Retirement realities

Understanding the impact of the cost-of-living on pension savings and retirement expectations

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Executive Summary

Our latest poll of over 3,000 UK adults who saved into a pension in the last year found that the majority are not confident about their retirement prospects. In 2024, 62% of UK adults feel they will need to work past retirement age (currently 66 in the UK) and over 50% feel they will never be able to retire (53% in 2024). These beliefs were more common amongst female workers, those aged 55 and under, tenants and those earning below the real Living Wage (£13.15/hour in London and £12.00/hour in the rest of the UK).

Moreover, most were not confident about their retirement planning. 70% said they need to do more planning for retirement, rising to 74% amongst those earning below the real Living Wage. Over half did not know whether they were saving enough for retirement, rising to 65% for those earning less than the real Living Wage. Further to this, over half of those earning less than the real Living Wage did not feel they were saving enough to meet their basic needs in retirement.

Our polling also found that 9% of UK adults decreased or stopped their personal pension contributions in the previous six months. This increased to 17% amongst those earning below the real Living Wage. Despite inflationary cost pressures continuing to ease in 2024, the main reason people cited for decreasing or stopping their contributions was the cost-of-living.

Looking ahead, 6% of UK adults expect their personal pension contributions to decrease or stop in the next six months. Again, this was higher amongst those earning below the real Living Wage (10%), compared to those earning the real Living Wage (8%) or above (4%).

These findings suggest that most UK adults are neither confident nor optimistic about retirement, particularly those earning below the real Living Wage. They also show that despite the cost-of-living crisis beginning to ease, immediate cost pressures are still causing people to decrease or stop their personal pension contributions altogether. Alongside evidence of insufficient pension savings[1] and the scale of post-work poverty in the UK[2], these polling results highlight the importance of ensuring minimum pension contributions are at a level likely to deliver an acceptable standard of living in retirement.

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[1] Cominetti, N. and Odamtten, F. (2022) Living Pensions: An assessment of whether workers' pension saving meets a 'living pension' benchmark, London: The Resolution Foundation. Available at: https://www.resolutionfoundation.org/app/uploads/2022/07/Living-Pensions.pdf.
[2] Cribb, J. et al (2024) How have pensioner incomes and poverty changed in recent years?. London, Institute for Fiscal Studies. Available at: https://ifs.org.uk/publications/how-have-pensioner-incomes-and-poverty-changed-recent-years.

Introduction

Many people in the UK are experiencing post-work poverty, and many more may be at risk of post-work poverty in the future if their pension contributions are not sufficiently high to ensure a decent standard of living in retirement. Analysis of Department for Work and Pensions data shows that nearly 1m pensioners in the UK (8%) are living in deprivation.[3] This is defined as those aged 66 or over who do not have access to basic goods and services, including substantial meals, heating and electricity, a home that is in a good state of repair, and contact with friends and family at least once a month. Further research into those approaching retirement age also finds that one in four people aged 60-65 live in poverty.[4]

Post-work poverty is a particular risk for those in low paid jobs. Indeed, research commissioned by the Living Wage Foundation and completed by the Resolution Foundation found that four in five workers, and 95% of low-paid workers[5], were not saving at a level likely to deliver an acceptable standard of living in retirement.[6] This is in spite of the UK Government's pension auto-enrolment legislation introduced in 2012 to boost pension savings. More recent research also suggests that workers' pension contributions have been falling, at least in part because of the increased cost-of-living in the UK since 2022.[7]

In 2023 and 2024 the Living Wage Foundation commissioned polling of 3,000 UK adults to help us better understand the pensions landscape in the UK, how it is changing over time, how it may change in the future, and how people feel about their pension contributions. Our findings, as presented in the remainder of this briefing, show that low paid workers are more likely to reduce or stop their pension contributions and over half of these workers do not feel they are saving enough to meet their basic needs in retirement. Female workers, those aged 55 and under and tenants were also less confident about retirement than male workers, those aged 55+ and home owners.

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[3] Cribb, J. et al (2024) How have pensioner incomes and poverty changed in recent years?. London, Institute for Fiscal Studies. Available at: https://ifs.org.uk/publications/how-have-pensioner-incomes-and-poverty-changed-recent-years.
[4] Otto, S. (2024) When I'm 64: A strategy to tackle poverty before state pension age, London: The Fabian Society. Available at: https://fabians.org.uk/wp-content/uploads/2024/04/Pre-retirement-poverty-long-version-COMPLETE-1.pdf.
[5] Low paid workers are those earning less than the real Living Wage - an hourly rate of pay independently calculated each year to account for the basic cost of living in the UK.
[6] Cominetti, N. and Odamtten, F. (2022) Living Pensions: An assessment of whether workers' pension saving meets a 'living pension' benchmark, London: The Resolution Foundation. Available at: https://www.resolutionfoundation.org/app/uploads/2022/07/Living-Pensions.pdf.
[7] Abdi, M. (2024) 'Cost-of-living crisis causes drop in pension contributions: Gallagher', Corporate Adviser, 20 June. Available at: https://corporate-adviser.com/cost-of-living-crisis-causes-drop-in-pension-contributions-gallagher/ (Accessed 01 July 2024).

Recent changes in personal pension contributions

HOW PENSION CONTRIBUTIONS HAVE CHANGED

In 2024, nearly one in ten (9%) of UK adults reported decreasing or stopping their personal pension contributions in the previous six months, while three in five (62%) said their contributions stayed the same, and a quarter (24%) said they increased. These overall levels were similar to 2023, despite inflationary pressures continuing to ease in 2024.

Comparing levels of pay, a higher proportion of those earning below the real Living Wage in 2024 reduced or stopped their personal pension contributions (17%), compared to those earning at the real Living Wage (10%) and those earning above the real Living Wage (6%) (Figure 1). This suggests that immediate cost pressures are making it more difficult for low paid workers to put money away for retirement. This is in keeping with research from the Resolution Foundation which found that only 5% of low-paid workers are saving at a level likely to deliver an acceptable standard of living in retirement.[8]

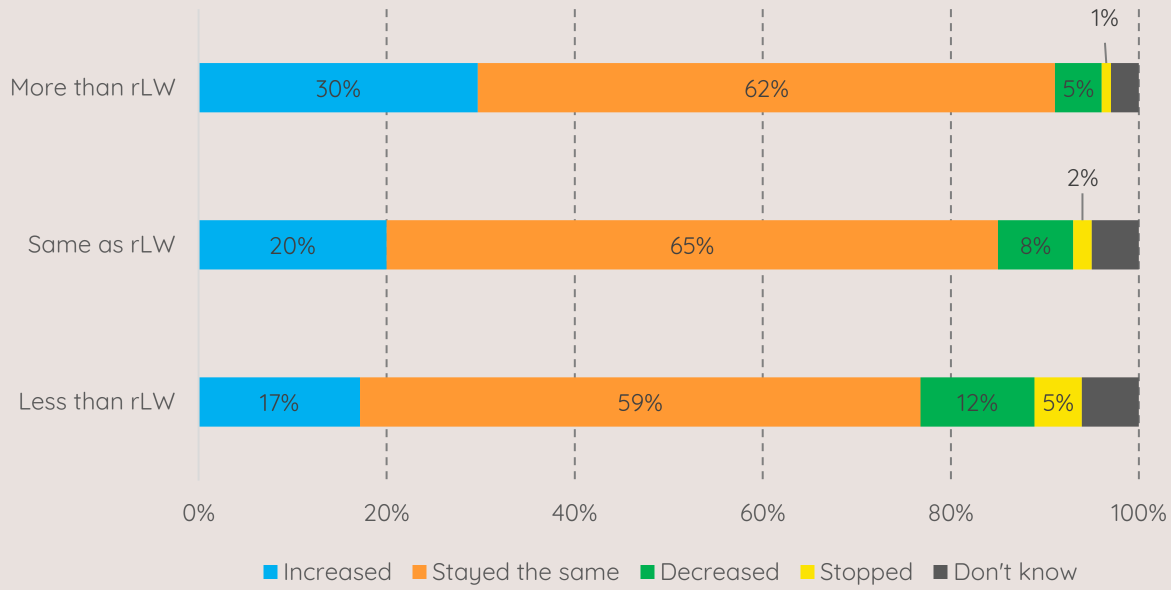
Considering experiences by gender in 2024, a slightly higher proportion of female workers reported decreasing their personal pension contributions compared to male workers in 2024 (9% versus 6%). This is more of a divergence than in 2023 when levels were similar between female and male workers (8% versus 7%) and could contribute to widening the existing gender pensions gap[9] if this continues.

Finally, in relation to living situations, UK adults who are tenants were more likely to stop or reduce their personal pension contributions (12%) compared to those who are homeowners (8%) in 2024. This may be linked to the large increase (over 9%) in average UK private rents in the 12 months to March 2024[10], when the polling took place, and is in

[8] Cominetti, N. and Odamtten, F. (2022) Living Pensions: An assessment of whether workers' pension saving meets a 'living pension' benchmark, London: The Resolution Foundation. Available at: https://www.resolutionfoundation.org/app/uploads/2022/07/Living-Pensions.pdf.
[9] Mirza-Davies, J. and Zaidi, K. (2024). Research briefing: The Gender Pensions Gap. London: The House of Commons Library. Available at: https://commonslibrary.parliament.uk/research-briefings/cbp-9517/.
[10] ONS (2024) Private rent and house prices, UK: April 2024. Available at: https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/april2024.

line with evidence from the ONS[11] that mortgage holders have generally been better able to absorb increased housing costs compared to renters despite mortgage interest payments having increased by more than rents. This is likely due to homeowners' greater average savings levels and financial resilience.

Figure 1: Proportion of UK adults whose personal pension contributions increased, decreased, stayed the same or stopped altogether in the previous six months for those earning below the real Living Wage compared to those earning at or above the real Living Wage (2024).



Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: Thinking about your pension, how have your personal contributions (not including employer contributions) changed over the last 6 months, if at all, in cash value and/or in percentage terms?

REASONS FOR DECREASING OR STOPPING PERSONAL PENSION CONTRIBUTIONS

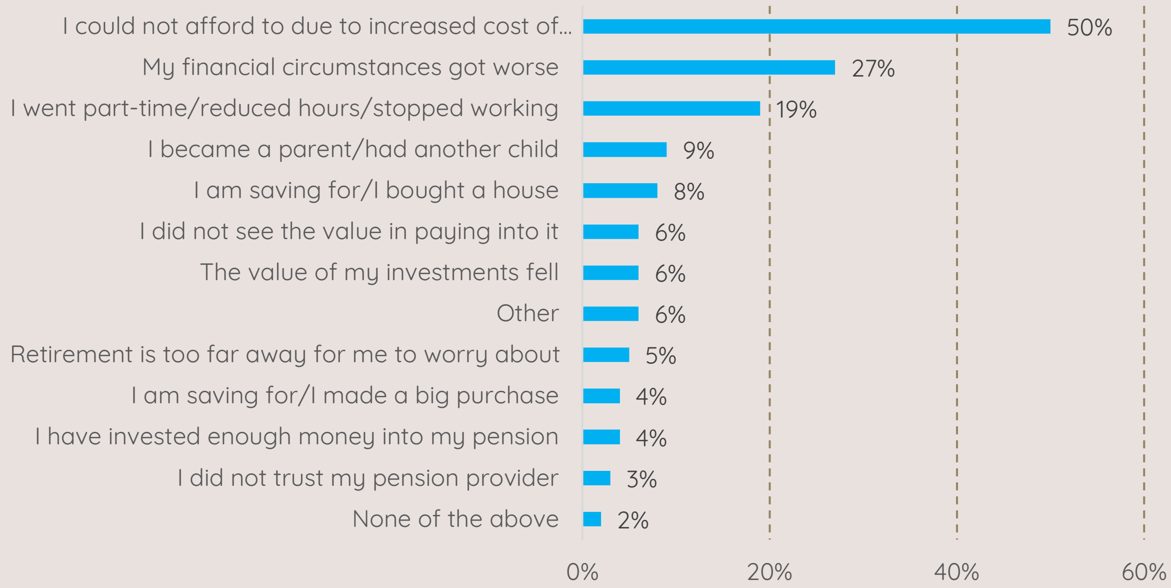
Rising costs continue to put pressure on personal pension contributions. Inflation was down to 3.2% in the 12 months to March 2024, from the 41-year high of 11.1% in October 2022[12,13]. Nonetheless, the increased cost-of-living remains the most commonly cited reason that people decreased or stopped their pension contributions in 2024, with 50% of people reporting this, up from 42% in 2023.

[11] ONS (2024) Role of owner-occupiers' housing costs in the Household Cost Indices, UK: 2023. Available at: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/roleofowneroccupiershousingcostsinthehouseholdcostindicesuk/2023.
[12] Francis-Devine, B. et al. (2024) Research Briefing: Rising cost of living in the UK. London: The House of Commons Library. Available at: https://commonslibrary.parliament.uk/research-briefings/cbp-9428/.
[13] ONS (2024) Consumer price inflation, UK: April 2024. Available at: https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2024.

Amongst those who decreased or stopped their personal pension contributions because of the increased cost-of-living, bills (89%) and groceries (87%) were the most commonly cited cost increases, followed by housing costs (58%).

Over a quarter (27%) of UK adults who reduced or stopped their pension contributions said it was because their financial circumstances had gotten worse (e.g. because they had received a pay cut). Nearly 1 in 5 (19%) reported that going part-time, reducing their working hours, or becoming unemployed was the reason they reduced or stopped their personal pension contribution in the previous six months (Figure 2).

Figure 2: Reasons for decreasing or stopping personal pension contributions in the previous six months (2024).



Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 297 respondents aged 18+ who live in the UK, paid into a workplace or personal pension scheme in the previous 12 months and reported decreasing or stopping their personal pension contributions in the previous 6 months. All respondents were asked: Which of the following statements describes why your personal pension contributions have decreased/stopped altogether in the last 6 months?

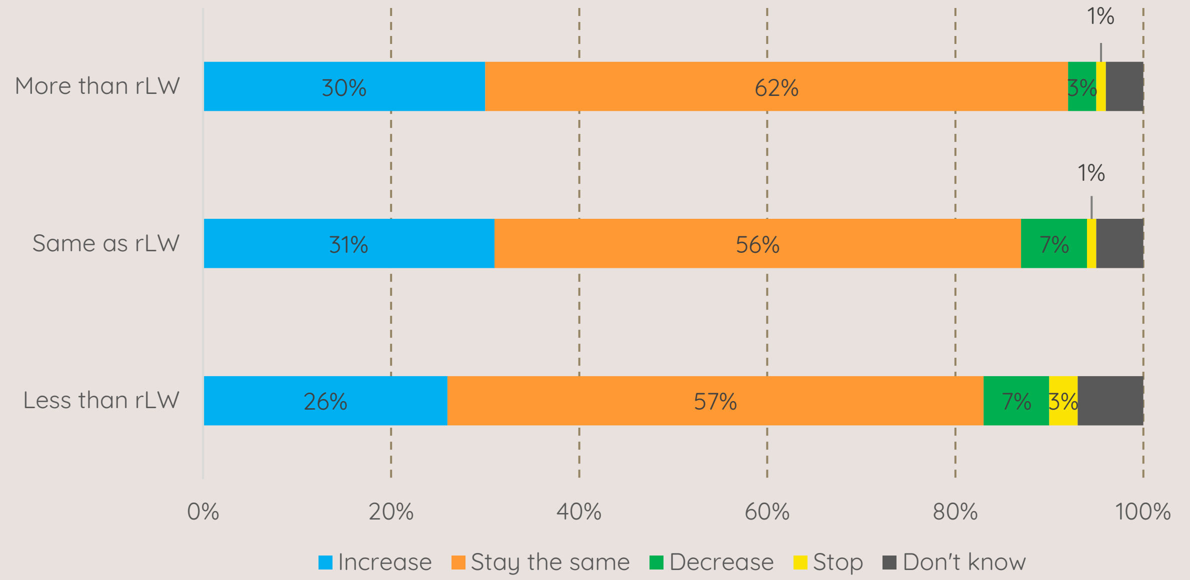
EXPECTED IMPACTS OF STOPPING OR REDUCING PERSONAL PENSION CONTRIBUTIONS

In 2024, 40% of UK adults reported they were aware of the impact of decreasing or stopping their pension contributions and over half (55%) thought that decreasing or stopping their contributions would impact their retirement plans. This suggests an increased awareness of the importance of personal pension contributions compared to 2023, when 32% said they were aware of the impact and 46% thought that decreasing or stopping their contributions would impact their retirement plans.

Expected changes in future personal pension contributions

The majority of UK adults (59%) expect their personal pension contributions to stay the same over the next 6 months, while 6% expect them to decrease or stop and 29% expect them to increase. This is a slightly more optimistic picture overall than in 2023 when 9% expected their contributions to decrease or stop and 26% expected them to increase. However, a higher proportion of those earning below the real Living Wage in 2024 still expect their personal pension contributions to decrease or stop altogether in the next six months (10%), compared to those earning at the real Living Wage (8%) or above (4%) (Figure 3).

Figure 3: Proportion of UK adults who expect their personal pension contributions to increase, decrease, stay the same or stop altogether in the next six months for those earning below the real Living Wage compared to those earning at or above the real Living Wage (2024).

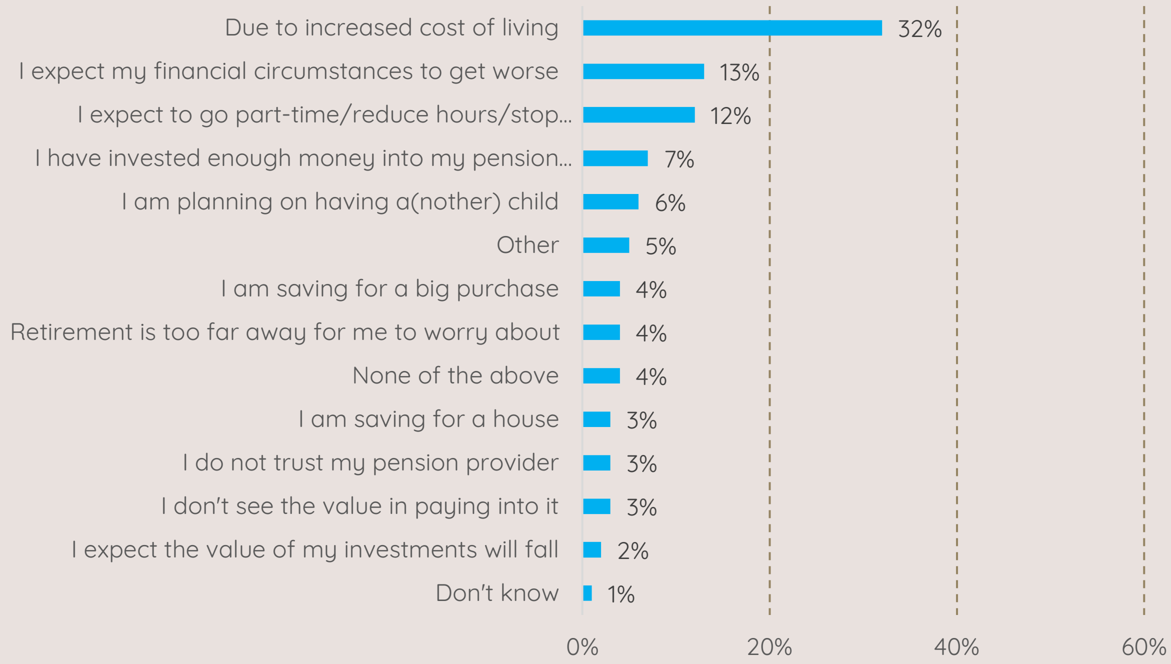


Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: Over the next 6 months, what do you expect will happen to your personal contributions to your pension (not including employer contributions) in cash value and/or in percentage terms?

REASONS FOR EXPECTED REDUCTION IN PERSONAL PENSION CONTRIBUTIONS

For those that expect their personal pension contributions to reduce or stop altogether in the next six months, the most common reason given was the increased cost-of-living (32%) (Figure 4). However, this is a slight improvement on 2023 when 37% of those expecting their contributions to decrease or stop said it was due to the increased cost-of-living.

Figure 4: Expected reasons for decreasing or stopping personal pension contributions in the next six months (2024).

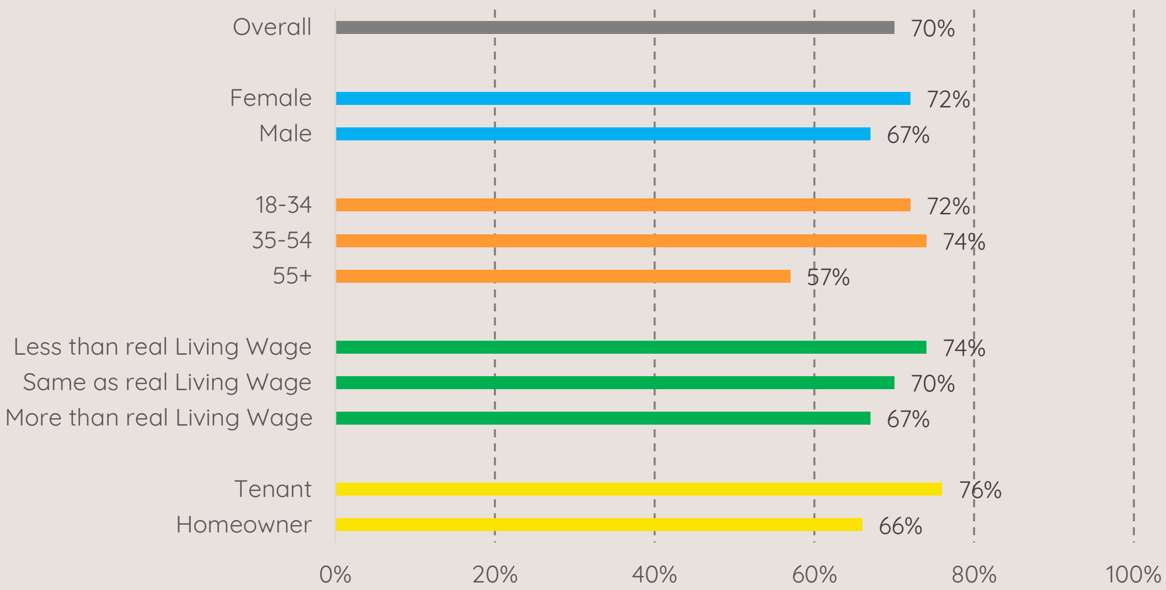


Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 205 respondents aged 18+ who live in the UK, paid into a workplace or personal pension scheme in the previous 12 months and expect their personal pension contribution to stop or decrease in the next 6 months. All respondents were asked: Which of the following statements describes why you expect your personal pension contributions to decrease/stop altogether over the next 6 months?

Planning for retirement

In 2024, 70% of UK adults paying into a pension say they need to do more planning for retirement. These views differ across demographic groups, with female workers, those aged 55 and under, those earning below the real Living Wage, and tenants more likely to say that they need to do more planning for retirement than male workers, those aged 55+, those earning at or above the real Living Wage, and homeowners (Figure 5).

Figure 5: Proportion of UK adults that say they need to do more planning for retirement (2024).



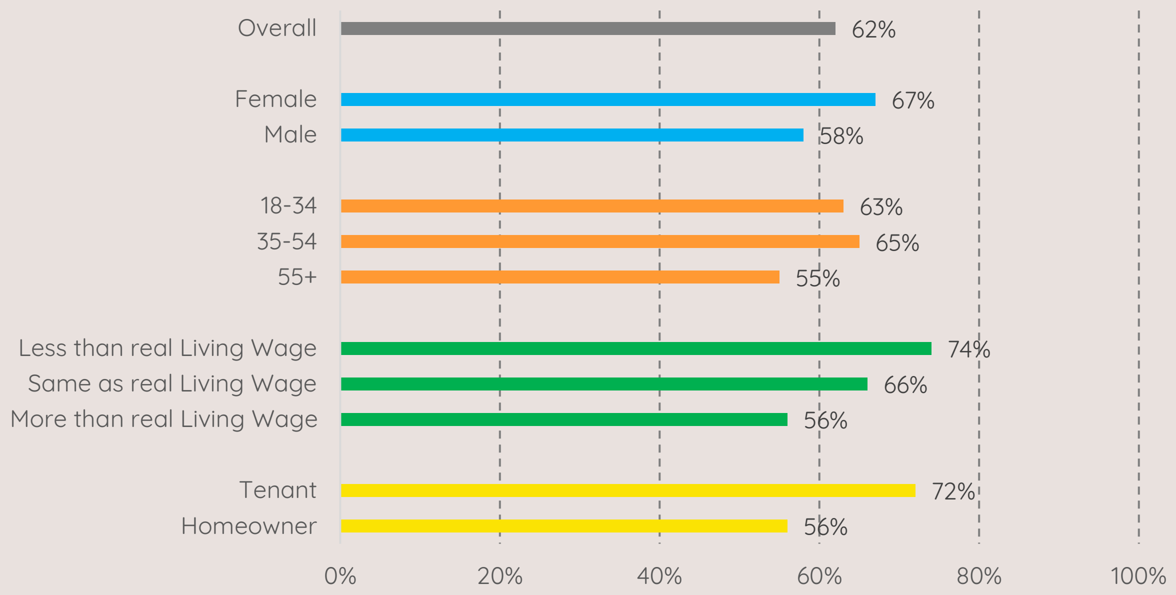
Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: To what extent, if any do you agree or disagree with the following statement: I need to do more panning for my retirement.

Expectations for retirement

RETIREMENT AGE

Given current cost pressures and uncertainties about retirement, over 60% of UK adults still feel they will need to work several years beyond retirement age - currently 66 in the UK (64% in 2023 and 62% in 2024). Female workers, those aged 55 and under, those earning below the real Living Wage, and tenants are more likely to feel they will need to work several years beyond retirement age than male workers, those aged 55+, those earning at or above the real Living Wage, and homeowners (Figure 6). This highlights the importance of supporting employers to ensure minimum pension contributions are set at a level that gives their workers confidence that they will not have to work past retirement age.

Figure 6: Proportion of UK adults that feel they will need to work several years beyond retirement age (2024).

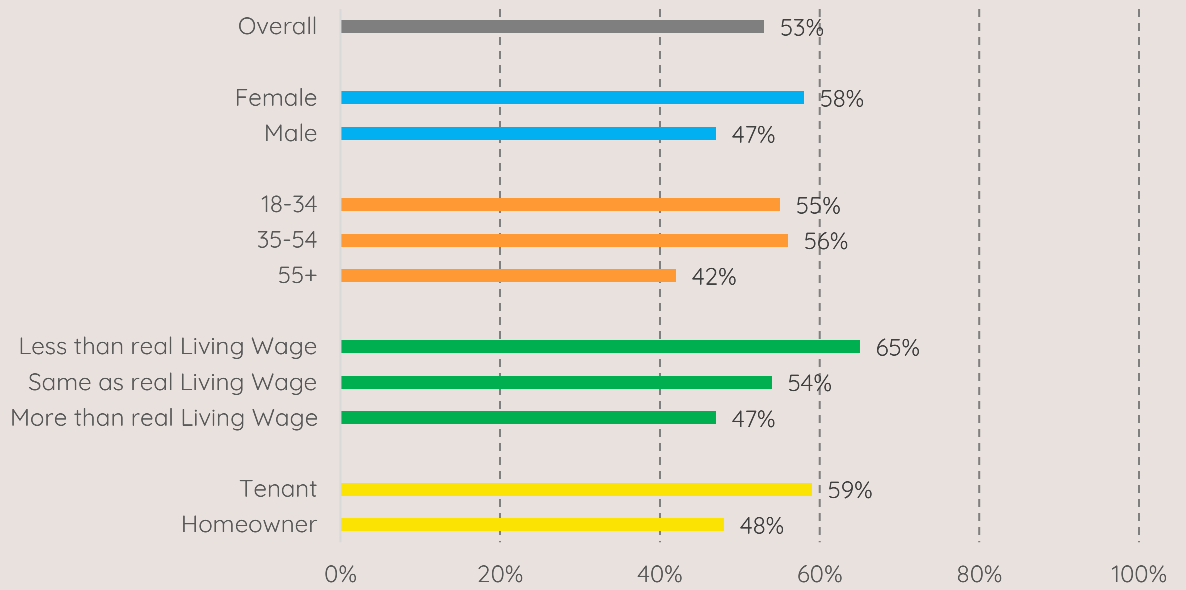


Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: To what extent, if any do you agree or disagree with the following statement: I feel I will need to work several years beyond retirement age.

Not only do 62% of UK adults feel they will need to work past retirement age but over 50% feel they will never be able to retire (53% in 2024). Again, this belief was more common among female workers, those aged 55 and under, those earning below the real Living Wage, and tenants (Figure 7). In particular, 65% of those earning below the real

Living Wage feel they will never be able to retire, suggesting they are not optimistic about their current or future ability to save enough for retirement.

Figure 7: Proportion of UK adults that they feel they will never be able to retire (2024).



Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: To what extent, if any do you agree or disagree with the following statement: It feels like I will never be able to retire.

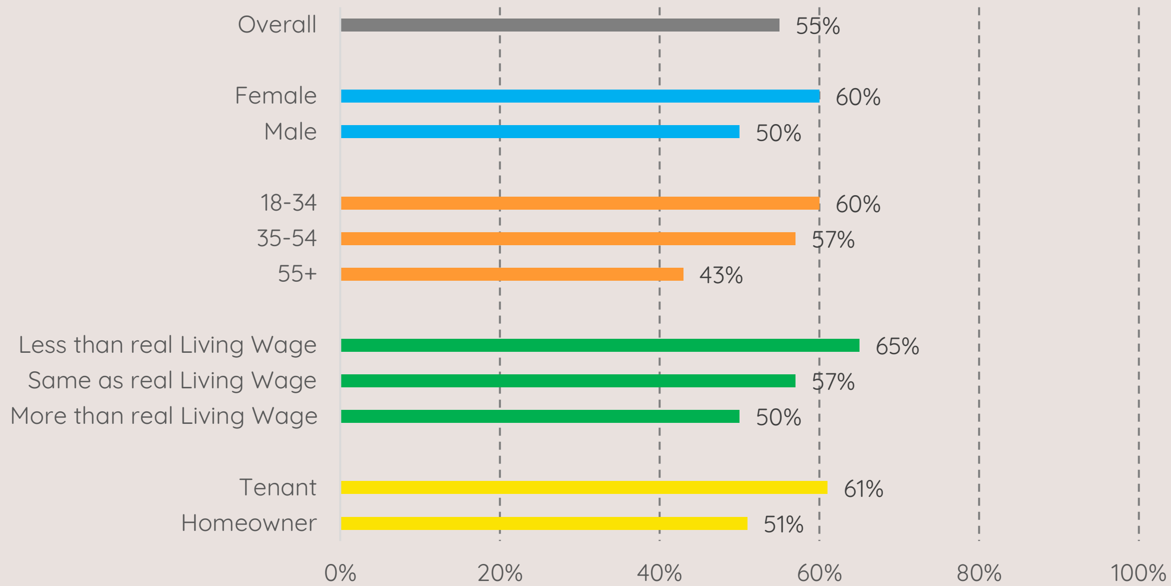
CONFIDENCE IN RETIREMENT SAVINGS LEVELS

In 2024, over 50% of UK adults do not know whether they are saving enough for retirement compared to only around a quarter who say they do (Figure 8). This is in keeping with research by the Pensions and Lifetime Savings Association which also found that only 23% of people are confident they know how much they need to save for retirement.

Considering different demographic groups, a higher proportion of female workers do not know whether they are saving enough for retirement, compared to male workers (60% versus 50%). And amongst 18-34 year olds, 60% do not know whether they are saving enough for retirement, as well as 57% of 35-54 year olds. Even 43% of those 55 and over do not know whether they are saving enough for retirement, even though they are nearing retirement age.

The picture is also less certain for those earning below the real Living Wage, with 65% of these workers unsure whether they are saving enough for retirement, compared to those earning the real Living Wage (57%) and above (50%). Tenants are also less sure than homeowners (61% versus 51%) as to whether they are saving enough for retirement.

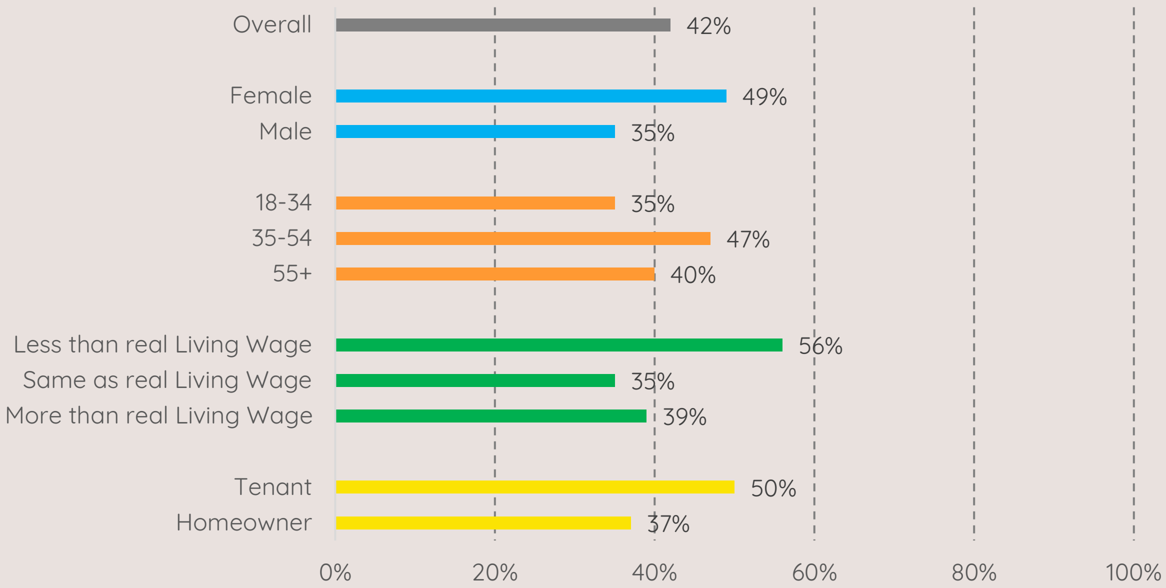
Figure 8: Proportion of UK adults that do not know whether they are saving enough for retirement (2024).



Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: To what extent, if any do you agree or disagree with the following statement: I don't know whether I am saving enough for retirement.

More specifically, over 40% of UK adults do not feel confident that they are saving enough to have a comfortable retirement (Figure 9). These expectations differ across demographic groups, with female workers, those aged 35-54, those earning below the real Living Wage, and tenants more likely to lack confidence than male workers, those aged 55+ or 18-24, those earning at or above the real Living Wage, and homeowners. Again, those earning less than the real Living Wage were the most likely to doubt that they are saving enough to have a comfortable retirement (56%).

Figure 9: Proportion of UK adults that are not confident they are saving enough to have a comfortable retirement (2024).

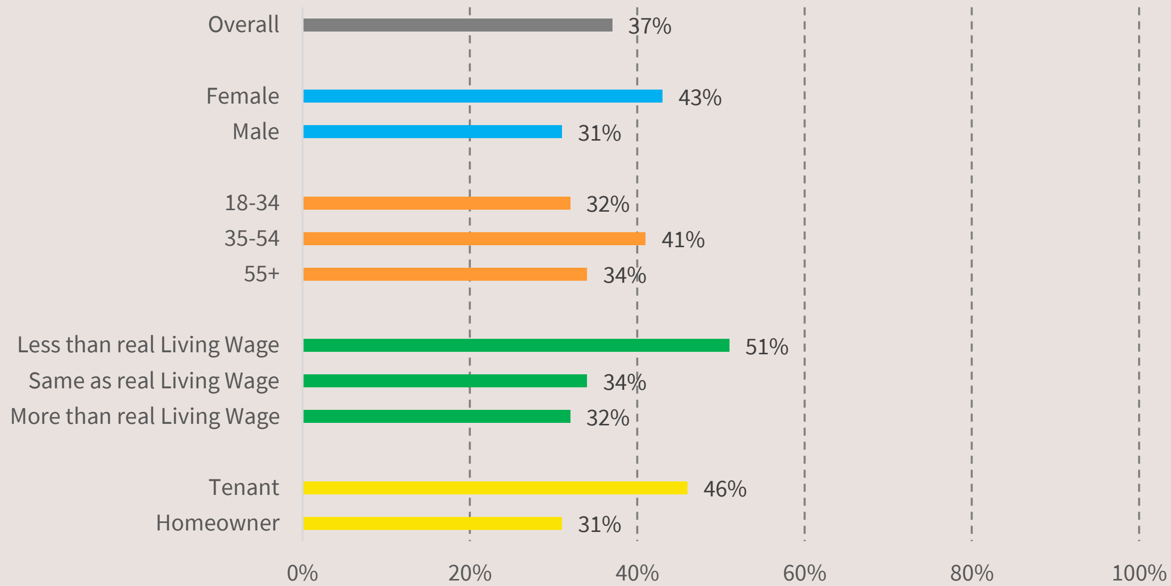


Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: To what extent, if any do you agree or disagree with the following statement: I am confident that I am saving enough to have a comfortable retirement.

More concerningly, nearly 1 in 4 UK adults do not feel confident that they are saving enough to meet their basic needs in retirement (Figure 10). This jumps up to 51% for those earning below the real Living Wage and may actually be higher in reality based on research by the Resolution Foundation that estimated 95% of those paid below the real Living Wage are not saving at a level likely to deliver an acceptable standard of living in retirement.[14]

[14] Cominetti, N. and Odamtten, F. (2022) Living Pensions: An assessment of whether workers' pension saving meets a 'living pension' benchmark, London: The Resolution Foundation. Available at: https://www.resolutionfoundation.org/app/uploads/2022/07/Living-Pensions.pdf.

Figure 10: Proportion of UK adults that are not confident they are saving enough to meet their basic needs in retirement (2024).



Source: Living Wage Foundation analysis of Savanta polling. Data for 2024 comes from 3,177 respondents aged 18+ who live in the UK and paid into a workplace or personal pension scheme in the previous 12 months. All respondents were asked: To what extent, if any do you agree or disagree with the following statement: I am confident that I am saving enough to meet my basic needs in retirement.

Conclusion

The findings in this briefing highlight that, even as inflation has dropped back to near the Bank of England's target[15] of 2% from the high of over 11% in October 2022, the cost-of-living continues to put pressure on workers' ability to save for retirement. Most adults believe they will need to work several years past retirement age, and over half told us that they feel they will never be able to retire.

Our findings also provide further evidence that those earning below the real Living Wage are at particular risk of not being able to save enough to meet their basic needs in retirement, compared to those earning at or above this level. It is therefore more important than ever that alongside a real Living Wage, employers do their part to help ensure pension contributions are sufficient to support an acceptable living standard for their workers in retirement. One way to help address insufficient pensions contributions and post-work poverty in the UK is through the Living Pension[16] standard - a voluntary savings target for employers set up to help their workers build up a pension pot that will provide enough income to meet their everyday needs in retirement. Through initiatives like the Living Pension standard, employers can help reduce the number of people living in post-work poverty in the UK over time.

[15] Bank of England (2024) Inflation and the 2% target. Available at: https://www.bankofengland.co.uk/monetary-policy/inflation.
[16] More information about the Living Pension standard can be found on the Living Wage Foundation website. Available at: https://livingwage.org.uk/living-pension.