SCOTTISH WIDOWS

Press Release

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70% OF UNDER 30s RISK SLEEPWALKING INTO PENSION SHORTFALL

Scottish Widows warns auto-enrolment shouldn't be seen as silver bullet

- **Despite auto-enrolment success, savings levels are out of kilter with retirement income expectations**
- **Less than half of young people are committed to staying enrolled after minimum personal contributions rise in April**
- **Latest Scottish Widows Adequate Savings Index shows number of people saving sufficiently for retirement overall stalls at 56% for third year in a row**

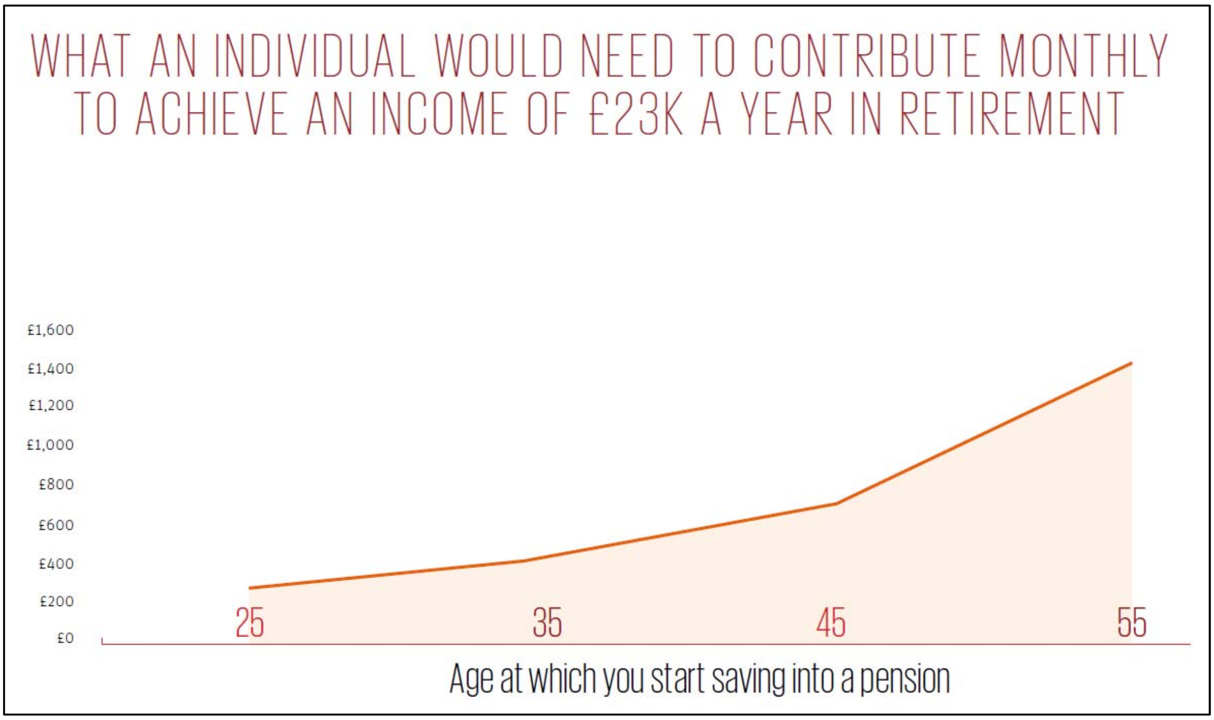
The 13th annual Scottish Widows Retirement Report reveals that, despite the success of auto-enrolment – 80% of 22-29 year olds are paying something into a pension - 70% of them are not putting away enough. This puts at risk their ability to achieve their desired income of just over £23,000 a year for a comfortable retirement. The report found that average contributions are £184 a month (including employer contributions), meaning they can expect an annual pension of just £15,200 including the current State Pension[i].

A 30-year-old contributing the current minimum of 1% to their workplace pension (matched by their employer) will achieve an income in retirement of £9,734. And even when the minimum contributions rise to 8% (employee and employer combined) in 2019, they will only achieve an annual retirement income of £14,047. This is a shortfall of almost £9,000 on expectations[ii].

There is also evidence that more people will begin to opt out of pension schemes as contributions increase through auto-escalation from April 2018. When 22-29 year olds were asked if the planned increases would affect how they save, less than half (48%) committed to staying enrolled.

The later you start the harder it gets

If someone starts saving into a pension at 25 years of age, they would need to put aside £293 each month to reach a £23,000 annual income. Not starting to save until 35, monthly savings would need to jump to £443 and at 45 this would be £724. For someone who left retirement saving to their 50s, they would need to put away £1,445 a month to enjoy a £23,000 annual pension[iii].



Catherine Stewart, Retirement Expert at Scottish Widows, said: "There is no doubt auto-enrolment has been a success in kick-starting the savings habit for millions – but it is not a silver bullet. Auto-enrolment may well be lulling people into a false sense of security that they are putting away enough for a comfortable retirement. For many, that is simply not the case, particularly given retirement is looking more expensive than ever. With one in every 12 private rental sector tenants now a pensioner, 'Generation Rent' is headed for a more expensive retirement than previous generations[iv].

"While retirement may feel like a long time away for those in their 20s, it's really important they start to think about it as soon as possible. Using the right platforms, technology and content to engage young people in formats they appreciate is a critical first step. If we don't get this right then it is far more difficult for them to reach their desired savings levels in their 30s and 40s.

"What we know for sure is that younger people are far more likely to engage with technology and information that can be easily digested. So we have created a series of Pension Basics videos available on our YouTube channel and are currently developing a smart phone app enabling members of workplace pension schemes to keep track of how their savings are growing. Continued investment in digital innovation to help engage younger generations in their long-term savings will remain a key priority for Scottish Widows."

Young people are maxed out

Despite the dangers of pensioner poverty, half of those in their 20s (53%) say they can't afford to save for the long term because of competing financial priorities[v]. Those in their 20s are saddled with twice as much debt as other age groups, on average owing more than £20,000. Almost four in ten (37%) have student loans eating into their monthly pay cheques, one in five (21%) have unpaid credit card bills and 15% have other loans to pay off.

Scottish Widows suggests a combined 12% employer and employee contribution as an adequate level of saving.

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Note to editors

- The Scottish Widows UK Retirement Report – first launched in 2005 as the Pensions Report – monitors pensions savings behaviour annually using the *Scottish Widows Pensions Index* and the *Scottish Widows Average Savings Ratio*
- The research was carried out online by YouGov across a total of 5,314 nationally representative adults in April 2017.

- Scottish Widows was founded in 1815 as Scotland's first mutual life office and is one of the most recognised brands in the life, pensions and investment industry in the UK.
- Scottish Widows has won a number of awards in 2017, including 'Pensions Firm of the Year' at the FD Service Excellence Awards, 'Pensions Provider of the Year' at the Pensions Age Awards, 'De-Risking Provider of the Year' at the Pension and Investment Provider Awards and 'Risk Reduction Provider of the Year' at the UK Pensions Awards.
- Last November, Scottish Widows was awarded the '5 Star' Service Award for both the Life & Pensions and Investment categories at the Financial Adviser Service Awards. Scottish Widows also picked up the 'Most Improved Provider' award.
- The content of this news release is intended for information only and should not be relied upon for making investment decisions. Whilst every effort is made to ensure the content of this news release is accurate at the time of publication, Scottish Widows plc disclaims liability for any losses, disputes or claims which may arise as a result of the use of this information.

[i] Based on someone in their 20s looking to retire at 68 and saving £184 each month
[ii] The estimates are derived using the Pensions Calculator on the Money Advice Service website, assuming someone earning the UK average of £27,271 a year
[iii] The estimates are derived using the Pensions Calculator on the Money Advice Service website, assuming someone earning £30,000 a year, with contributions being supplemented with a 4% employer contribution. The calculations allow for inflation, both in discounting back the final results so they're in 'today's money' and in assuming that contributions increase with earnings each year.
[iv] Countrywide research released June 2017
[v] Research carried out by Opinium across a total of 5,077 nationally representative adults from 16 to 27 March 2017