

SCOTTISH WIDOWS

official pensions and investment provider



The Scottish Widows UK Pensions Report

Seventh annual report on the
state of retirement savings
across the nation

June 2011



Foreword

It has been a very busy year in the pensions industry as our government and regulators continue with their efforts to implement change in a nation which appears ambivalent, if not indifferent, to the concept of preparing for a financially secure retirement.

We now face the prospect of faster increases to the state pension age alongside revolutionary changes to rules on retirement income, new tax rules on very high pension contributions and retirement pots, and the impending automatic enrolment. In addition, the state pension may go through further radical reform if the proposed single pension is implemented, and there is prospect of significant changes to public sector pensions, following publication of the Hutton Report.

While all of these changes are considerable, our seventh Scottish Widows UK Pensions Report reveals that they have not yet prompted adequate improvements to individual preparation for retirement. Indeed, the most noticeable effect of the recent changes may be that the Hutton Report has raised awareness among public sector workers of the value of their defined benefit pensions. Meanwhile, the Scottish Widows Average Savings Ratio, measuring the savings of those who are not expecting their main retirement income to come from a defined benefit pension scheme, has remained practically stagnant for three years. The future financial health of an aging population is currently heavily dependent on the success of automatic enrolment as well as the ability of individuals to recognise that they should be doing more to provide for themselves.

The Scottish Widows UK Pensions Report is seen as one of the most authoritative surveys of consumers' preparation for retirement. The range of questions asked over the last seven years, and the large sample size of over 5,000 each year, combine to produce robust analysis of changes in attitudes and behaviours over time.

This provides a solid foundation for Scottish Widows, policymakers and other stakeholder groups to consider what more can be done to help consumers prepare for a comfortable retirement. It is supplemented by other focused reports, including our highly-regarded Women & Pensions Report. The seventh edition of that will be available in October.

We hope that you find this edition of the Scottish Widows UK Pensions Report interesting, helpful and most of all constructive as we work towards addressing one of the most important issues facing our society today.

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Executive Summary

Scottish Widows Pensions Index 51 % (+3 % compared with 2010)

Scottish Widows Average Savings Ratio 9.3 % (+0.1 %)

Non-savers 20 % (-1 %)

Gender gap 3 % (-6 %)

The seventh annual Scottish Widows Pensions Report reveals little change in savings for retirement over the last year, but there is evidence that consumer understanding of their pension provision, particularly in the public sector, may be improving. We remain a nation where only around half the population is preparing adequately for retirement, and one-in-five is doing nothing at all.

The most positive result in our survey is that women are catching up with their male counterparts in their level of saving for retirement, and women over the age of 50, in particular, appear to have made up the ground lost last year. And while the report of Lord Hutton's Independent Public Sector Pension Commission was not received positively by parts of the public sector, it has at least provided reassurance that scheme members will continue to enjoy defined benefit provision. That has boosted our Pensions Index slightly because those who expect their main retirement to come from a defined benefit scheme are treated as providing adequately.

The research was carried out online by YouGov who interviewed a total of 5,200 UK adults over the age of 18 between 4 March and 11 March 2011.



The Scottish Widows Pensions Index

- Only 51% are making enough provision for their retirement. This is up from 48% in 2010, but below the 54% who were doing so in 2009.
- 20% are saving nothing in 2011, compared with 21% in 2010.
- The 3% increase in the Pensions Index is caused mainly by more people in the public sector saying they expect a defined benefit scheme to provide their main income in retirement. This does not mean that more people now have defined benefit provision, but that there is greater awareness of it and also greater confidence that it will be the main income source. This is particularly true of women over age 50.
- The gender gap between men and women has fallen to the lowest we have seen, at just 3% (men 53% preparing adequately, women 50%). However, with average female income significantly lower than male, this still leaves women with much lower prospective retirement income in monetary terms. And 23% of women are saving nothing, compared with 17% of men.
- The age gap has widened, with 59% of over-50s preparing adequately for their retirement, compared with 47% of those between 30 and 50.
- The income group which currently appears to be preparing best for retirement is those earning between £30,000 and £50,000. It appears that high-income groups (above £50,000) are not as focused on retirement preparation.
- London is the region currently preparing worst for retirement, while Wales and the West Midlands are best-placed this year.

The Scottish Widows Average Savings Ratio

The Average Savings Ratio focuses on those who are not relying on a defined benefit pension for their main income in retirement, and measures their savings for retirement as a percentage of total income.

- The Average Savings Ratio for 2011 is 9.3%, which is almost identical to the level for the two previous years.

Characteristics of different saving groups

- Adequate savers are typically male, married and in the latter part of their career. Many are relatively modest earners. They are likely to expect a company pension to be their main source of retirement income, but may well also have significant personal savings.
- Those who are somewhat undersaving (6-12% of income) are often younger than adequate savers. Generally employed in the private sector, they may have several different pension arrangements, both company and individual.
- Those who are seriously undersaving (up to 6% of income) are largely mid-career and may earn a relatively high income. They may well be married with children and carrying significant non-mortgage debt. Many are self-employed or work for a small company.
- Non-savers often have relatively low income, and may be renting their home. Many are single, cohabiting or divorced. They are likely to change job quite frequently.

Impact of automatic enrolment and NEST

Only 11 % of consumers say they will opt out if automatically enrolled, although 21 % remain undecided. However, the average amount that people would be prepared to pay is only £35.40 a month. For this purpose, we have divided workers into four groups:

- Those earning under £10,000 a year are usually working part-time. While many are living in low income households, others have higher-earning partners or are studying or semi-retired. This validates the plans to give low earners the right to choose an employer-arranged pension even though they are not automatically enrolled.
- A key target group for NEST is moderate earners (£10,001-£30,000pa) working for small companies. This group tends to be older than the others, and has expectations of working to a higher age. Only one-in-ten has a current pension arrangement through their employer.
- Moderate earners within larger companies are more likely to have non-NEST employer provision. Generally relatively young, they are often single or cohabiting and likely not to have children. Relatively mobile, they take a wide range of factors into account when looking at prospective employers, including pension, but are largely driven by basic pay. Non-pension savings are low, and they may have borrowings from several sources.
- Higher earners (over £30,000pa) often have individual pension provision alongside an employer arrangement, and those who do not currently have an employer pension may well continue an individual arrangement alongside one if they are automatically enrolled. They are often in stable employment, and value pension as an important part of their remuneration package.

Policy issues and recommendations

State provision

- Consumers need to understand what the state will provide, and when. Simple changes in terminology could help. For example, expressing the proposed single state pension as £7,300 a year, rather than £140 a week, would help consumers understand how substantial a drop in income they would face without additional private provision.
- Consumers must also understand what effect state pension changes will have on them. Because the changes will be cost-neutral overall, many will end up with lower provision after the change, and must understand the shortfall they may have to make up.

Automatic Enrolment & NEST

- There is uncertainty in many people's minds about whether they should remain in a pension scheme when they are automatically enrolled, and what the cost to them will be. Clear communications are needed over the next 18 months and beyond, with consistent messages from DWP, the Pensions Regulator, NEST and other pension providers.
- The success of NEST is integral to pensions reform, and consumers must see it as a high quality, good value, well managed pension scheme and not just as a Government initiative. How it is presented, including in the media, will remain very important.

Encouraging good savings behaviour

- Effective use of the workplace is vital to increasing financial capability, and so savings, among employees. Employers should be encouraged to provide financial support through intranet systems, for example, with budgeting software and pension planners.
- The success of the Money Advice Service and other generic guidance initiatives is critical. Consumers should not be deterred from saving due to a lack of relevant information and guidance.
- The industry will have to raise its game to ensure that consumers understand and have confidence in retirement savings vehicles.

Introduction: The state of the nation's savings

For many, 2011 could be the year when the effects of the credit crunch and the recession that followed are really felt. Over the last few years, many who have retained their jobs may have felt better off, with lower mortgage interest rates and a temporary VAT reduction. This year VAT increased in January, the National Insurance rates increased in April, inflation is increasing, an interest rate rise threatens and dramatic cuts in public sector jobs and services are expected. No-one can be in any doubt that, as a country, we are going through difficult financial times.

This is reflected in our survey, with half the population (51%) feeling worse off than a year ago, while only one-in-six (16%) feels better off.

But what is this doing to our savings habits?

On the face of it, savings have stood up well over recent years. For the fourth quarter of 2010 the household savings ratio, which measures the difference between income and spending, was 5.4%¹. While this is significantly lower than the peak of 7.5% in the second quarter of 2009, it is above the average of 4.3% for the last decade.

However, half of the fourth quarter figure is accounted for by individuals investing more in their homes, particularly through paying off their mortgages. The Bank of England's Housing Equity Withdrawal rate as a percentage of post-tax income sat at -2.7%, having been negative since the second quarter of 2008. Previously the rate had been positive every time since the third quarter of 1998.

In other words, we have moved from being a nation that kept borrowing more to fund property investment to one that is paying down that debt, at least in the short term.

When it comes to non-mortgage debt, we have seen a small increase in our survey this year from an average of £10,500 to £10,800. ISA sales have been healthy, with £3.7 billion of net sales over tax year 2010/11, making it the second-best of the last 10 years³. However, total savings and investments held by individuals, excluding property and pensions, have remained constant at £32,100 on average, with similar amounts being saved monthly to last year.

In other words, there has been relatively little change in savings and borrowings over the last year. Our report reveals that this is also true of our preparation for retirement.

But standing still is really not good enough. World Bank statistics show that gross domestic savings in the UK in 2009 amounted to 11%⁴ of GDP, which is the same as the USA but well behind France (17%), Italy (19%), Germany (21%) and Spain (22%). We are significantly underperforming compared to our peer group, and the Chartered Insurance Institute recently estimated the retirement savings gap as being £9 trillion⁵.

There is no magic wand that can be waved to make the UK save more, but as we go through the financial pain of the next few years it is important that consumers are given every encouragement to maintain at least the current level of savings. When we emerge from current economic uncertainty, it is essential that we become a saving nation, and increase investment for retirement as well as shorter-term savings, instead of descending again into a spiral of debt.



Part 1: 2011 Pensions Index and Average Savings Ratio: Key Findings

The percentage of people who are currently making adequate retirement provision has increased slightly this year, but still only half of those who could and should be preparing financially for their old age are doing enough.

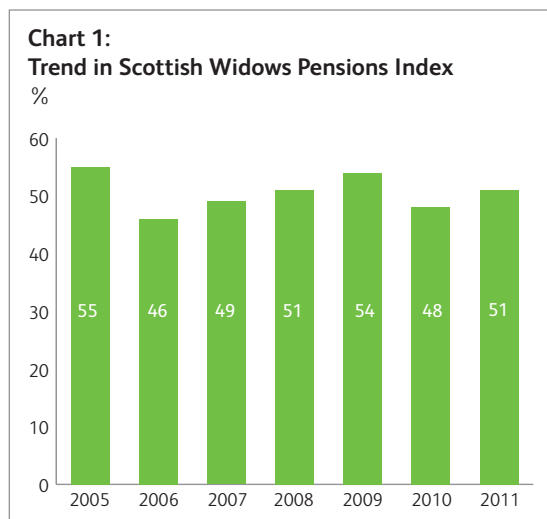
The Scottish Widows Pensions Index

The Pensions Index focuses on those who could reasonably be expected to save for their retirement. It excludes those under age 30, who are likely to have other financial priorities, and those earning under £10,000 a year, who are unlikely to have the financial resources to make meaningful personal provision. Everyone else under age 60 for females or 65 for males is included.

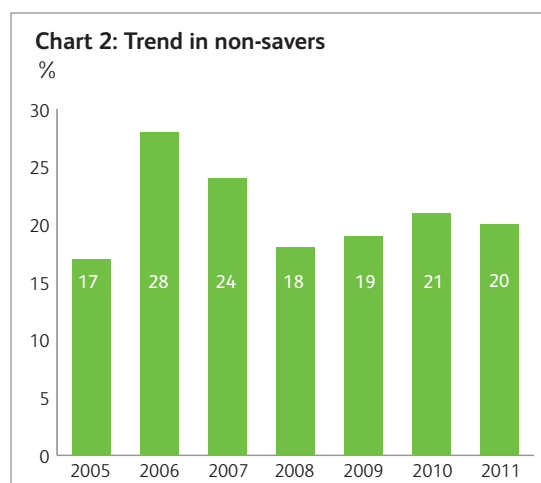
We treat someone as preparing adequately for their retirement if they expect a defined benefits pension scheme to be their main source of retirement income or if they are currently putting aside at least 12 of earnings for retirement, including any employer pension contributions and non-pension savings earmarked for retirement.

The theoretical basis for the Pensions Index is detailed in Appendix 1.

This year the Scottish Widows Pensions Index has increased from 48% to 51%. This is also the average Index level over the last seven years, and it has never been more than 5% lower or higher than this year's figure (chart 1).



The percentage of people who are doing nothing at all to prepare for their retirement stands at 20% this year. This is marginally below the average for the seven years, but there has been little variation in the percentage of non-savers over the past four years (Chart 2).



13% of the Pensions Index group are classed as seriously undersaving (putting aside up to 6% of earnings), which is the same level as last year. 15% are somewhat undersaving (putting aside between 6% and 12% of earnings), which is a decrease from 18% last year. In both years, two-thirds of the group were making a serious effort to prepare financially for retirement (saving at least 6% of income or relying on a defined benefit pension) while one-third were doing nothing or only making a token effort.

Key driver of change

We have consistently found that almost two-thirds of those who are preparing adequately for their retirement expect their main income source to be a defined benefits (final or average salary) pension scheme. That remains the case, with 33 % of the Index group relying on defined benefit provision, up from 30 % last year. That ties in exactly with the percentage point increase in the Pensions Index, though there has also been a small increase in those who are saving adequately outside defined benefit schemes - from 26 % to 28 %. The increase is almost entirely in the public sector, where 51 % now expect a defined benefit scheme to provide their main income, up from 45 % last year. This may be directly related to the Independent Public Sector Pensions Commission, chaired by Lord Hutton of Furness. The Commission published its final report while our survey was running, with the key outcomes widely reported in advance in the national press, thereby increasing public awareness and understanding. The report recommended, among other measures, that public sector schemes should move from a final salary to a career average salary basis.

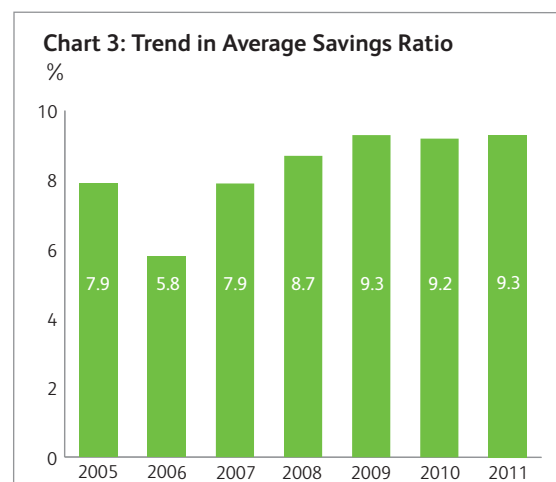
Previously many in the public sector may have believed that their pension scheme could move to a defined contribution basis. The Hutton Report has given them confidence that their defined benefit pension will continue, albeit on a different basis, and is therefore likely to provide the bulk of their retirement income.

There have been other initiatives in the past year which will also have increased understanding among public sector workers of the pension benefits they enjoy. For example, many NHS staff are having to choose whether to remain in the 1995 Section of their pension scheme or move to the 2008 Section, which means they have to consider issues such as their likely retirement age and benefit structure. They are being provided with detailed information to help them make the choice, and many have also attended education sessions run by groups such as The Pensions Advisory Service.

So, the change in the Pensions Index may simply reflect the changed expectations of public sector workers, with overall preparedness much the same as in 2010. In the private sector, there was no change to the Pensions Index or to the percentage relying mainly on defined benefit provision. These remained at 45 % and 24 % respectively. Of course, many defined benefit schemes are making changes to reduce employer costs, for example by moving to career average earnings or capping future increases to pensionable salary. This means that in the future the difference between defined benefit and defined contribution provision may well reduce. However, the increased awareness among public sector staff of their pension provision could have valuable lessons for private sector employers, who also need to ensure that staff realise how valuable a benefit their pension scheme is.

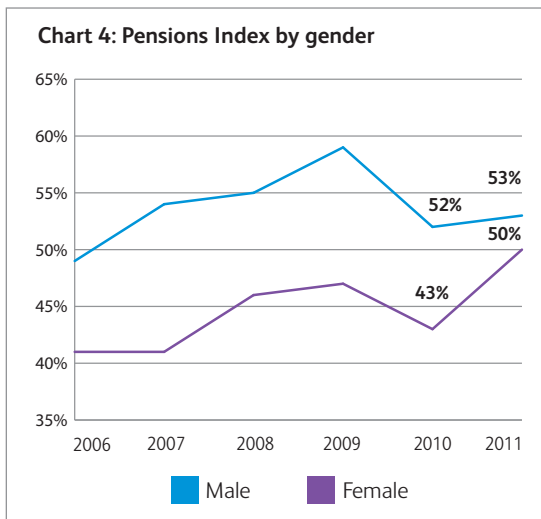
The Scottish Widows Average Savings Ratio

The Average Savings Ratio is the average percentage of earnings being saved for retirement by those who are not expecting their main income to come from a defined benefit pension, including those who are not saving at all. The Ratio this year is 9.3 %, compared with our benchmark of 12 %, and as Chart 3 shows it has remained almost unchanged for the last three years.



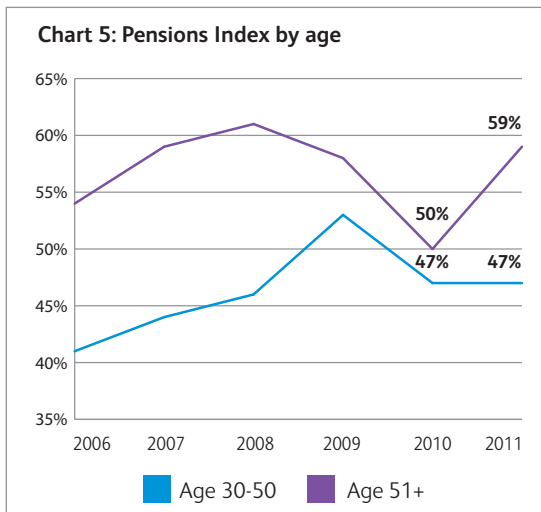
Effect of age and gender on retirement savings

This year there has been a dramatic reduction in the 'gender gap' for retirement savings, as chart 4 demonstrates.



This reduction is positive news for women, but it must also be borne in mind that average male income remains significantly higher than female - £33,000 compared with £26,800 for those in our Index group – so women's average income in retirement will still lag a long way behind men's, even if the Index difference continues to narrow. In addition, 23% of women are saving nothing for retirement, compare with 17% of men.

Alongside a narrowing of the gender gap, the age gap has widened this year (chart 5):



This means that while savings for the over-50s have returned to the high levels found towards the end of the last decade, those for younger people have remained at the lower level seen last year, albeit still above the levels seen before the 2009 peak.

Both these changes are due almost entirely to one very significant factor: a sharp bounce in preparedness among women over 50 after last year's surprising fall. This is demonstrated in Table 1.

Table 1: Pensions Index and Average Savings Ratio for women over 50

Year	Scottish Widows Pension Index	Scottish Widows Average Savings Ratio
2009	52%	8.6%
2010	38%	8.7%
2011	56%	10.0%

This startling pattern of results requires further explanation, and appears to have been caused by:

- The proportion of women over 50 in our Index group depending mainly on a defined benefit scheme fell from 35% in 2009 to 24% in 2010 and rose back to 36% this year. There appear to be two factors here:
 - The percentage of women over 50 in the survey who are aware of having a defined benefit pension has increased. It was 47% in 2009, 47% in 2010 and 54% this year. An actual increase of this magnitude is very unlikely, so it appears to reflect a changing understanding of pension provision.
 - Among those in the survey who have a defined benefit pension, there was a sharp fall last year in those who believed it would provide their main income in retirement, but that has been partially reversed this year.

These effects are directly linked to our earlier finding that the Index improvement was due to an increased expectation among public sector employees that a defined benefit pension would provide their main retirement income. Women over 50 are disproportionately employed in the public sector and make up almost a third (31%) of the total. It appears that they may now have a much greater appreciation of the benefits they hold.

- The improvement in the Average Savings Ratio among older women this year appears to have been caused by increases to both pension and non-pension savings for retirement. For example, among those in their 50s who are making non-pension savings the average each month has increased from £232 to £254.

Women over 50 make up the smallest group in those tracked for the Index and Ratio - 284 this year - but the number is high enough for the results to be statistically significant, and there does appear to have been a major change in retirement expectations and savings in the last year.

Effect of income on retirement savings

Changes in the Pensions Index this year have been similar across different earnings levels, as Table 2 demonstrates. There has been an increase in non-defined benefit provision among those earning between £30,000 and £50,000, while there may have been a slight reduction among those earning £10,000 to £30,000.

Table 2: Pensions Index and Average Savings Ratio by personal income

	Gross Personal Income		
	£10,000 -£30,000	£30,000-£50,000	Over £50,000
Pensions Index			
2010	44 %	56 %	54 %
2011	47 %	59 %	56 %
Average Savings Ratio			
2010	9.0 %	9.6 %	10.4 %
2011	8.8 %	10.5 %	10.4 %

Regional Variations

Regional results tend to be more volatile than the overall Index and Ratio, but London remains poorly-prepared with a Pensions Index of 44%, the same as last year. This largely reflects a relatively low percentage of public sector workers compared with other regions. Wales and the West Midlands are preparing best - both have 59% preparing adequately and an Average Savings Ratio of 10.8%. The South-East is the other area significantly better than the average, with a Pensions Index of 56% and an Average Savings Ratio of 10.1%.

Conclusions

It appears that the improvement in the Pensions Index over the last year may have largely been driven by perceptions rather than by greater overall preparedness for retirement. In particular, many women approaching retirement and working in the public sector may have a greater understanding of the defined benefit provision they enjoy. The increases to female state pension age may also have raised many women's awareness of pension provision. However, there does appear to have been a genuine narrowing of the gender gap when it comes to personal savings, especially among the over-50s.



Part 2: Profiles of saver types

Defining characteristics of different saver types contain some surprises, especially on average income levels. Many with relatively high incomes are doing very little to prepare financially for their retirement.

We divide those who make up our Pensions Index group into four categories:

Adequate Savers – Putting aside at least 12% of income for retirement, or expecting their main income in retirement to come from a defined benefit pension scheme

Somewhat Undersaving – Putting aside between 6 and 12% of income for retirement

Seriously Undersaving – Putting aside up to 6% of income for retirement

Non-savers – Currently making no provision at all for retirement

The assessment includes employer pension contributions and non-pension savings intended for retirement, but not shorter-term savings or property investment.

In this section we highlight the characteristics of the different groups.

Adequate Savers

Adequate savers tend to be later in their careers, with 45% having reached age 50. However, they are not necessarily high-earning and almost a third (31%) has personal income under £20,000 a year – more than for any other group apart from non-savers. Most are men who are likely to be married, but any children may no longer be financially dependent on them.

Members of this group often work in the public sector or another large organisation. Two-thirds of them (68%) have changed job no more than once in the last 10 years, and three-quarters (78%) see the pension scheme as an

incentive to stay with their current employer. This is reflected in 51% only being members of one pension scheme, and a further 30% of just two. They also look to their employers for advice and information on pensions but believe that in the future individuals will be required to take more personal responsibility for their income in retirement.

When it comes to getting guidance on pensions, adequate savers are likely to consider the financial press, financial websites and independent financial advisers. However, they are confident that their company pensions will provide their main income in retirement with their state pension also contributing to their living standard. They also understand the value of individual savings, and have accumulated an average of around £40,000 life savings.

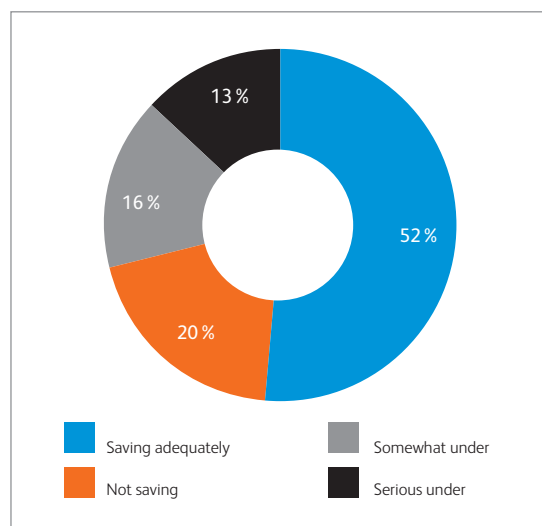


Table 3: Profile of saver groups

	Saving adequately	Somewhat undersaving	Seriously undersaving	Not saving
Age 30-49	55%	66%	71%	66%
Age 50+	45%	34%	29%	34%
Average gross personal income	£32,200	£32,600	£35,900	£23,600

Case Study: Adequate Saver

Michael is a 52-year-old biomedical scientist earning £32,000 working for the NHS in Warwick. He has performed similar roles since leaving university 30 years ago, and has been building up a final salary pension throughout this time. He recently decided to remain in the 1995 section of the NHS pension scheme, because he plans to retire at age 60. He has some concerns about proposed changes to public sector pensions, and especially the possibility of an increased employee contribution, but recognises that the overall effect on him will be relatively small.

Michael's two children have left home, and he and his wife, Sarah, who works part-time as a physiotherapist, are beginning to feel the financial benefits of this. However, they have some concerns about their income in retirement, and especially about the period between their intended retirement dates and the age when they will start to receive state pensions. While they already aim to save around £200 a month in ISA's, they are looking to increase this over the next few years, and are using the internet to research possible options. They may then decide to consult a financial adviser.

Somewhat Undersaving

This is the group that is making an effort to save for retirement, but not quite doing enough to provide adequately for their old age.

This is generally a young group, with 39% in their thirties, and again is largely male. Its members are relatively optimistic about career, family, health and financial prospects. Many are buying their homes with a mortgage.

Almost two-thirds (65%) work for private sector companies, and one in six (17%) has at least three separate pension arrangements, more than for any other group. Defined contribution employer arrangements, personal pensions and stakeholder pensions are all more likely to be held by this group than by any other. They are likely to be contributing to one of these currently, although one-in-four is a member of a defined benefit scheme, but probably not currently active.

Case Study: Somewhat undersaving

Jeremy is 38 years old and works for a bank in Durham as a branch manager at a salary of £28,000 a year. This is his third job since leaving school, and on his last move he left a final salary pension scheme, though he did not understand the significance of this at the time. He is currently in the bank's defined contribution occupational scheme, contributing 2% of his salary, while the bank pays in 8%.

Jeremy lives with his partner, Sue, and their 3-year-old son Jamie. They have recently moved home, which has used up most of their savings, and have a substantial mortgage.

Jeremy and Sue feel quite constrained financially at present, but hope to save more in the future. In particular, Jeremy knows that the bank will match voluntary contributions he makes to his pension, and recognises that this is very worthwhile. He is also considering additional contributions to Jamie's Child Trust Fund, to help fund possible university costs.

Seriously Undersaving

This group is saving, but not nearly enough to give the prospect of a good retirement income. It is largely made up of people in their 40s (40%), and has the highest average income of all the groups at £35,900 a year.

It also has the highest aspirations for retirement income at £28,000 a year, almost £4,000 above any other group. Members may be male or female and are likely to be married, possibly with several children - 10% have at least three children. This group is more likely to be self-employed or to work for a small company. Three-quarters of this group (77%) feel secure in their jobs, and they need to be. At an average of over £16,500 this group is carrying significantly more non-mortgage debt than any of the others.

Any current pension savings are likely to be through an employer's defined contribution scheme or a personal pension, but one-in-three (34%) has been active in a defined benefit scheme at some stage in their career

This group is relatively positive about the possibility of staying in NEST if their employer offers it, with 40% expecting to stay in, 16% still to make up their mind and only 8% expecting to opt out (the remainder already have a pension in place). Of all the groups, this is the least resistant to working to age 70, and 23% would be comfortable with the prospect.

Case Study: Seriously undersaving

Karen is 44-years-old and works in London as a legal executive, earning a salary of £34,000 a year. Her husband, Jim, has similar earnings and they have three young children. Karen's firm currently offers no pension arrangements beyond the statutory access to a stakeholder scheme.

Karen's priority is to do the best she can for her children. She is currently paying a substantial amount each week in nursery fees so that she can work full-time to save for her children's private education, which uses the majority of her spare income.

Karen recognises the importance of saving for retirement, but also that the £100 a month she saves in a personal pension is woefully inadequate. She is resigned to working for longer than she would like to, but hopes that Jim's company pension will provide a reasonable income in retirement, though she has no real idea of how much it might be.

She thinks she will remain in the pension arrangement offered by her company when she is automatically enrolled, and at least be able to build up a bit more pension provision.

Non-savers

This group has quite a wide spread of ages, but the lowest average income by some distance at £23,600 a year. Non-savers are more likely than other groups to be single, cohabiting or divorced. They are much more likely than other groups to be renting their home (35%).

Often self-employed or working for small companies and likely to change job quite frequently, with almost a third (31%) having moved at least three times in the last ten years. They feel the least secure of all the groups in their current job.

This group is aware of the consequences of not saving, and on average expects to be able to afford to retire only at age 68 and then quite possibly be dependent on state pensions or obtaining funds from their property, for example by downsizing. Over half (53%) have no private pension provision at all. Currently they are very likely to owe money through one or more of an unsecured loan, credit card debt or an overdraft. More positively, almost half (45%) think they would stay in NEST if automatically enrolled, with a further 22% undecided. However, on average they would expect to pay only £30.60 a month.

Case Study: Non-saver

Jayne is 45-years-old and recently divorced. She is currently doing PA work in Taunton through an agency, and earns around £19,000 a year. She feels she has no spare income to save after paying the rent on her small flat and her living expenses, and indeed is concerned that the level of debt she carries over each month is increasing rapidly.

She feels helpless, with little prospect of an improvement to her financial position in the foreseeable future and no capacity to save for her retirement.

She would like to save in NEST if her agency offers it, but has difficulty seeing how she could afford the employee contribution.

Part 3: The impact of automatic enrolment and NEST

The implementation of automatic enrolment from October 2012 will change the pensions landscape in the UK dramatically, and the National Employment Savings Trust (NEST) will provide a simple, low-cost alternative to existing pension arrangements. In this chapter we examine the likely impact of automatic enrolment and characteristics of groups likely to use different kinds of pension arrangement.

To establish possible pension arrangements for different groups we have made some simple assumptions:

- Those with personal income up to £10,000 a year are unlikely to make significant personal provision for their retirement. This is an assumption we have made in all our UK Pensions Reports, and is also consistent with Paul Johnson's review team's recommendation (Making Automatic Enrolment Work) (<http://www.dwp.gov.uk/docs/cp-oct10-full-document.pdf>) that those earning under the income tax personal allowance should not be automatically enrolled. The Coalition Government's ambition is to raise the personal allowance to £10,000, which ties in with our assumption.
- Those who earn between £10,001 and £30,000 a year and whose employer has fewer than 25 staff are a key target group for NEST. Only around one in ten of this group say they have a defined benefit or defined contribution pension through their current employer, far fewer than for any other group. The £30,000 upper limit means a pension contribution of £3,600 a year for those paying our recommended 12% minimum, which ties in with the yearly contribution limit originally proposed for NEST.
- Those who earn between £10,001 and £30,000 a year and whose employer has at least 25 staff may well be dependent mainly on non-NEST employer provision. Larger employers are both much more likely to have current provision and to be more attractive to non-NEST providers if they are arranging pension provision for the first time.

- Those who earn over £30,000 a year may choose to supplement any employer provision with additional pension contributions of their own.

We will examine each of these groups in turn.

Depending on state pensions or partners: Those with income under £10,000 a year

A large majority (76%) of this group works part-time. Compared with other groups, it contains a high proportion of under-25s and also a high proportion of people with partners working full-time. Both these groups could well end up adequately provided for in retirement, either through future savings or through a partner's pension.

However, almost half of those in this group who provided a total household income stated that this was under £20,000, so a significant number live in low-income families and are likely to be heavily dependent on the state for their retirement income.

As a whole, the group is more negative than others about financial and health prospects, though not markedly so on retirement. This may reflect an expectation that the Government will provide.

This group has average debt of £11,100, which is more than one year's earnings and by far the highest relative to earnings of all the groups. However, average savings for retirement of £62 a month are significantly higher relative to earnings than the £82.50 a month average for those earning £10,001-£30,000. Members of this group are relatively likely to own their home outright – 21% compared with 15% of those earning £10,001– £30,000 a year, reflecting the likelihood of being semi-retired or having a high-earning partner. More people in this group than in any other (12%) are living rent-free, and are most likely to be young people still living with parents.

This is the group which would be expected to have least capacity to make pension contributions, and 38% have no pension provision at all. Of those who do, 29% say they are active members of an employer's scheme, and a further 19% say that they are paying into an individual personal or stakeholder pension. However, it is likely that this is largely made up of better-off people working part-time rather than very low-income groups making substantial retirement provision.

Overall this group may not be as poorly pensioned as is commonly assumed, and our findings appear to confirm that the right decisions have been made on its treatment. Those earning between the lower threshold for qualifying earnings (which may be the Primary Threshold for National Insurance – currently £7,225 a year) and the minimum earnings for automatic enrolment (expected to be the Personal Allowance for Income Tax – currently £7,475 a year but possibly rising to £10,000) can request to be enrolled with an employer contribution, while those with earnings lower than this can request access to a pension, but without any requirement for the employer to contribute. This means that those on low earnings who can afford it have the right to a pension organised through their employer.

Low Earners: A varied group

The group earnings under £10,000 may well be the most diverse of all. In particular, it includes:

- Those who are living on very low incomes. They may well be able only to obtain part-time work, and are in genuine poverty.
- Young people using part-time work to help fund them through further education.
- Spouses and partners who are working part-time to supplement family income or for an interest.

The group therefore extends across the income spectrum.

A key NEST target market: Those with income between £10,001 and £30,000 a year working for employers with fewer than 25 staff.

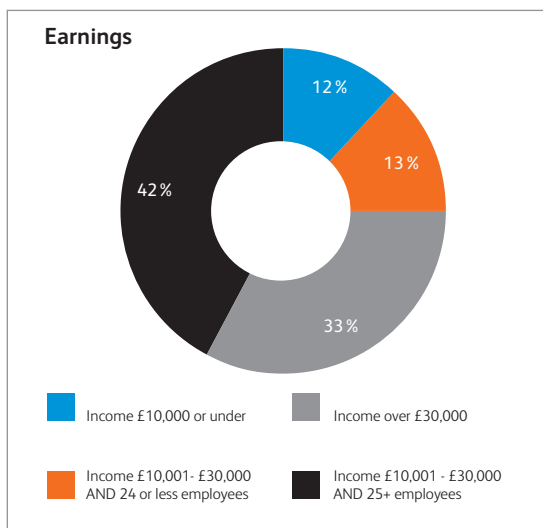
While it may well be used by others, NEST is primarily targeted at those who are outside current pension provision, and whom the current pensions industry could not serve cost-effectively. This is overwhelmingly moderate earners working for small companies.

This group is the oldest of the four on average, with 53% over 45 and 16% over 60. This may be largely because individuals are unable to retire as early as they would like to. Almost a third of this group (31%) is self-employed with half (50%) employed by private sector companies.

Table 4: Age profiles

	Income under £10,000 pa	Income £10,000-£30,000 pa under 25 staff	Income £10,001-£30,000 pa at least 25 staff	Income over £30,000 pa
Under 30	27%	18%	27%	9%
30-39	18%	18%	23%	25%
40-49	21%	26%	20%	29%
50-59	25%	24%	21%	28%
60 and over	8%	16%	8%	10%

Totals may not add up to 100% due to rounding



This group expects to remain working for longer than the others, with an average expectation of having to work beyond age 67 before being able to afford to retire. 30% of the group would be happy if they were still working at 70, much more than for any other group. As mentioned above, only about one in ten of this group currently have employer-sponsored pension provision, but three in ten (30%) of those with a pension are currently contributing to an individual personal or stakeholder pension, the highest of any of the four groups. Overall, two-thirds (68%) of this group have some kind of pension arrangement, but almost half (47%) of those with a pension are not currently contributing.

This is the group which automatic enrolment must capture if it is to be successful. NEST will provide a simple, low-cost option for employers who would struggle to obtain attractive terms on the commercial market. Nearly half (45%) of the group expect to remain enrolled into NEST, with a further 18% undecided, and only 13% expecting to opt out. The remaining quarter (24%) already have a pension they expect to maintain. This suggests that the take-up rate could be high, but worryingly the average contribution they would be prepared to make is just £31.70 a month, which is only around half the minimum employee contribution after the phasing-in period. More work is needed to ensure that consumers have realistic expectations.

The major non-NEST company pension market: Those with income between £10,001 and £30,000 a year working for employers with at least 25 staff.

While very small employers typically leave staff to sort out their own pension arrangements, larger companies are currently much more likely to provide, and pay into, a pension.

Nearly a quarter (24%) of those in employment work for organisations with fewer than 25 staff, but they account for only 6% of those currently in employer-sponsored pensions. At the other end of the scale, 39% work for companies with 1,000 or more staff, but they account for 56% of those with active defined contribution arrangements through employers (including group personal and stakeholder pensions) and 63% currently in defined benefit.

This group is significantly younger on average than the previous one, with 61% under age 45, compared with 47% of those with smaller employers. It is also the most likely of all the groups to be single (29%) or cohabiting (19%) and the least likely to have children or other dependants. This partly reflects the age profile.

This group contains a higher proportion who are pessimistic on financial, health and family prospects than those with the same income working for smaller companies, and despite having significantly greater pension provision on average it is equally pessimistic about retirement.

When it comes to employment, this group is mobile, with one-in-six (17%) having moved job more than three times in the last 10 years. When it comes to choosing a job, this group takes a wider range of factors into account than any of the others. In particular, it places more priority than other groups on job security, workplace location and training available.

The quality of the pension scheme is important to 45% of this group, which is second only to the group earning over £30,000 (59%). Almost two-thirds (64%) see their employer's pension scheme as an incentive to remain with them. Almost half (47%) believe their employer should provide a full financial advice service with the pension scheme.

Ultimately, though, basic pay is more important to this group than to any of the others, with 69% saying it is the single most important factor in decision-making.

When it comes to making financial decisions, this group is particularly influenced by family and friends from an older generation, such as parents and grandparents (33%) and also by their employer (17%). It is the most likely of all the groups to have borrowings on a credit card, overdraft and student loan though overall debt levels are comparable with other groups at around £11,000. Relative to earnings, non-pension savings are the lowest of all the groups.

This is a group which has often relied heavily on employer pension provision, and will be hardest hit by any reduction to that provision. In particular, the move away from defined benefit provision in the private sector could leave many with lower pensions than they see colleagues retiring with now, and any 'levelling down' when automatic enrolment is introduced could have a significant impact. The key challenge with this group is to encourage additional saving, whether in a pension or through other vehicles.

Able to supplement employer provision with their own savings: Those with income over £30,000 a year.

This is the group with earnings above the national average and, as would be expected, it is relatively positive about the future. Relatively few members of this group are under 30 years old, but there is a good spread across other ages.

Unsurprisingly, this group is relatively likely to be married and have dependent children or other relatives, and is in relatively stable employment - almost half (47%) have been with the same employer for at least 10 years, or have been self-employed throughout.

Pensions are very important to this group. Three-quarters see the pension arrangement as an incentive to remain with their current employer, while half could consider looking for another job if employer pension contributions were reduced.

Nearly seven in ten (69%) consider that an improvement to their company's pension could make it less likely that they would look for another job. This group is the most likely to be relying on a defined benefit pension as the main source of retirement income (46%). It also has the highest level of confidence (52%) that the employer's defined benefit pension will pay out as promised.

One particular concern about pensions reform is the extent to which it will affect the individual pensions market when all employees have access to a company arrangement. Product providers will be particularly concerned about this higher-earning group which has the potential to make substantial contributions.

We asked those with individual or personal pensions how their pension arrangements would be affected were they to be offered access to NEST. Half (50%) said they would continue with their individual arrangement, while a further 11% saw the new arrangement sitting alongside their present one. Most others (31%) planned to consider their position nearer the time. This suggests that the effect of pensions reform on the individual market may not be as great as some fear.

The main focus with this group should be to encourage continued savings alongside what their employers provide, and for those who are offered employer provision for the first time, to view it as supplementing rather than replacing existing savings.

Table 5: How often have you changed employer in the last 10 years?

	Income under £10,000	Income £10,001-£30,000 pa under 25 staff	Income £10,001-£30,000 pa at least 25 staff	Income over £30,000 pa
None – self-employed all this time	9%	16%	1%	5%
None – same-employed all this time	28%	22%	32%	42%
Once	24%	23%	21%	21%
Twice	16%	16%	16%	14%
Three times	11%	11%	12%	9%
More than three times	11%	12%	17%	8%

Totals may not add up to 100% because of rounding and those responding "Don't know"

Conclusions

Our findings validate three key elements of pensions reform:

- automatically enrolling all but the very lowest earners but making pensions available to them on an opt-in basis;
- targeting NEST particularly at smaller companies and moderate earners; and
- encouraging good existing provision to continue.

Support for automatic enrolment appears reasonably strong, with only 11 % expecting to opt out, the same as last year, though a further 21 % remain undecided. However, expectations of required contributions remain unrealistic with an average suggested of just £37.50 a month.

Finally, we recalculated the Pensions Index using the automatic enrolment basis – in particular, a lower contribution rate (8 %) and starting age (22). The results show that 56 % of people are saving enough. If NEST can make a significant proportion of the remaining 44 % adequate savers on this basis, automatic enrolment will be a success.



Part 4: Policy issues and recommendations

Our research confirms that reform of state and private pensions is on track to improve consumer outcomes, but more needs to be done to improve consumer awareness and to encourage savings.

State Pension Reform

The Government is currently consulting on possible changes to state pensions. There are two options⁶:

Option 1: Evolution This option builds on recent state pension reforms, which have substantially improved state pension provision for many, especially women. It involves accelerating the process of moving state second pension (S2P) to a flat-rate basis, bringing this forward to around 2020. It allows defined benefit schemes to remain contracted-out, albeit with a reducing rebate level, especially for higher earners. Consideration could be given to more substantial changes, such as bringing the self-employed into the scope of S2P.

Option 2: Revolution This option would move everyone rapidly towards a flat-rate state pension of around £140 a week in today's terms, though with protection for higher existing entitlements. The state pension would continue to be based on National Insurance contributions and credits, with 30 years required for the full pension and 7 years to qualify for any state pension at all. The ability of married, divorced and widowed people (especially women) to benefit from their partner's or ex-partner's state pension entitlement would be removed, and so would the Savings Credit element of Pensions Credit.

We asked a number of questions to test public reactions to the revolutionary option. The results are shown in Table 6.

Table 6: Attitudes to state pension reform

	All UK residents should be entitled to a state pension, regardless of the level of contributions they have made through taxation	How much an individual gets as basic state pension should be based on their needs	Knowing exactly how much I will receive in state pension when I retire would make me change my approach to saving now
Strongly agree	22%	14%	14%
Strongly agree	27%	30%	32%
Neither agree nor disagree	24%	19%	28%
Somewhat disagree	11%	20%	10%
Strongly disagree	13%	14%	6%
Don't know	13%	4%	10%

While opinions vary widely, there is clearly some support for a universal state pension and for needs-based pensions. Unsurprisingly, support was greatest among lower-income groups than among the better-off, but there was not great variation between different age groups and genders. It should also be said that we asked the questions positively, and responses might have been different had the statements been “Those who have recently migrated into the UK should be entitled to a state pension” and “The basic state pension should be means-tested”. However, as they stand, our results suggest that the revolutionary option would not attract widespread opposition on points of principle. It is a pragmatic approach which avoids the real difficulties associated with migration and means-testing.

The issue of more immediate concern, in the context of this report, is what effect the change would have on savings habits. At first sight, our third question looks promising, with 46% saying that certainty in state pension provision would change their savings habits. However, when asked the specific question about a £140 a week state pension the responses were not so positive (Table 7).

Table 7: Impact of single state pension

Please imagine that you were guaranteed to receive a STATE PENSION of £140 per week (in today’s money) when you reach state retirement age. Which ONE of the following comes closest to the impact this would have on your savings plans?	I would save less	9%
	I would save the same – this would not change my behaviour	58%
	I would save more	18%
	Don’t know	16%

This suggests that while consumers value certainty in their state provision, the proposed change might well not result in a step-change improvement in savings habits, and indeed might lead to complacency in some. This is particularly true among the over-50s, where only 10% said they would save more and 12% that they would save less. There may also be issues of whether consumers believe in practice that a state pension put in place by a Government now will be honoured by others in the future

Recommendations

The proposed changes to state pensions are largely driven by considerations of fairness and simplicity, which are to be commended. However, more work is required if they are also to lead individuals to take greater responsibility for their retirement income above the level provided by the state.

- There needs to be real clarity about what the state will and will not provide, and how that might compare with individual aspirations. Some simple presentational changes might help with that. For example, £140 a week sounds a substantial amount to many because they may naturally compare it to their weekly food bill. Expressing it as £7,300 a year would emphasise much better how little it is for most compared with current earnings.
- Because the proposed changes are designed to be cost-neutral, there will be many losers as well as winners. This will include, for example, those who already have basic state pension plus S2P entitlement of at least £140 a week and have several years to retirement - they will gain no pension benefit from future National Insurance contributions. It is important that they have a clear understanding of the impact on them, why it is fair in terms of the overall changes, and that they may need to do more to provide for their retirement.

Automatic Enrolment and NEST

There has been widespread support among politicians and other stakeholders for the principles behind automatic enrolment and NEST, and the main policies are now settled and agreed. The challenge now is one of successful implementation.

Excluding the 35% who expect their existing provision to continue, half of the non-retired population expects to remain enrolled and only one-sixth to opt out. However, a third remain undecided and the challenge is to ensure that they understand the benefits of being automatically enrolled.

We asked about reasons why individuals might opt out of NEST if it was offered to them. Worryingly, 32% overall, and 41% of men, said they do not trust a scheme established by the Government to work long-term. Both DWP and NEST Corporation have been careful to distance NEST from Government, and this is clearly important in obtaining consumer buy-in. How the media presents NEST may be particularly important to its success.

Over the years we have consistently found that consumers underestimate how much they will have to contribute following automatic enrolment. The average this year has risen from £33.90 to £37.50, but is still a significant underestimate of the amount likely to be required. Qualifying earnings for automatic enrolment have still to be finalised, but for someone on average earnings the 4% net employee contribution after the phasing-in period could well be around £60-£70 a month in today's terms. Education on the level of their contributions required under automatic enrolment will be important to avoid possible withdrawals when consumers see the amounts being deducted from their pay.

There is encouraging evidence that those who currently have individual pension arrangements may not give them up, even if their employer offers pensions access for the first time. Only 5% said this was likely, though almost half 46% have still to make up their minds. If those with existing provision can be encouraged to see an employer arrangement as a boost to savings rather than a replacement, their retirement provision could be substantially enhanced.

Overall, sentiment towards automatic enrolment and NEST appears positive, and with effective implementation there is a good prospect of success. However, it is important that we do not underestimate the risks. The experience of the Child Trust Fund is relevant here. Over a quarter of parents receiving a voucher have not opened an account for their children⁷ and fewer than a quarter of accounts have additional contributions to supplement those paid by the Government⁸. Inertia in financial planning is very strong, and it is likely that we will see employers and employees doing the minimum required, rather than proactively improving retirement savings.

Recommendations

- There remains uncertainty in many people's minds about whether automatic enrolment is for them, and what it might cost them. That is understandable when it is still some distance away, but effective publicity that highlights the benefits and sets realistic expectations will be vital in the run-up to automatic enrolment.
- The success of NEST is integral to pensions reform, and consumers must see it as a high quality, good value, well managed pension scheme and not just as a Government initiative. How it is presented, including in the media, will remain very important.

Encouraging good savings behaviours

As a nation, our savings have largely stagnated in recent years. Automatic enrolment should give them a boost, but it remains to be seen whether that will lead to completely new savings or will largely replace existing savings. The opt-out rate is still uncertain.

Our survey does confirm, though, the importance of employers in our finances. 70% of consumers believe employers should provide access to a pension arrangement and pay into it, while only 6% believe employers should have no involvement. 40% of employees believe that employers offering a pension should also offer a full advice service, and a further 38% would expect general information about retirement planning.

There are three distinct stages in promoting savings behaviour. The first is to develop the motivation to save, the second to become confident that the means are available and the third to find the appropriate method. In other words, consumers must understand that they need to put money aside now for the future, they then need to be able to budget for it and work out what sacrifices may be necessary and finally they need to be directed to the right savings vehicles. The challenge is to enable this process to happen for everyone, and not just for the few who can afford professional financial advice.

Motivation is most likely to come through an understanding of the consequences of not saving. For example, 44% of consumers say they will be angry if they have to work beyond 65, but with state pension age increasing it is likely that most will have to unless they prepare specifically for earlier retirement. Consumers need a better understanding of what is required to achieve a comfortable living standard in retirement, and this needs to be as personal to them as possible.

An understanding of the shortfall in their retirement provision will help consumers make informed decisions about their financial priorities. The West Midlands, which we find is the region of England preparing best for retirement, was also found by a recent NAPF survey to be the region where there is least confidence about retirement income⁹. It appears that here, at least, an awareness of need may be leading to increased savings.

Low-earning consumers may well not have the means to save a significant amount for retirement, but for others it is a question of priorities. When asked about what spending they would be most reluctant to cut back on if their income fell by 10%, 22% listed holidays on their top three - second only to food/groceries - compared with 19% for pensions and 15% for other savings. Perhaps we need to be more open with consumers about the difficult choices they may have to make to enable them to save adequately for their retirement. When looking at the method, we need to learn from the success stories. ISAs have a strong brand identity and are popular with consumers. Pensions, on the other hand, carry the stigma of past misselling and annuities are perceived to be poor value. One key message is that it is perfectly acceptable to save for retirement in an ISA, but saving in a pension at some stage will bring significant tax benefits. In general, it may be better to talk about retirement savings rather than pension, whether or not the word 'pension' becomes restricted only to describing state provision as suggested by Lord John McFall¹⁰.

Recommendations

- Effective use of the workplace is vital to increasing financial capability, and so savings, among employees. Ideally this might be through a full individual advice process, but in many cases that is not realistic. An alternative is to provide financial support through an employer's intranet system, for example with budgeting software and pension planners. Scottish Widows' mymoneyworks initiative gives an example of what is achievable here.
- Recognising that most people are unable to afford individual professional advice, the success of the Money Advice Service and other generic guidance initiatives is critical. Consumers should not be deterred from saving due to lack of relevant information and guidance.

Despite savings levels which are largely unchanged over the past year, there are signs of increasing consumer awareness of the need to provide for their retirement. The challenges as we move closer to automatic enrolment is to further increase this awareness, and do all we can to help consumers convert it into action.

Appendix 1: The Pensions Index and the Average Savings Ratio

Calculation of the Pensions Index

The Scottish Widows Pensions Index is a snapshot of how well employed and self-employed people in the UK are currently preparing financially for retirement. It is based on those who are of an age - between 30 and state pension age - and an income level - £10,000 or more a year - where they could reasonably be expected to be saving for their old age. The target retirement income is one that will leave most people feeling they are in an acceptable financial position, but which is likely to involve a sacrifice in living standard compared with when they were working.

The level of retirement income which consumers are likely to feel is acceptable will depend largely on their income while working. However, the proportion required is likely to be higher for lower earners than for those who are relatively well-off, and that is reflected in our assumptions.

We have assumed that saving 12% of earnings from age 30 to age 65 will provide an adequate income when combined with state pensions. The 12% includes employer pension contributions, tax relief and any non-pension savings for retirement, and could produce a pension of around 30% of earnings¹².

When added to state pensions we believe this will meet our adequacy requirement. For example, if the proposed single state pension of £7,300 a year (£140 a week) is implemented, those earning £10,000 a year and saving 12% a year will have an income replacement rate of just over 100% in retirement, those earning £30,000 will have a replacement rate of around 54%, and those earning £50,000 will have a replacement rate of around 45%. If the earnings-related state second pension (S2P) is retained, prospective income is lower for lower-paid workers and higher for higher-paid, but still at a level we would consider acceptable in both cases.

We have not yet taken into account the increasing state pension ages, either in setting the target contribution rate or in defining the index group. We will consider how this can best be allowed for in future years.

Those with defined-benefit pensions need to be considered separately, because there is no direct relationship between contribution levels for individuals and the pension provided. In calculating the Index we have assumed that all those who expect to receive most retirement income from a defined-benefit pension are adequately provided for. We are aware that changes to defined benefit schemes will, in some cases, mean that benefits are reduced overall, but believe that those who receive their main retirement income from a defined benefit scheme will be relatively well catered for.

The Scottish Widows Pensions Index therefore tracks the percentage of those aged between 30 and 64 (30 and 59 for women) and earning £10,000 or more a year who are either relying mainly on a defined-benefit pension or saving at least 12% of earnings for their retirement (including any pension contribution by their employer).

The Scottish Widows Average Savings Ratio is the average percentage of earnings being saved for retirement by those in the Index group, but excluding those relying mainly on a defined-benefit pension.

We have also calculated an equivalent Pensions Index figure using the minimum requirement for automatic enrolment, recognising that this has a significantly different savings pattern, including a lower starting age (22) and a lower contribution rate (8%).

Savings that are included

While pension arrangements remain the most common and most tax-efficient method of saving for retirement, many people use alternative savings vehicles such as ISAs, perhaps with a view towards moving funds into pension closer to retirement.

In calculating the Pensions Index and the Average Savings Ratio, we have taken account of all savings specifically intended to contribute towards retirement income. These comprise company and employee contributions to employer-sponsored pensions, individual contributions to personal and stakeholder pensions and non-pension savings. We have not included non-financial assets such as residential property.

Groups that are tracked

While we are able to track preparation for retirement against many different criteria, there are three key differentiators that we monitor every year:

Gender: Women have always lagged behind men in pension provision, and we measure whether the gap is growing or shrinking.

Age: We divide the index between those aged 30 to 50, who are generally some distance from retirement, and those aged 51 to 64, who are approaching retirement.

Earnings: We monitor three bands to see the effect of earnings level on retirement preparation - £10,000-£29,999, £30,000-£49,999 and £50,000 and over.

- ¹ National Statistics http://www.statistics.gov.uk/downloads/theme_economy/SavingsRatioRev.xls
- ² Bank of England <http://www.bankofengland.co.uk/statistics/hew/current/index.htm>
- ³ Investment Management Association [http://www.investmentfunds.org.uk/press-centre/press-releases/press release-statistics0311](http://www.investmentfunds.org.uk/press-centre/press-releases/press-release-statistics0311)
- ⁴ World Bank
- ⁵ http://data.worldbank.org/indicator/NY.GDS.TOTL.ZS?order=wbapi_data_value_2009+wbapi_data_value+wbapi_data_value-last&sort=asc
- ⁶ <http://www.cii.co.uk/app/news/default.aspx?endstem=1&id=1008>
- ⁷ Call for Evidence on Early Access to Pension Savings, HM-Treasury December 2010, Summary of Responses April 2011 http://www.hmrc.gov.uk/stats/child_trust_funds/ctf-april2011.pdf
- ⁸ <http://www.hmrc.gov.uk/ctf/dda-2010.pdf> page 2
- ⁹ http://www.napf.co.uk/PressCentre/Press_releases/0095_West_Midlanders_least_confident_about_paying_for_retirement.aspx
- ¹⁰ <http://www.moneymarketing.co.uk/pensions/mcfall-limit-use-of-the-word-pension/1030432.article> Based on the ABI/Money Advice Service pension calculator at
- ¹¹ http://yourmoney.moneyadvice.service.org.uk/tools/pension_calculator.html, allowing for a single-life inflation-linked pension with no lump sum at retirement. Female annuity rates used as a proxy for unisex rates.



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