We found out more about the types of mobile apps which they are already using to help them manage their financial affairs, encouraging them to budget better and save more. We also gained detailed and generally positive reaction to the launch of the Lifetime ISA from this target group.

For Baby Boomers, covered in this report, we explored what at-retirement communications they'd already had from their providers via the Wake-up Pack and expectations for the pending online Pensions Dashboard. We can reveal that nearly one in five Boomers aged between 66-71 are still working either full or part-time.
Indeed, it's clear from reviewing our findings that the nature of retirement has already changed. Many more people are in paid work into their late 60s and beyond, and semi-retirement is a distinct and growing phenomenon in our market.

We also explored total retirement income expectations and exposed the details surrounding the so-called 'Sandwich Generation' effect whereby people of retirement age are, in some cases, looking after adult children, providing childcare for grandchildren, and/or looking after elderly parents. Some are shouldering considerable care burdens – all placing heavy demands on their retirement income.

We also looked at the effect of Pension Freedoms in terms of decumulation decision-making and the implications of that change for additional financial advice, guidance and online planning tools. We explored the DB/DC pension wealth divide and the different retirement expectations of men and women. We even looked at the rising use of home equity as an increasingly large piece of Boomers' total retirement income pie.

I sincerely hope that this Baby Boomer report provides some additional insight which can help your planning and innovative thinking going forward.

Yours sincerely,

Christopher Read

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Dunstan Thomas Group

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## Contents

## Introduction

# Setting the Scene

In the last quarter of 2016, Dunstan Thomas embarked on a 12-month journey to better understand the long-term savings habits and retirement income expectations of two crucial demographic groups - millennials and Baby Boomers. It is vital that the retirement market serves both of these better if it is to prosper in the future. We also probed the communications expectations of these two groups, the scale of the advice gap and the extent that guidance services are filling this void.

Our aim was to share the insights we gleaned through in-depth consumer market research, with providers and advisers alike, to help them better serve these groups. We will also use these same insights to offer technology solutions to support providers' customer retention and engagement endeavours.

The first group we studied through a comprehensive independent nationwide consumer study, executed by financial services expert research group Opinium, was the Millennial Generation, aged 23 to 36-years old. The core findings from the Opinium study were published in April 2017 and can be downloaded on Dunstan Thomas' website.

During the summer of 2017, we commissioned a second nationwide study – this time of 54 to 71-year old 'Baby Boomers'. This report contains the highlighted findings from one of the most comprehensive series of questions put to this crucial group, both pre-and in-retirement, since Pension Freedoms came into effect two and a half years ago.

Throughout this report will refer to the State Pension Age (SPA) as being currently 65. At the time of the research SPA was exactly 65 for males and between 64 and 65 for females.

### Age, gender and regional representation

It became clear that, with such a large age group, there was merit in looking at three age ranges or tranches as follows: Young Baby Boomers aged 54-59 years old, pre-retirement Baby Boomers aged 60-65 years old and the above State Pension Age group aged 66-71. In this way, we could compare and contrast these three sub-groups' retirement income expectations and retirement planning behaviours.

The sample surveyed included 367 of the youngest group of 54-59 year olds; 320 of the pre-retirement group of 60-65 year olds, and 314 of the oldest tranche aged 66-71 year olds. The gender split was 490 males and 512 females, giving us a total sample of 1,002 Baby Boomers which was enough to give us a statistically adequate sample of more than 50 Baby Boomers in each of 12 geographical regions of the country.

# The growth of semi-retirement

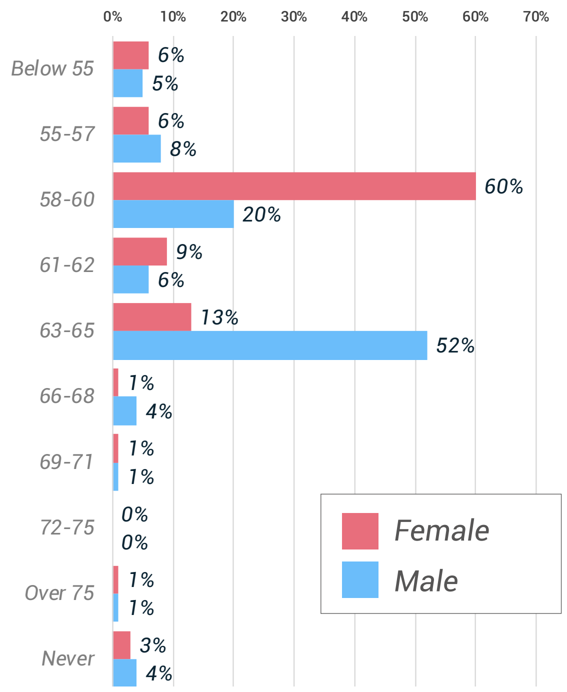
### Semi-retirement trend will grow

59% of Baby Boomers we surveyed are not yet retired. We were surprised to see retirement ages already slipping for many Boomers. Although the current State Pension Age (SPA) of 65 years old is still widely considered as a target date for retirement, many are not actually stopping paid work at that age. What the data shows is that many people are moving into full retirement gradually and not ending paid work for several years post-65. This led us to call this trend 'semi-retirement'. We predict that the semi-retirement trend will only grow from here and will have widespread implications for pension policy holder communications, platforms, the future Pensions Dashboard, illustrations, retirement products and many other aspects of the retirement market. This group can miss out on pensions auto-enrolment as each job tests them against the earnings thresholds independently of other income sources. One or more of their part-time jobs may be zero hours or erratic contracts, so they may welcome the flexibility of a Lifetime ISA (LISA) over the long-term commitment of a pension.

## Retirement age slipping

It was also clear that retirement age expectations have shifted significantly for Baby Boomers aged 54-71 years old since they joined their first pension and stated an anticipated retirement age up to 40 years ago. The mean average retirement age stated back then was 59 years old. Most women (72%) expected to retire by 60, compared to 33% of men.

*At what age did you expect to retire when you took out your first pension?*

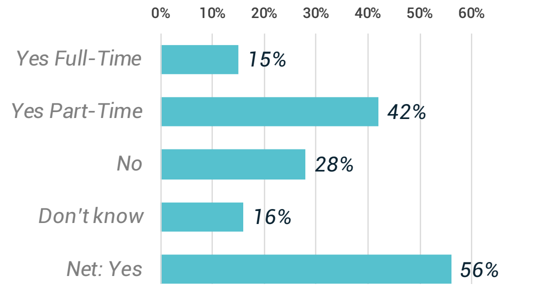



| | Female | Male |
|---|---|---|
| *Mean expected age of retirement originally* | 58 | 60 |
| *Net: By 60 years* | 72% | 33% |
| *Net: By 65 years* | 94% | 91% |

The reality is very different for the majority today. Nearly one in five (19%) of the oldest Boomers, aged 66-71 years, were still working full or part-time to supplement their retirement incomes. This group was made up of 8% of state pension-age people who are completing 30 hours or more of paid work each week and 11% working part-time, up to 29 hours per week for money.

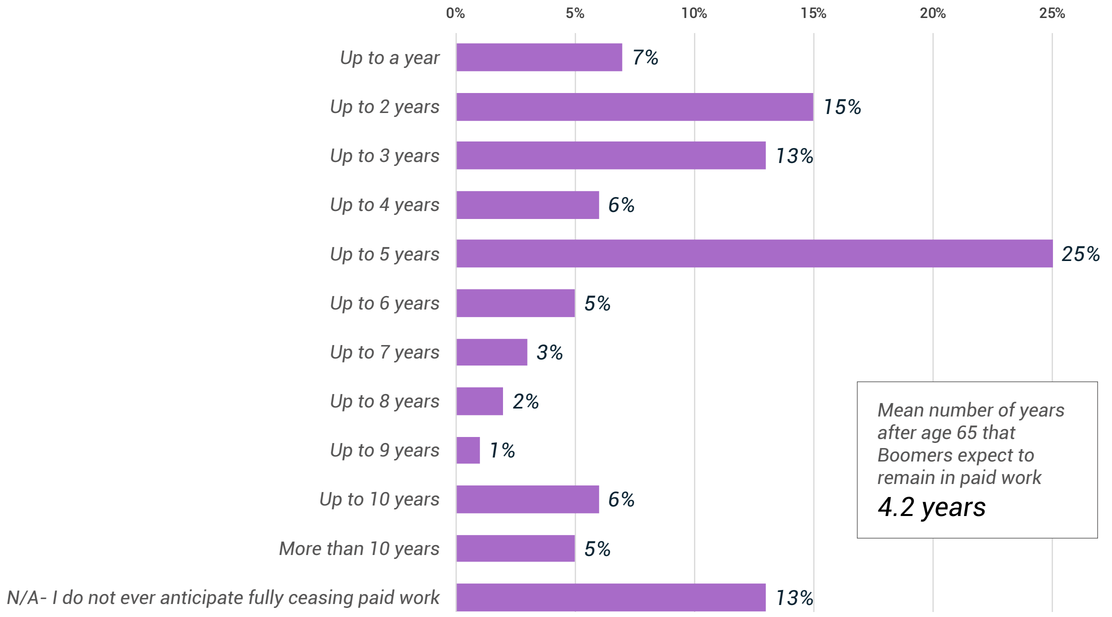
Looking across all 54-71 year old Baby Boomers who are not yet retired (589 of the sample of 1,002) over half (56% net) already are or predict working full- or part-time to supplement their retirement income beyond the State Pension Age of 65 years. The breakdown between full and part-time working post SPA as follows:

*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).*




When we asked how long they expect to be working post 65, the net average figure was 4.2 years. This means that over half of Boomers predict or have already worked (in full or part-time paid work) into their seventieth year.

*You mentioned you anticipate working full or part-time/you do work full or part-time to supplement your income in retirement. How long do you anticipate being in this 'semi-retirement' before you fully cease all paid work?*




A third of men (32%), and 17% of women predicted they would be in semi-retirement for up to five years beyond the SPA. One in every seven men (14%), and nearly as many women (12%), predicted they would never stop paid work ever!



# Falling retirement income and the role of housing equity

## Baby Boomer retirement income averages £23,376 - 40% less than average final salaries

Baby Boomers' overall annual pre-tax income in retirement from state and personal pensions and other investment sources is set to be an average of £23,376, across the 54-71 year old age group captured by the study. Older Baby Boomers, aged 66-71 years, averaged total retirement income of a healthy £25,323; while 60-65 years olds predicted an average of £24,089; and 54-59 year olds, presumably those most affected by the decline in Defined Benefit (DB) final salary pension penetration, predicted average retirement incomes of £20,486 per annum.

2017's average salary of people that have worked for more than 20-years is now £38,719 (Source: PayScale), so total retirement income predictions indicate an average fall in income in retirement of £15,343 per year or 40%. The retirement income of 54-59 year olds is expected to be about half average final salaries, based on the above numbers.

## Only 17% of Baby Boomers can predict their retirement income

More than four in 10 (42%) 54-59 year old Baby Boomers can't even approximate their future retirement income and, sadly, 31% of all Boomers have never actively financially planned for their retirement, even though a third of them are already over 65. Only one in six Baby Boomers (17%) know exactly what retirement income to expect when they retire.

Perhaps more predictably, the oldest tranche of Baby Boomers (66-71 years) are three times more likely to have an accurate picture of their retirement income than the 54-59 year old tranche (36% versus 11% respectively), although by the age of 66 it may be too late to do anything other than keep working, or downsize, to fix any significant income shortfalls.

This widespread ignorance reveals a massive communication failure by the pensions industry and Government. It is also an opportunity for those keen to close this knowledge gap. Government is already counting the cost of communication failure as they are stung by the prolonged and persistent WASPI campaign, driven by women who had not realised that their State Pension entitlement had changed. Our industry should heed how cross Baby Boomers can be when they feel they have not been properly informed.

## Housing equity needs to be added to retirement income estimates

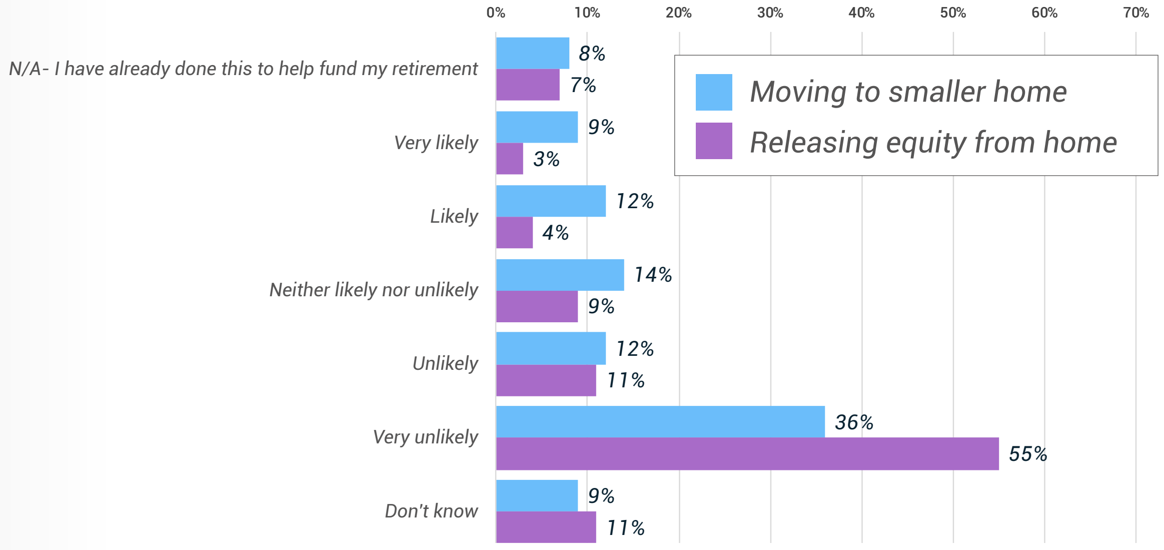
Another reason why Baby Boomers do not have an accurate view of their likely retirement income is that a substantial minority are now anticipating using equity in their home to supplement any retirement income shortfalls (see the TISA Old Mutual Wealth 'Can housing wealth save the day?' Report on this, dated 24th November 2016).

The TISA report cites the lack of access to information, specialist financial advice and life-time mortgage products to enable conversion of home equity into annuity income as the key barriers to helping people to make an accurate assessment of what they can expect from equity release, even though many have decided that they will be, at least partially, reliant on home equity to fund their retirement.

## Third of Baby Boomers plan to downsize, 1 in 7 to release home equity to supplement retirement income

Confirming this, the Dunstan Thomas Baby Boomer study found that nearly a third (29%) of all 1,002 54-71 year olds questioned were likely to, or had already downsized their home to supplement their retirement income; while 14% were likely to, or had already released equity from their home.

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




*Net Likely or Have Already Downsized to part-fund retirement ... 29%*
*Net Unlikely to Downsize to part-fund retirement ... 48%*

### 42% of Baby Boomer home downsizers will complete move within 5 years of retirement

Drilling deeper into these numbers, the survey uncovered that 11% of 66-71 year olds had already moved to smaller homes to release equity, and nearly as many (9%) 60-65 year olds had done the same. While for the youngest tranche of Baby Boomers - aged 54-59 years - 11% said they were very likely to downsize to unlock funds but understandably only 3% of them had completed this move.

Of those that are likely to downsize or release equity from their home, 42% of them expected to complete this work within five years of retirement, while one in five (19%) expect to complete it within 10 years of retirement.

### Top reason for downsizing - to reduce running costs

When asked specifically why they plan to downsize - most are simply reducing their costs: 37% are planning to move into a smaller place because it will be 'less costly to run'; while 13% are looking to reduce their mortgage and other debts. More positively, 14% plan to use it to support more holidays, while 7% are passing released funds onto children and grandchildren to help them out.

Another trigger for downsizing is funding long-term care (LTC) bills: 14% think that LTC bills may force them to move to a smaller place; while 4% have sold (or think that it may force them to sell) their home outright and rent. Some 4% have/may fund LTC via investment properties, while 5% plan to use equity release, and 6% an inheritance. Just 2% will rely on children or grandchildren to keep paying these bills. Only 2% have or plan to have a private long-term care plan of some sort and just 9% of Baby Boomers claim to have made savings provisions for LTC thus far. More than half (54%) haven't thought about it and/or will rely entirely on the NHS for healthcare support in later life.

> "The downsizing to part-fund retirement trend is set to increase. It's a trend that has already been spotted by some housebuilders who are building smaller homes. Of course, the trend also means that millennials looking to get on the housing ladder are likely to be competing with retirees (generally with no mortgages) to buy these smaller houses."

Baby Boomer downsizing in retirement could lead to an imbalance in the housing market as larger properties begin losing value (but from a high base), while smaller ones continue to increase beyond the reach of even more first-time buyers.

## Advice, guidance and understanding

### 20% turn to regulated advisers for retirement planning, nearly as many to use guidance services

Nearly half (47%) of Baby Boomers have done nothing or plan to do nothing at all to gain more knowledge about pensions pre-retirement and only 20% of Baby Boomers have sought, or plan to seek, face-to-face regulated financial advice.

Perhaps more encouragingly for the Government, nearly as many - 17% - have sought or will seek financial guidance from the likes of Money Advice Service, The Pensions Advisory Service or Pension Wise. A quarter are still relying on reading the financial pages of the nationals for guidance in this area. This is a problem because the regular money pages of the nationals have been steadily reduced in both quality and number in recent years as nationals' paid-for hard copy readership and advertising revenues have fallen away in the digital age.

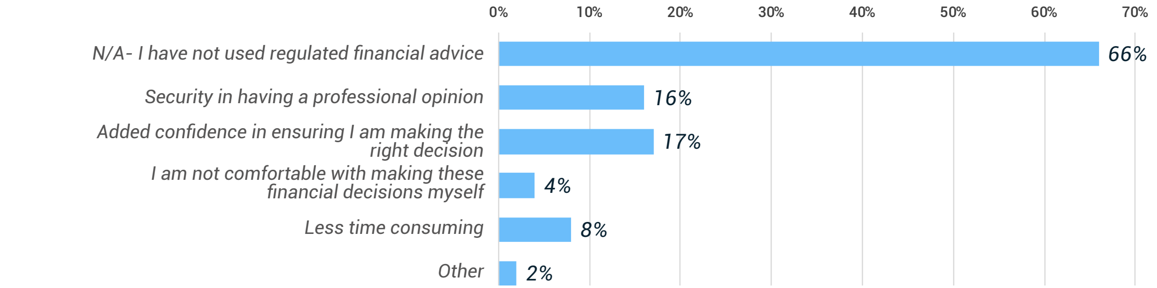
## 12% of Boomers taking IHT planning advice

Financial advisers specialising in Inheritance Tax Planning (IHT) may be alarmed to hear that over half (54%) of our sample have no intention of going to an adviser for IHT-related financial advice. That said, 12% were planning to use an adviser for this purpose and overall 17% of the sample had already used a regulated financial adviser to give them more confidence that they were making the right financial decisions pre-retirement.

## Regulated advice is used to provide reassurance as well as expertise

Of those that have used a regulated financial adviser to help them with retirement income planning, the key reasons for doing so are for gaining professional expertise on the best course of action and getting ‘added confidence in ensuring I am making the right decision.’ Two-thirds (66%) of the Baby Boomers had had no financial advice at all on their retirement income building or decumulation journey.

*For which of the following reasons, if any, have you used regulated financial advice (e.g. from an IFA)?*

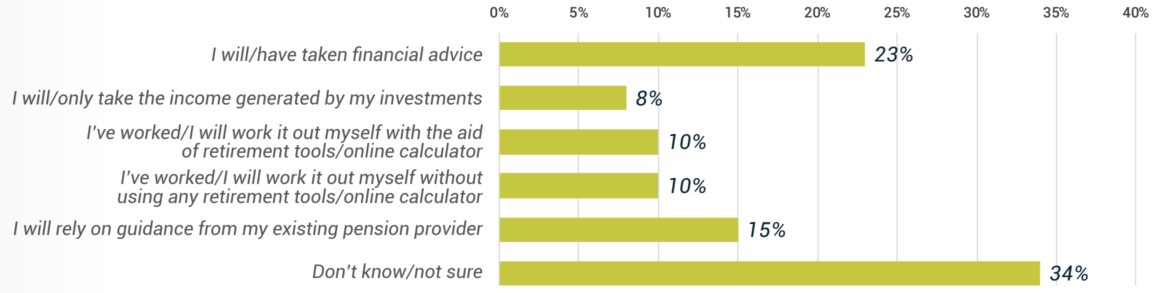





There is some evidence from our study’s findings that Pension Freedoms choices are triggering greater interest in taking either advice or guidance.

However, 36% of the sample could not differentiate between regulated advice and guidance and only 17% claim to fully understand the difference.

*Now that your pension will not automatically be 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?*




We think we have exposed one of Donald Rumsfeld’s famous “unknown unknowns” here. People frankly don’t know how they are going to adjust the risk profile of their investments pre-retirement because they simply don’t know the importance of doing so. As the former US Secretary of Defense went on to say, it’s the unknown unknowns that tend to be the difficult ones!

The positive news for IFAs is that those taking regulated financial advice stand to have total pre-tax household retirement income which is 39% higher than those who have made all their retirement income provisioning decisions alone.

So, if you have gone to a regulated financial adviser you can hope for, on average £33,577.45

total annual retirement household income. But if you did not seek advice at any stage, you take a hit of £13,204.05, reducing anticipated retirement household income to £20,373.40. What better endorsement for financial advice can there possibly be!

> “Whilst it is inevitable that those that go to an adviser for assistance have more savings to manage in the first place, it’s worth noting that financial advisers instil the financial disciplines of saving, planning and reviewing progress which helps build larger long-term savings pots.”

Relying on their existing pension provider’s guidance is the second most popular choice after advice. The magnitude of the task should not be under-estimated by providers, as customers need to fathom out how to turn lump sums, from either pension pots or property, into a sustainable retirement income without buying the currently out of favour annuity.

## 29% of Boomers still don’t understand Pension Freedoms choices

When asked how soon before retirement they would consider reviewing their pension-held investment/assets to reflect Defined Contribution (DC) pension decumulation choices (listed as encashment, purchasing an annuity or some form of income drawdown); nearly a third (29%) of Baby Boomers simply didn’t understand the new options that are now open to them from age 55 under April 2015’s Pension Freedoms rules.

One in 10 are leaving the asset selection decision-making entirely to their provider with a view to buying an annuity from them; while 19% are planning to look at adjusting their portfolio 12-months before decumulation, which may be too late. Just 7% planned to review asset and risk exposure levels at least five years before beginning drawing their pension.



## Providers missing opportunity to help as retirement plans change

Despite clear changes in their planned retirement age, more than half (51%) of the Baby Boomers we surveyed have not informed their product providers of these changes, and 49% have not received prompts to provide retirement age updates from their provider.

Planned retirement age is a key determinant of both how much savers will need to put in each year to reach retirement income goals, and asset selection in the last few years before retirement.

Just 9% of providers had invited Baby Boomers that were approaching retirement to update their predicted retirement age; while 11% of customers informed their insurer without being prompted to do so. Amazingly, proactive customers have out-scored pension providers here!

These findings indicate that providers and fund managers need to work harder to communicate the value of planning asset allocation well ahead of decumulation. Fund managers may also need to design more funds for holding through the SPA and well beyond.

> “A key aspect of the new Pension Freedoms is that you don’t need to start taking all your pension at the same time, opening up the opportunity to blend part-time earnings with some pension income - creating opportunities for product, platform and illustration innovations.”

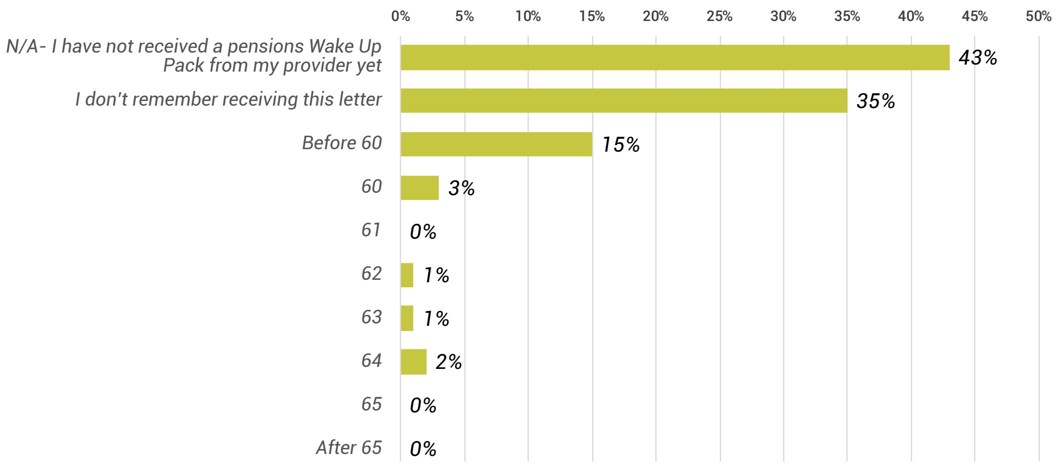
## Digital Wake Up Packs

The pensions wake-up pack has taken a great deal of criticism of late, but it is still responsible for prompting one in 10 (11%) Baby Boomers into actively planning for retirement, the survey found. The regulator’s rule on the wake-up pack used to be that it should be sent out four to six months before planned retirement date, or when a customer requested a retirement quotation. However, our findings suggest that prescriptive rules like this no longer serve the customer well.

For example, of those who received a wake-up pack, we found 11% were simply arriving too late to help customers – put simply they'd already made their retirement decumulation decisions by the time the pack arrived.

*At what age did you receive a pension 'Wake Up Pack' from your provider?*




That's 35% of customers for whom the wake-up pack sent by their provider was so un-remarkable that they can't even recall seeing it!

On the flip side, 59% of the packs were received more than 12-months prior to retirement. In our view, the wake-up pack must go digital - morphing into an online forum or portal which invites customers to look at their pensions savings early enough to address any clear shortfalls. Such a portal could help them work out if they need to make changes, perhaps with the help of scenario planning and projection tools, and then eventually make changes to their policy and underlying asset-base online.

Providers need to think about how they can increase the percentage of customers they engage with in a more interactive retirement planning discussion as the wake-up pack goes digital and interactive in the next few years.

This is particularly important because so many Baby Boomers don't yet understand the new choices they have been given by Pension Freedoms. Furthermore, as providers ratchet up their customer engagement plans they will need to ensure they hear about key 'life events' which might trigger retirement decision-making. For example, one in five (19%) of Baby Boomers who have actively planned for retirement, began doing so because of a major life event such as being made redundant, experiencing a period of ill health, or receiving an inheritance or windfall.

Right now, just 3% of Baby Boomers who are actively planning for retirement are being inspired to do so through an online retirement tool. This figure is only going to grow as tools are improved, the Pensions Dashboard goes live and other online resources are launched.

> "Much of the battleground for customer engagement over the next few years will be fought online - in increasingly sophisticated and attractive portal environments. People are driven by life events, not bulky packs delivered by Royal Mail."

Right now, 17% of Baby Boomers with a private pension think their provider's communications in the run-up to retirement is poor. That figure will swell markedly as more digitally-active generations approach retirement age unless action is taken.



> "There is a real opportunity here for some providers to show leadership in establishing pre-retirement digital communications before the regulator forces smarter digital communications standards on the industry"

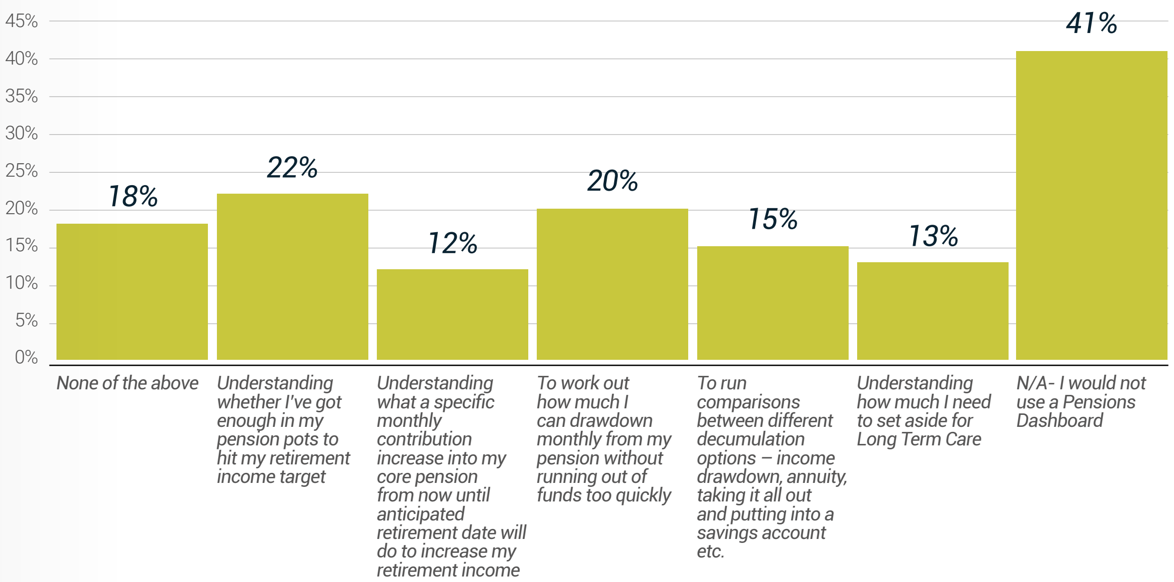
Indeed, if they move early, any best practice which they establish may well help to shape inevitable regulation in the future.

## Pensions Dashboard could offer retirement planning panacea for nearly half of Baby Boomers

Dunstan Thomas' survey also sought reaction to the idea of the Pensions Dashboard. This is a project which has just gained a new lease of life with transfer of responsibility from HM Treasury to the Department of Work & Pensions, where, in Guy Opperman, it has found a Minister genuinely passionate about driving it forward. One in five Baby Boomers (22%) said they would use the Dashboard to assess whether: "I've got enough in my pension pots to hit my retirement income target". Nearly as many (20%) were already in decumulation mode and wanted to work out: "How much I can draw monthly out of my income drawdown plan from my pension without running out of money too quickly".

A smaller group (15%) wanted to use it to run comparisons between different decumulation options such as cashing it in and putting it into an interest-bearing bank account, selecting an income drawdown or annuity scheme. Others (13%) wanted to use it to: "work out how much I need to set aside for an adequate long-term care pot".

*What would you use a Pensions Dashboard for? (original question also provided a brief description of what the Dashboard will be)*




This understanding of what consumers will be using the Pensions Dashboard for is very valuable. It will help those planning to be dashboard providers to build the right self-help tools for users to process the raw data the dashboard will deliver.

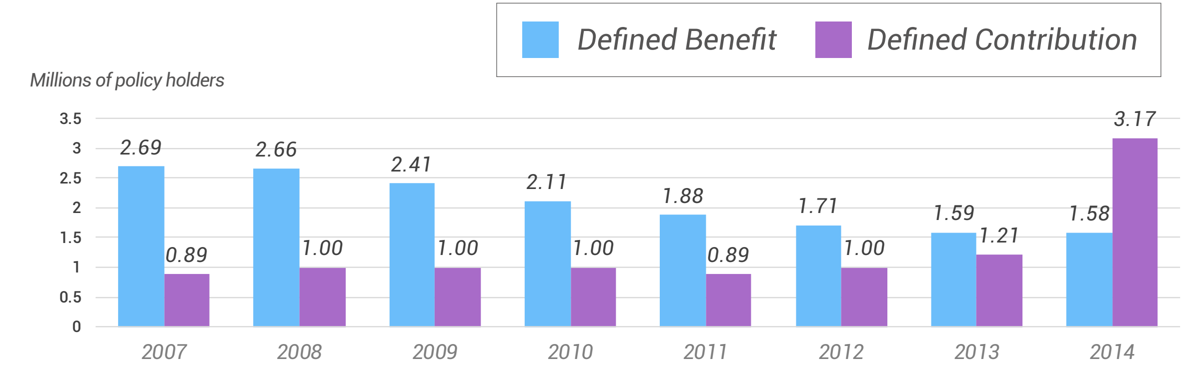
We understand that for each pension found, the dashboard display will offer the consumer a click through link to that provider's website. The importance of the landing page for that link cannot be understated. It t will make the difference between re-acquainting a consumer who may have been out of contact for years, or losing a consumer by re-enforcing prejudices that older pension providers are expensive and unhelpful.

> “These findings confirm our view that consumers will not take kindly to a Dashboard that does not support post-retirement decumulation decision-making as well as pre-retirement accumulation and at-retirement decision-making. The line between pre- and post-retirement is irreversibly blurred and dashboards must reflect this.”

## Half of Baby Boomers benefiting from DB pensions

One of the fault lines in terms of retirement savings provision amongst Baby Boomers is whether they have access to Defined Benefit (DB)/final salary pensions. Median values of Defined Contribution (DC) pensions are worth, on average a good deal less than DB pension equivalents. 85% of people working in the public sector still have access to DB pensions, but only one in five of us work in the public sector. The balance between DB and DC pensions has switched radically in recent years:

*Active membership of private sector occupational pension scheme by benefit structure, 2007 to 2014*




*Source: Office of National Statistics*



The major difference between DB and DC-based occupational schemes can be seen by looking at average annual employer contributions which stood at £7,389 for each worker in a DB scheme in 2015, as opposed to £1,071 for DC scheme member employees that same year (Source: Pensions Policy Institute and Lane Clark & Peacock). These numbers suggest that DB policy holders, on paper at least, could be accumulating somewhere between five and seven times more than DC policy holders - 15% of salary as against 2.9% for DC scheme holders according to these same sources.

Nearly half (48%) of Dunstan Thomas’ sample of Baby Boomers have DB pensions. Nearly a quarter (23%) have a DC personal pension, 15% have a workplace DC scheme, while 15% are wholly dependent on the state pension for retirement income. Positively, from the point of view of the regulator currently conducting a thematic review into the DB to DC pension transfer market, only 1% of Baby Boomer respondents to this study were actively looking to transfer out of their DB scheme into a DC equivalent although a much larger number were considering it.

Baby Boomers are looking to the State Pension and their own personal pensions savings to provide a mean average of 68% of their entire retirement income. The balance will come from other non-pensionable savings and investments including investment property.

## Women twice as likely as men to be wholly reliant on state pension

Baby Boomer women are more than twice as likely as their male counterparts to rely on the state pension as their only source of retirement income: 21% of women, as against 9% of Baby Boomer men will rely on their State Pension entitlement for the entirety of their retirement income.

The Institute of Fiscal Studies (IFS) recently published a report which calculated that, because of the changes to the SPA for women, increasing their SPA from 60 to nearly 65 today, 15% of women aged between 60 and 62 were now in poverty, a rise of 6.4 percentage points.

Jonathan Cribb, a senior research economist at the IFS, said the research found rising employment rates were not covering the lost benefits from the rise of women's SPA: "The increased state pension age is boosting employment – and therefore earnings – of affected women but this is only partially offsetting reduced incomes from state pensions and other benefits."

"Since both rich and poor women are losing out by, on average, roughly similar amounts the reform increases income poverty rates among households containing a woman who has reached age 60 but has not yet reached her state pension age (since the change)," he said.

Aegon's own analysis found women have, on average, £48,700 less in their private pensions than men.

> "The fact that women are more than twice as likely than men to be reliant on the state pension alone for an income in retirement reflects the fact that until as late as the 1970s, women tended to be excluded from occupational schemes.
>
> "Others chose not to join an employer scheme - thinking that they would be able to rely on their husband's pensions in retirement. Rising divorce rates have not helped but there is a deep-seated gender bias at work here which is still leaving women more vulnerable to poverty in their old age than men today."



## Wider care issues and spending habits

### Financial support for other family members changes little once Boomers retire

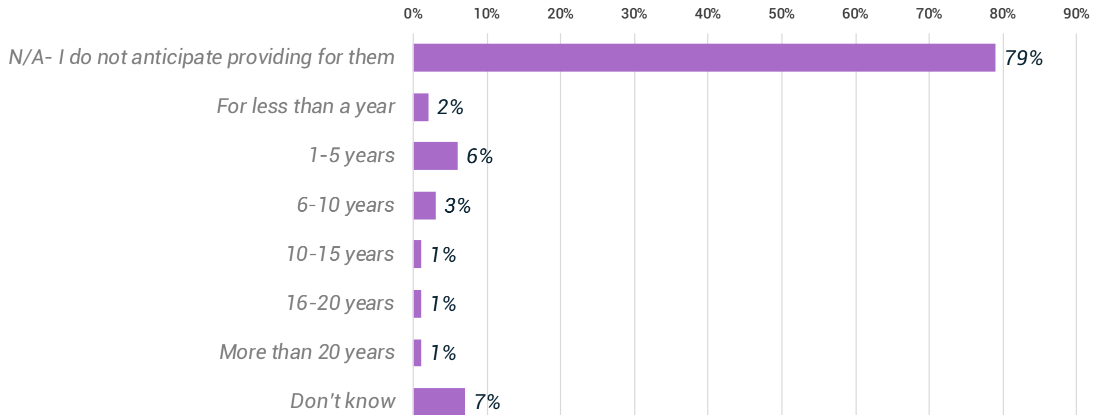
However, although nearly half of all Boomers we surveyed are going to be benefiting from relatively generous DB occupational schemes, it is not all plain sailing for Boomers heading for retirement, as demands on their wallets from other family members are continuing.

Nearly half (43%) of Baby Boomers think that they will be spending the same amount on supporting family members in-retirement, as they do whilst still working. 5% think they will be financially supporting family members even more once retired.

A small percentage (3%) of 66-71 year old Boomers think they will be still financially supporting their children for one to five years even after they themselves have retired. A further 3% think they will be supporting them for six to 10 years after they've retired. Just 1% of older Boomers expect to be supporting their parents for under a year once retired.

Altogether 2% expect to be providing for relations other than parents, children or parents-in-law, for up to five years. A further 2% predict they will be looking after other relations for six to 10 years into retirement.

*For how long do you anticipate subsidising the income of your children once you've retired?*



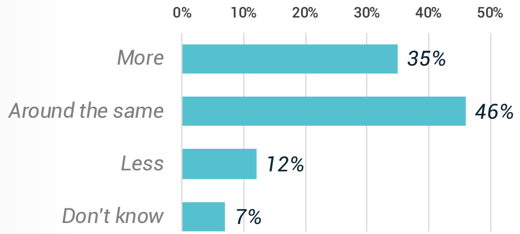

## Family care burden looks significant for minority of retiring Baby Boomers

The so-called 'Sandwich Generation' factor is in evidence in our numbers although a relatively small group is heavily impacted by this. For example, 6% of Baby Boomers are providing one to five hours of free care to a family member such as a parent or grandchild each week. A further 6% are providing six to 10 hours each week; while 3% are providing more than 30-hours of care to a family member each week.

The average number of hours of care provided to a family member is three hours per week. Nearly a quarter (23%) of all 1,002 Boomers we surveyed care for a family member. Of this group of carers over a third (35%) anticipate increasing the family care they provide once they've retired, while 46% think it will stay the same and only 12% thought this burden would reduce in-retirement. Interestingly, where this support is provided, in nearly half the instances (44%), it enables another family member to take on more paid work, making this an invisible form of intergenerational wealth transfer.



*Will your family care burden go up or down once you are retired? (Asked of those that declared they had family care burdens)*




> "DB pension-fuelled Baby Boomers look to be better off in retirement than younger generations. But it's important to acknowledge that they are also the 'sandwich generation' - caught between assisting very elderly relations and still supporting and often housing their kids and, in some cases, providing 'free' childcare to grandchildren."

> "The old two-thirds of final salary calculation was predicated on the notion that retirees would not have any other dependents to look after, which is definitely not the case for over a third of Baby Boomers today."

## Cars, home improvement & eating out budgets are hardest hit in retirement

49% of Baby Boomers plan to slash household car budgets once they retire. 42% will reduce home improvement spend. 38% will reduce eating out; while 27% will even aim to cut holiday budgets. Groceries will be targeted for reduction by 27% while, more worryingly given rising issues in retirement, healthcare budgets are set to be axed by 18%. The winners in terms of increased spend are holidays – 25% said they would increase holiday/travelling budgets, while 13%, perhaps more sensibly, predicted rising spend on healthcare.

## Younger Baby Boomers are doing a great deal more on mobile devices than oldest Boomers

Younger Baby Boomers aged 54-59 are running a great deal more of their lives via mobile devices than 66-71 year olds. For example, 52% of 54-59 year olds use their mobile for personal emails, whereas 40% of 66-71 year olds use their mobiles for this purpose. 28% of 54-59 year olds use mobiles for banking, compared to just 12% of 66-71 year olds. Also, 20% of younger Boomers use their mobiles for online shopping, as opposed to only 9% of 66-71 year olds

## Baby Boomers in favour of doing retirement planning online. Email favoured over telephone support for reaching providers

Nearly two-thirds (61%) of all Boomers agree with the idea of doing more research into financial and retirement options and products online. 19% are prepared to do retirement financial planning online, including participating in online web chats and viewing educational videos online. Emails are the most 'sufficient' way for Boomers to communicate with their pension providers: this channel gets a 38% 'sufficiency rating', as against smartphone apps which gets the lowest rating – being considered sufficient by just 13%.

Surprisingly, even Baby Boomers are turning away from bank branches as a source of reliable financial advice/guidance linked to retirement - 44% disagreed with the idea of going into a bank branch for retirement planning guidance. Even more Boomers (46%) disagreed with the thought of getting more telephone-based retirement planning guidance services from providers.

## Instant mobile 'retirement income health' alerts favoured

There was a generally positive reaction to the idea of being sent instant alerts to their mobile if changes happen which might affect their pension pot in some way. For example, if a new tax policy change is likely to impact their retirement pot 60% of Baby Boomer respondents with a mobile and private pension plan want to be alerted of that instantly. 47% want to be alerted if their portfolio has become unbalanced (i.e. overweight in a specific risky asset type); while 45% liked the idea of being alerted instantly if an asset has gone up or down by 10% in a given quarter. Interestingly, MiFID II which takes effect on 3rd January 2018, demands that Depreciation Reports are issued by asset managers if an asset that they manage has gone down by 10% or more. The idea of instant actionable information alerts to mobiles was generally given strong backing by Baby Boomers.

> "It's encouraging that there is such a positive reaction to the idea of being alerted automatically if an investment has gone up as well as down. Experienced investors say it is often more valuable to take profits following surges in values than to sell up as assets are falling."

> "These alerts could form a key plank of providers' customer engagement plans – keeping them thinking about building their retirement savings pots and providing a click through to guidance where alerts might, on their own, trigger poor decision-making."

## Boomers highly 'digi-active'

Overall, Boomers spend over three hours a day online or 23 hours per week, although a digitally-hyperactive 13% spend six or more hours per day online. Three-quarters (75%) own a smartphone, 73% a laptop, 59% a tablet and 28% an eReader. 94% own their own desktop personal computer. Two-thirds (67%) of 66-71 year olds own a smartphone and nine out of 10 (92%) of 54-71 year olds own a mobile phone of some sort.



# Regional trends

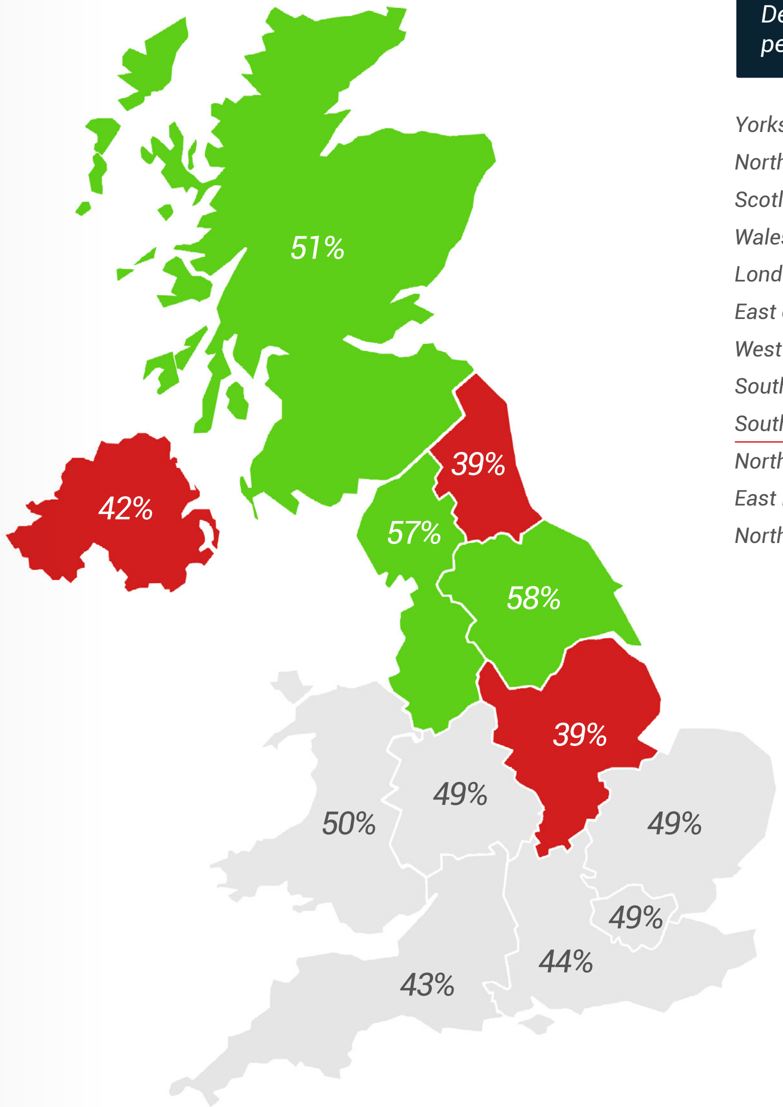
## Londoners top retirement income table

The overall pre-tax income in retirement of Londoners between the ages of 54 and 71 years, from state and personal pensions as well as other investment sources, is set to be the highest in the country with an average of £27,785. While the East Midlands Baby Boomers came second in the Dunstan Thomas' Retirement Wealth Prospects League with an average of £27,451 while South West-based 54-71 year olds ran a close third with an average of £25,352.

Wales was only a little way back in fourth with £25,250. The worst retirement income prospects are in the North East where average incomes in retirement are set to be £18,125. Northern Ireland is second bottom at £19,674.

## Yorkshire & Humberside Boomers have healthiest retirement income prospects

Defined Benefit (DB) pension entitlement is a key measure of retirement income health as the amount of retirement income that DB policies are set to provide is, on average, significantly higher than DC schemes. DB pension penetration is highest in Yorkshire and Humberside (58%) and North West (57%), while Scotland is not far behind at 51% penetration. The North East and East Midlands fare least well on this measure with 39% penetration each. Average DB penetration across all Baby Boomers captured by this nationwide study is 48%.




*Defined Benefit Pension penetration level (by region)*

| | |
|---|---|
| *Yorkshire / Humberside* | *58%* |
| *North West* | *57%* |
| *Scotland* | *51%* |
| *Wales* | *50%* |
| *London* | *49%* |
| *East of England* | *49%* |
| *West Midlands* | *49%* |
| *South East* | *44%* |
| *South West* | *43%* |
| *Northern Ireland* | *42%* |
| *East Midlands* | *39%* |
| *North East* | *39%* |



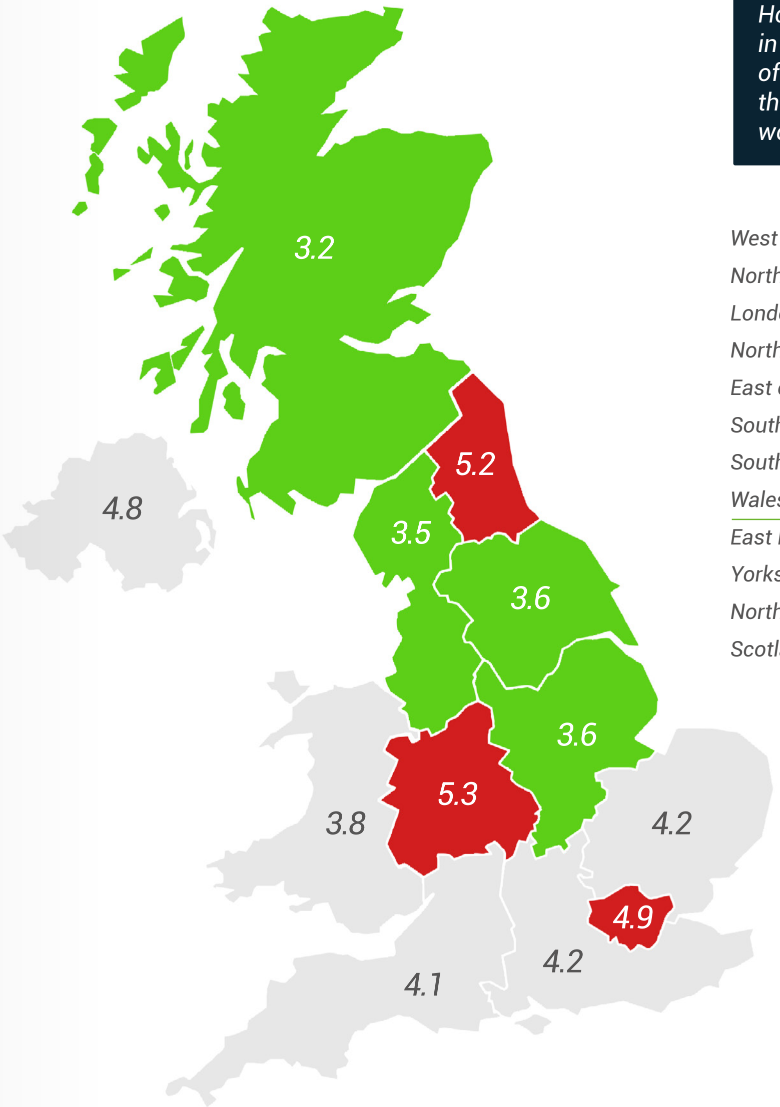
## 77% of Yorkshire Boomers retiring by age 65

We also found that 77% of Yorkshire and Humberside residents expect to retire, or have already retired, by the current male SPA of 65 years. Scottish residents ran a close second in the Dunstan Thomas Retirement Prospects League Table with 71%; while 70% of Boomers living in the West Midlands predicted they would conform with the currently-recognised age for retirement. Bottom of this league table were residents in the South East and Wales where just 59% and 56% respectively anticipate putting their feet up by age 65.

## Two-thirds of West Midlands Boomers predict working beyond age 65

Of those who are not currently retired (59% of the whole sample of 1002 54-71 year olds surveyed across the UK), two-thirds (66%) of non-retired West Midlands residents predicted they would need to work full- or part-time beyond age 65 to prop up their retirement income. South East non-retirees fared little better with 64% anticipating working on into their late 60s. Nationwide, over half of Boomers (56%) predicted working on well beyond age 65. North West non-retirees appeared to have least need to take on paid work beyond age 65 though – only 44% of non-retired people there felt they would need to continue paid work to make ends meet after 65.

Over a third (36%) of South West non-retirees felt they would be working on for four to five years beyond SPA to keep afloat. Wales won this retirement wealth prospect indicator with only 9% of non-retirees based there thinking they will need to work four to five years after the current male state pension age.




*How long do you anticipate being in phased retirement after the age of 65? (For those that declared that they would carry on paid work beyond SPA)*

| | Years |
|---|---|
| West Midlands | 5.3 |
| North East | 5.2 |
| London | 4.9 |
| Northern Ireland | 4.8 |
| East of England | 4.2 |
| South East | 4.2 |
| South West | 4.1 |
| Wales | 3.8 |
| East Midlands | 3.6 |
| Yorkshire / Humberside | 3.6 |
| North West | 3.5 |
| Scotland | 3.2 |



## Wales is full-time working hot spot for Boomers

Wales' Boomers have the highest full-time employment in the age group in this study – 41% of them are still working full-time. Northern Ireland runs a close second with 38%, while the South East Boomers are third with 37% still in full-time employment. The average percentage in full-time employment nationwide is 31%.

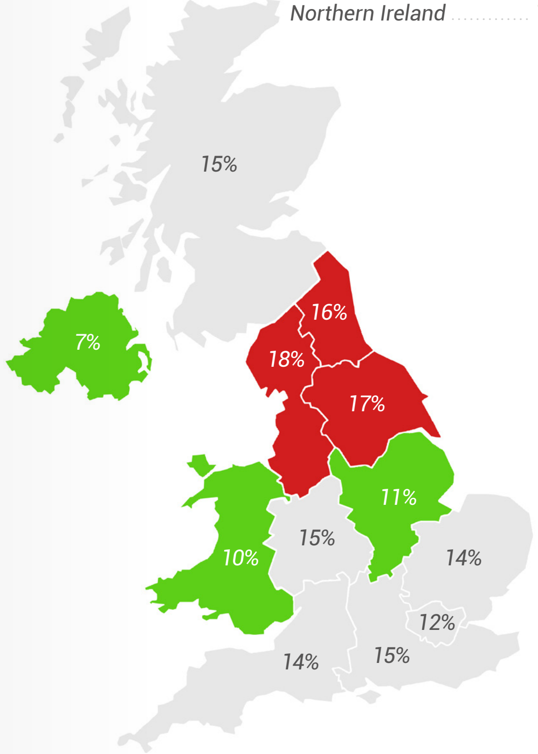
Scotland wins in terms of percentages in part-time paid work with 25%, while the East Midlands claims the lowest part-time working percentage with just 13%. Average part-time working penetration amongst 54-71 year olds in the UK stands at 20% according to the Dunstan Thomas study.

## East of England seeing most downsizing to boost retirement income

Nearly four out of 10 (38%) Baby Boomers aged 54-71 years old living in the East of England have, or are the most likely to, downsize(d) to make ends meet in retirement, while South East-based Boomers were a close second with 36% of them planning to downsize, or already completed downsizing of, their primary home to free up capital for retirement. Wales took third place in Dunstan Thomas' Downsizing for Retirement Income Hot Spot League Table with 33% downsizing. Baby Boomers based in Scotland are least likely to downsize to release equity to support retirement incomes - only 20% have already downsized, or plan to downsize, in this age group. The average nationwide was 29%.

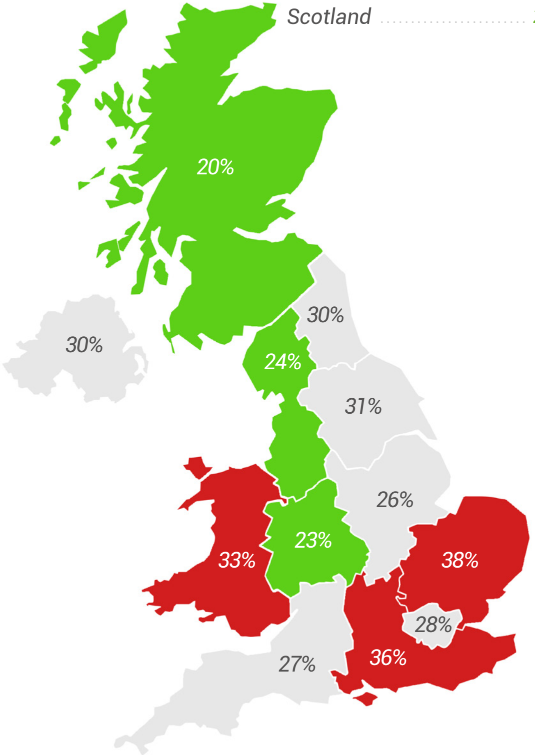
*How likely is it that you will be releasing equity from your existing home, to help fund your retirement?*

| | |
|---|---|
| North West | 18% |
| Yorkshire / Humberside | 17% |
| North East | 16% |
| Scotland | 15% |
| South East | 15% |
| West Midlands | 15% |
| South West | 14% |
| East of England | 14% |
| London | 12% |
| East Midlands | 11% |
| Wales | 10% |
| Northern Ireland | 7% |




*How likely is it that you will be moving to a smaller home, to help fund your retirement?*

| | |
|---|---|
| East of England | 38% |
| South East | 36% |
| Wales | 33% |
| Yorkshire / Humberside | 31% |
| North East | 30% |
| Northern Ireland | 30% |
| London | 28% |
| South West | 27% |
| East Midlands | 26% |
| North West | 24% |
| West Midlands | 23% |
| Scotland | 20% |

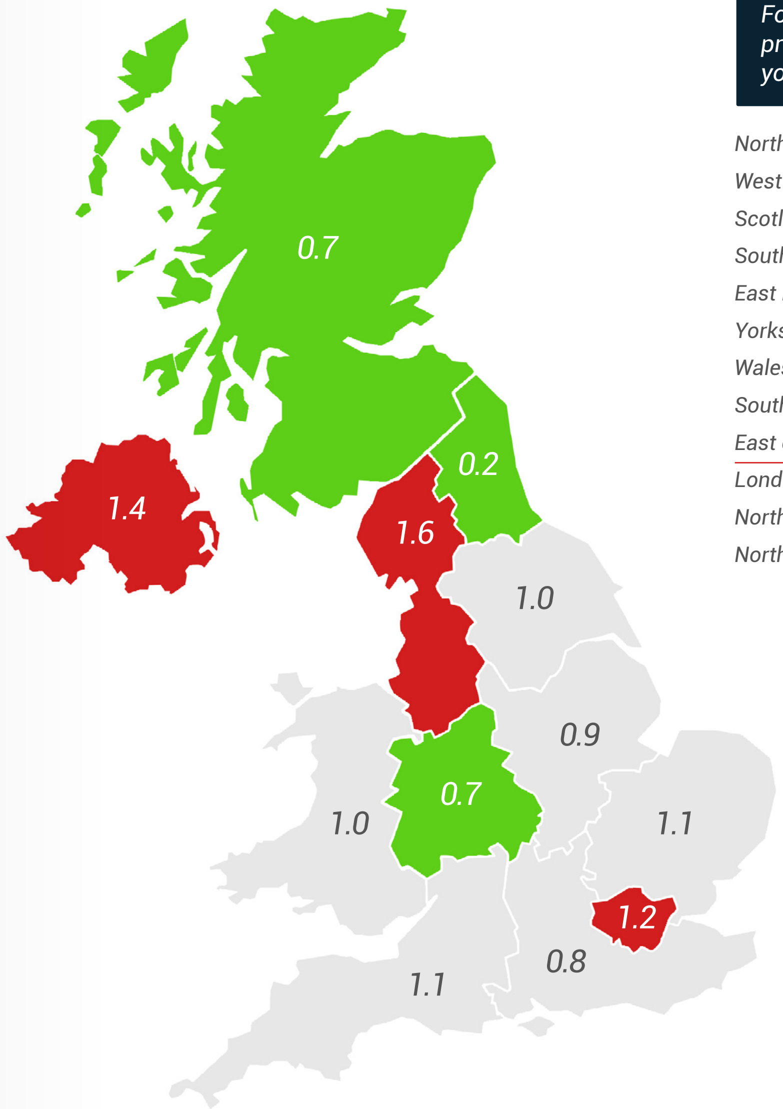


## North West is child dependency hotspot

Although Baby Boomers generally have better retirement income prospects than younger generations because of their more stable career progression and higher exposure to more generous DB, final salary-linked pension schemes, those with children are also 'the sandwich generation', both caring for elderly parents and looking after children (and grandchildren) for much longer than in the past. The mean average that Boomers aged 54-71 years expect to be still looking after their children for once they have retired is one year but 6% of them expect to look after their children for at least six years.

The top Child Dependency hotspot is in the North West where 9% of Boomers expect to be still looking after their children for a minimum of six years into retirement. The next highest regions are the East of England and London where 7% fit this category. their children for at least as long. However, in the North East no Boomers anticipate looking after their children this long.






*For how long will you financially provide for your children after you've retired?*

| | |
|---|---|
| North East | 0.2 |
| West Midlands | 0.7 |
| Scotland | 0.7 |
| South East | 0.8 |
| East Midlands | 0.9 |
| Yorkshire / Humberside | 1.0 |
| Wales | 1.0 |
| South West | 1.1 |
| East of England | 1.1 |
| London | 1.2 |
| Northern Ireland | 1.4 |
| North West | 1.6 |

*The map above shows mean figures for amount of time where 1.0 is 1-year post-retirement and 0.5 is six months.*

## Yorkshire Boomers most likely to be freeing up younger family members to go to work

Of the nearly a quarter (23%) of 54-71 year olds that provide free care for a family member, nearly two-thirds (63%) of Yorkshire & Humberside family carers are freeing up another member of their family to go out to paid work. In Northern Ireland, this is true for 59% of respondents; while in Wales 51% of carers enable other family members to go to work. On average nationwide, 44% of family carers aged 54-71 enable another family member to go to work.

## Scotland holds highest divorce rate

The average divorce rate across this age group is 11% with the potential for pension-splitting on divorce at its highest in Scotland where the divorce rate in this age group is 22%; followed by Yorkshire & Humberside (16%) and the South East (14%). The East Midlands and the South West have the lowest divorce rates at 6% and 5% respectively.

## Big ticket spending priorities vary by region

One in 10 (10%) of Baby Boomers in Northern Ireland expect to spend more on cars when they retire, while 7% of respondents who Dunstan Thomas surveyed in both the East and West Midlands regions expect to spend more on cars than they did before retirement.

East Midlands Boomers hope to splash out more than others on holidays in-retirement – 33% of them plan to increase holiday expenditure once they retire; while 30% of South East Boomers expect to spend more on holidays. A quarter (25%) of 54-71 year olds nationwide plan to spend more on holidays. Northern Ireland's Boomers appear to be the most keen on spending on home improvements - 15% of them estimate they will spend more on improving their home when they retire. The Scots come second with 13% predicting increased spend on home improvements at retirement north of the border.

South West retirees prefer to increase spending on eating out – 16% of them will do that; while in the East Midlands 14%, and amongst North East-based retirees 13%, favour increased spend in pubs and restaurants. London retirees prefer to plan for increases in expenditure for healthcare -19% of the capital's Boomers declared that retirement spending priority, closely followed by the South West (17%) and East Midlands (16%).

## Wales biggest backers of high street banks for retirement guidance

All is not lost for bancassurers as 32% of North East Boomers still favour going to their bank branch for financial guidance and advice associated with retirement planning. In Wales, it's even higher at 33% and Scotland is not far behind at 30%. But in London and the East of England residents are much less likely to use their local bank branch for retirement planning advice, with only 15% and 14% respectively favouring this route to retirement savings planning. On average nationwide, one in five (21%) still favour the idea of getting retirement savings advice from their high street bank.

Predictably, London (64%) and South East (66%) are the most content to research retirement savings options and products online, while North East Boomers are least comfortable with doing this sort of research and product buying purely online – only 50% favoured this route. The South East claims top spot for use of regulated financial advice for retirement matters with 16% of Boomers there using an adviser, while both London and Scotland are equal second with 11% using retirement-orientated financial advice from a qualified adviser. 10% of Yorkshire & Humberside Boomers have had regulated retirement savings advice. By contrast in Wales only 5% have shelled out for regulated retirement advice and 7% have done the same in the East of England.

## Summary

### Rise of semi-retirement demands deeper provider engagement

Retirement savings is a far less certain world for Baby Boomers retiring in their droves over the next 15 years or so. Nearly half of Boomers are dependent on less generous DC pensions and they now have more retirement income options at-retirement and they are less likely than ever to have access to regulated financial advice.

Falling retirement savings levels relative to final incomes, increasing life expectancy and changing working patterns are already significantly impacting people's retirement plans. They're pushing retirement decision-making out – with nearly one in five already moving into a semi-retirement state.

Our in-depth study shines a light on the blurring of the lines between work and retirement which collectively begs the question: when are most of us really going to retire in the traditional sense?

Of the majority of non-retirees who predicted remaining in paid employment to supplement their retirement income, the average length of this semi-retirement was four years and two months. The length of this semi-retirement is bound to increase as younger Baby Boomers, with less exposure to more generous DB pensions, reach and go through a State Pension Age which is anyway rising.

> “We've also exposed a massive knowledge deficit. Baby Boomers don't know what pension they are heading for, they don't understand their options and they aren't coming close to realising how asset allocation decisions need to be linked to the timing and choice of retirement income. The pensions industry is currently failing many of our Baby Boomers in these key areas.”



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 and the regulator will force modern, smarter consumer communications requirements on them anyway.

We therefore 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.

# About Dunstan Thomas Group

Dunstan Thomas develops technology solutions for wealth managers, platforms, and product providers with Integro CX and Imago. Integro CX delivers client portals that deliver exceptional user experience. Imago delivers innovative technology solutions to meet the unique needs of the retirement and savings market.

Imago

Imago has been providing highly-customisable illustrations, disclosure, and reporting solutions to many of the leading retirement and savings providers and platforms market leaders for more than 20 years. Its Imago family of products together provide innovative solutions to meet the unique needs of the retirement and savings market.

- Imago Illustrations is widely used to provide illustrations across many product providers and platforms. It provides the user with an easy means of understanding illustrations at a glance. Its new modular design, makes it even easier to re-style to better blend-in with your systems.

- Imago Administration is a highly configurable and automated solution for pension's policy administration. Imago Administration has been designed for the personal pension, SIPP, and group markets, providing an enhanced administration platform for income drawdown, annuities, and scheme pensions.

- Imago Auto Engage enables providers and advisers to deliver personalised financial information directly to clients. Once the information is delivered, Imago Auto Engage encourages the user to model and interrogate the data in an engaging way to stimulate the making of informed choices.

- Imago Self Direct is set of web tools for consumers and advisers alike that helps users understand choices available in investing or saving and planning for retirement. It can be used to help educate and build understanding of the choices and consequences of the flexibility with pensions and other income - to ensure better outcomes in retirement.

Integro CX

Integro CX became part of Dunstan Thomas Group in 2015. Its flagship financial services portal and workflow solution is designed to deliver state-of-the-art digital user experience. Its ability to offer role-based customisations, designed to optimise and share information and insight from underlying and legacy systems, enhances Dunstan Thomas Group's status as a leading financial technology player in building the next generation of online policy, administration and customer engagement offerings.



You can download a copy of this management report free by going to our website at:
www.dthomas.co.uk/content/fs/brochures.shtml

For a copy of the raw data, please make contact with Miles Clayton of Agility PR on 01992 587 439.

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*in association with Agility PR*