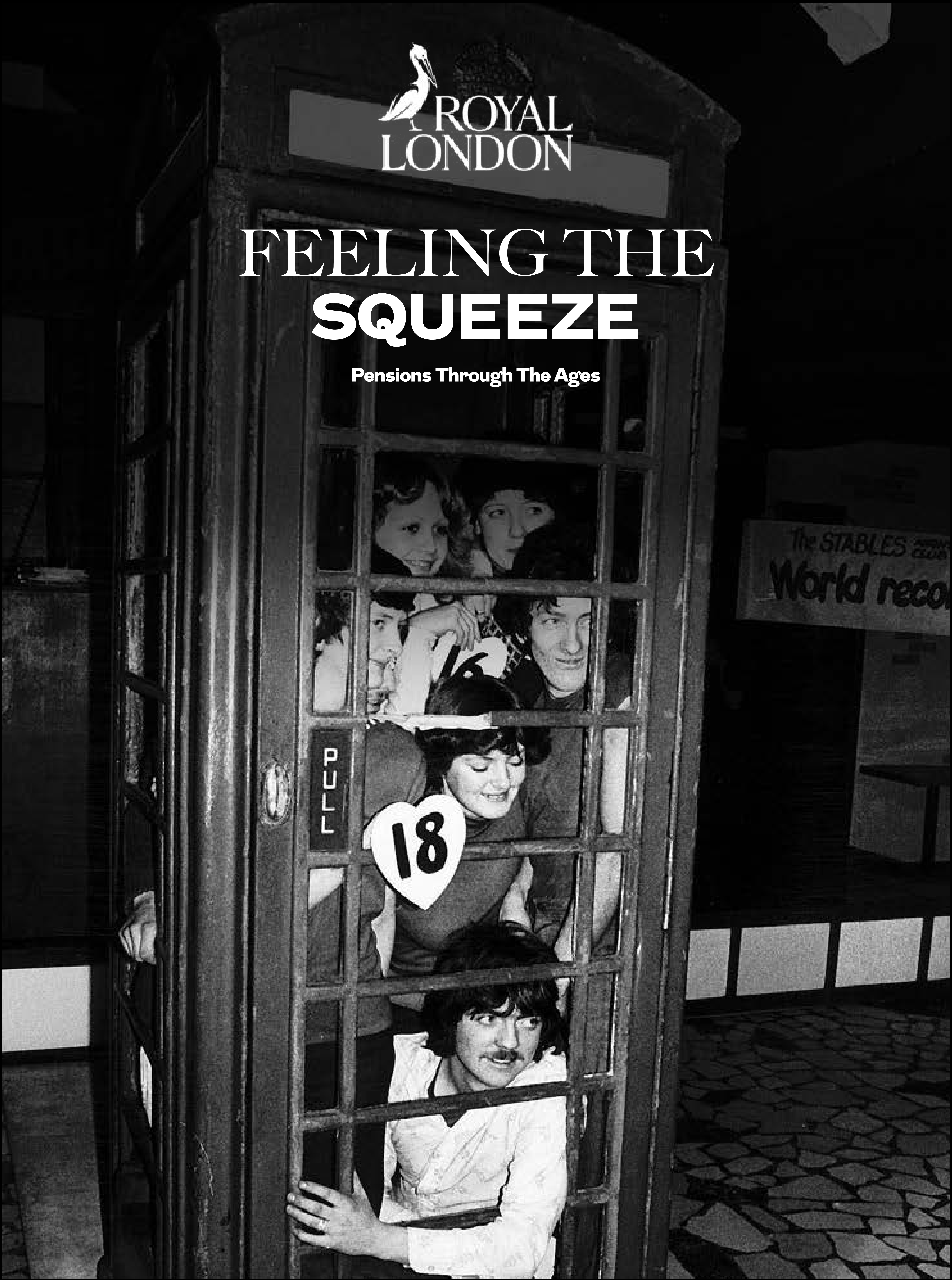
ROYAL LONDON

FEELING THE SQUEEZE

Pensions Through The Ages



Royal London's **Pensions Through the Ages: Generation 2050 and Beyond,** published in 2015, highlighted how the changing pensions landscape was impacting pensions savings and the future income available in retirement for people of different ages. The research findings identified that those aged **30 to 40 years** old were the hardest hit, struggling to save or improve their pension savings due to other financial priorities.

This group missed out on both the full benefit of being in a defined benefit (DB) pension scheme and from auto-enrolment into a workplace pension for their entire working lives, leaving them financially squeezed. The research findings show that this group are focused on paying for the 'here and now', so retirement planning and saving is at the bottom of their priority list.

For example, a third (33%) of 18 to 40 year olds told us that they were not saving for their retirement, believing that they had left it too late and were unlikely to save in the future. While worryingly, two fifths (41%) of 30 to 40 year olds told us that they believed they will rely on the state pension for their retirement. And it is not just pension provision changes impacting this group. Marriage and starting a family is also happening later in life compared to previous generations which is placing increased pressure on finances.

More details are available in the **Pensions Through the Ages: Generation 2050 and Beyond** report which is available to download at http://po.st/pensionsthroughtheages

Ela, 29, from South East London who we surveyed for **Pensions Through the Ages: Generation 2050 and Beyond**, told us, "I must admit, my pension isn't something I think about every day, and my financial priority recently has been to save for a deposit for a house."

For this latest report, **Pensions Through the Ages: Feeling the Squeeze**, Royal London commissioned research to better understand how to help 35 to 44 year olds better prepare and save for their retirement. Saving for retirement is still incredibly important, if not more so following the EU Referendum vote for Britain to exit the EU, as we all need to take responsibility for our future financial security. Over a lifetime of pension saving there will be market booms and crashes, but those who save steadily into a pension, topped up by tax relief and employer contributions, where available, will have a better outcome than those who do not save, who will rely on whatever state benefits remain when they retire. There is no substitute for long-term saving when it comes to securing a comfortable future.

We asked a UK representative sample of over 2000 people aged 35 to 44, whether they identified their finances as:

- **Unmanageable** those who have financial difficulties, falling behind with bills and other repayments; they made up 6% of the total.
- **Squeezed** where keeping up with bills and repayments is a constant struggle; more than a third (34%), an estimated 2.4 million people UK wide, considered themselves **Squeezed**. This group are the focus of much of our analysis in this report.
- **Manageable** those who struggle with their finances but only from time to time; they made up nearly two fifths (37%).
- **Comfortable** who can keep up with payments without difficulty; just over one in five (23%) say they are **Comfortable**.

We asked further questions to:

- Explore differences, the challenges faced with long-term saving and planning for the future, and what they think retirement will look like.
- Clarify what it means to be **Squeezed** and to share a wider understanding of their position.
- Identify opportunities for those who are **Squeezed** to save and boost their pension savings so that 'all is not lost' and that there is the potential to move from **Squeezed** to **Manageable.**
- Offer insight into the importance of guidance and advice, the role of providers, advisers and government and the tools available to help, including savings tips specifically for the **Squeezed.**

Royal London firmly believes that all is not lost for those who consider they are **Squeezed,** having identified opportunities for long-term savings as their life-stage and financial position evolves. Recent research by the Centre for Economics and Business Research, CeBR, shows that the average household weekly disposable income has risen to a record £201 a week per household; Asda's Income Tracker, which has been monitoring household spending since 2008, estimates that Britons had £13 more to spend each week in May than the same time last year. Although financial circumstances may be tight and current market uncertainty is not helping the situation, there is still the potential to save some money into a pension, even if it is a small amount to begin with, that will be of long-term benefit.

Fiona Tait
Pension Specialist
Royal London

"Planning for retirement is becoming an increasing concern for many as the reality hits that financial responsibility is shifting from the state to the individual. This appears to be more of a worry for the estimated 2.4m people aged 35 to 44 who consider themselves **Squeezed**. They are aware they should be saving and need to translate this into action where possible.

What is promising is that nine in 10 (92%) understood that they should be saving or investing but the cost of living and other lifestyle priorities mean that any disposable income is being used to meet short-term financial commitments first, with 54% saying they don't save more now because they can't afford to do so. Our research provides a better understanding of the challenges facing the **Squeezed** and highlights the opportunities which this group still have to save."

Understanding how it feels to be Squeezed

Over 2,000 people, aged 35 to 44 were asked to consider their financial position and identify whether they were **Unmanageable, Squeezed, Manageable** and **Comfortable.** Most respondents said that they were either **Squeezed** (34%), where they find it a constant struggle to pay bills and meet other financial commitments or **Manageable** (37%), where they agree that they keep up with the bills and other repayments, but struggle from time to time.

However, the research does show that the financial situation for 35 to 44 year olds does improve with age and changes to circumstances. The younger group (aged 35 to 37) are more likely to have children at home (58%) while the older age group (those aged 42 to 45), are freed from some of those financial constraints. Nearly a third (30%) of those aged 44 consider themselves to be **Comfortable**, compared to only 19% among the 35 to 37 year olds. Furthermore, 12% of 35 year olds identified as **Unmanageable** compared to 5% of those aged 44.

Worries focused on the here and now

Short-term issues are top of mind for the **Squeezed** group when thinking about their financial priorities. Most place the highest importance on getting by day-to-day, with paying bills and providing for their family (47% and 29% respectively). Mid-term goals, such as saving for a property (4%) and saving for a rainy day (4%), were both ranked of higher importance than longer-term goals, such as saving into a pension with less than one in 10 saying that this was high on their priority list.

Figure 1: The most important financial priorities for the Squeezed

Short-term

Paying bills
(47%)

Providing for family
(29%)

Enjoying the here and now
(6%)

Mid-term

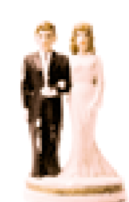
Saving for a rainy day
(4%)

Saving for a property
(4%)

Long-term

Saving into a retirement fund
(3%)

Saving for retirement
(2%)



Making investments for the future
(3%)

Recognition that savings and retirement attitudes need to change

A significant proportion believes they need to be better at saving. More than nine in 10 (92%) agree that they should be saving or investing, and more than four fifths (83%) say they should be saving or investing more, ranging from 96% of the **Unmanageables** and 95% of the **Squeezed,** down to 85% and 59% of the **Manageables** and **Comfortables** respectively.

Encouragingly, all groups said that they are most likely to bolster their savings when they have a pay rise (51%), a windfall (48%) or when existing financial commitments end (21%). However, it is so important that this awareness and need is translated into action when the opportunity arises.

Unmanageables bury their heads in the sand and are the least likely group to review finances regularly to help ensure they are on track for the lifestyle they want in retirement; just 57% say they are very likely or somewhat likely to review their finances, compared to 75% of the **Comfortables**.

Those who are least prepared for retirement are those who are worse off now. The **Unmanageables** are the most likely to be unprepared for retirement as alarmingly, only one in four (22%) have a pension and over a third (36%) are not saving at all, with 65% saying that they can't afford to save. The number saving into a pension within the **Squeezed** category is much higher, with over a third (36%), yet this still leaves nearly two thirds (64%) currently without any pension savings and over two thirds, (68%) of them saying they cannot afford to save more for their retirement.

Less than half (44%) of the **Unmanageables** consider financial security after retirement to be their own responsibility, compared with over three quarters, (78%) of those that are **Comfortable**. This suggests they expect to rely on the state once they retire, a trend also identified **Pensions Through The Ages: Generation 2050 and Beyond**, where one in five 65 to 75 year olds said that they relied on the state pension for 100% of their income and 40% of those in their thirties said they would have to rely on the state pension.

Lee, 40, from the West Midlands.

"The problem is, when you're young you don't really think about retirement because it seems such a long way off. I'm not saving enough towards my retirement, but I do think there will be opportunities in the near future to increase our savings as we pay off some of our short term loans and debts. I would really like to have access to more advice around what saving products I should be using – it's all just too confusing and there are so many options it's hard to know what would be best for me."

Work, work, and more work: especially for the Squeezed

When asked when they expected to retire, the **Squeezed** expect to retire the latest of the four groups. They estimate that they will retire at the age of 68. This is four years higher than those who consider they are **Comfortable**, who expect to retire at age 64. Surprisingly the **Unmanageables** think they will retire at 66, yet given most believe they will be relying on the state benefits their actual retirement age is likely not to be until 68, the current State Retirement Age, or later.

Interestingly, the findings have identified that many are prepared to work longer in order to enjoy the lifestyle they wish for in retirement. Nearly two thirds (61%) of the **Squeezed** said it is very likely or somewhat likely they will retire at age 68. This compares to 46% of those who are **Comfortable** and over half (57%) of the **Unmanageables.** For the group as a whole, nearly two thirds say it is very likely or somewhat likely that they will need to work part-time once retired (59%), to retire later (57%) and to make sacrifices (61%). More than two fifths (42%) say that they will redirect any income that can be freed up into their pension, and 15% believe that they won't need to make any concessions to enjoy the lifestyle they wish for in retirement. Unsurprisingly, this increases to one fifth (20%) among those that say they are **Comfortable.**

Figure 2: Expected retirement ages for each group

Interestingly longer working lives look likely to become the norm for 35 to 44 year olds. They are aware that they will need a 'Plan B', particularly for those who don't think they will be able to afford to retire at the then State Retirement Age. What is not clear is whether this group, who are all 'feeling the squeeze' to some degree, will be working because they want to, or because they have to in order to supplement their income. There is also the possibility that they may not be able to work longer due to their health or lack of employment opportunities, so 35 to 44 year olds could potentially need a 'Plan C' if they are not able to save for their retirement or continue working.

As a whole this age group does recognise the need to do more to ensure a comfortable retirement, but day-to-day financial pressures continue to distract them from longer term financial planning. The **Squeezed**, in particular, are conscious that they may well need to adjust their current expectations , whether that is working later, working part-time in retirement, or making sacrifices. However, for most, the situation does improve as they move towards their mid-forties, providing an opportunity to pro-actively seek out Savings Moments of Truth, Savings MOTs, to help potentially improve their long-term savings.

Steve Webb
Director of Policy
Royal London

"The **Feeling the Squeeze** research reflects the most recent DWP/ ONS pension income statistics for 2014/ 2015, which showed a record number of people are working beyond traditional retirement ages following a 'surge' in self-employment.

Where people enjoy their work and want to carry on past traditional retirement ages, this is a very welcome trend. Older self-employed workers in particular may enjoy the greater flexibility which self-employment brings, allowing them to continue to be economically active but without tying themselves in to set hours. But some of this growth in older working will be among those who work because they have to rather than because they want to. As relatively generous final salary pensions become increasingly rare, more people are now reaching pension age dependent on relatively modest pension pots to fund an increasingly longer retirement."

The 'Carpe Diem' pressure for the Squeezed

The research explored the characteristics, spending habits and financial commitments of the two main groups, the **Squeezed** and the **Manageables,** to help establish the key challenges making them 'Feel the Squeeze' on a daily basis. By analysing their financial commitments and talking to a few of those identified as **Squeezed** we've been able to identify ways in which their pensions saving could be improved.

Who are the Squeezed and who are the Manageables?

More than a third (34%) said they were **Squeezed.** Home and working life are both described as 'stressed', which is the way they also describe their finances.

Nearly four in 10 (38%) consider themselves as **Manageable.** They say that they are 'in control' of their finances (23%), home (15%) and working life (15%).

Natalia, 39 years old, self-employed, London:
"I would describe my current financial situation as **Squeezed**, and I expect this to remain the case for sometime. My money mostly goes on my four kids, other short-term expenses, and holidays when I can afford it. I know I need to save more, as I am currently not putting any money into a pension. If I did have the chance to save more then I would put some of it towards my retirement savings".

Carmelah, 36 years old, professional, from the North West:
"I do feel currently **Squeezed**, and I imagine we will continue to feel slightly **Squeezed** because of the pressure of paying for university fees for the children and supporting them in the future."

The priority is short-term, day-to-day living

On the whole the **Squeezed** are prioritising and worrying about short-term payments while retirement is far down their priority list. Paying bills is ranked as most important to them today (47%) while long-term items are not something they are able to focus on today. For example, one in 20 (5%) said that saving for retirement or saving into a pension was the most important priority for them. 41% of the **Manageables** say it ranks as their most important priority.

When asked what keeps them awake at night, immediate financial worries are far more likely to worry the **Squeezed** group than long-term savings. Nearly half (45%) say they are kept awake worrying about paying monthly bills, which is significantly higher than the wider group at just over a quarter (26%). The research indicates that as finances are brought under control then health related matters become more important. Currently 27% of the **Squeezed** are most concerned about their health in retirement, compared to nearly half (47%) of those who feel **Comfortable.**

Double Squeezed

'Feeling the Squeeze' feels like a permanent state with people saying they feel both **Squeezed** now (34%), and the majority (83%) saying they will remain **Squeezed** or become **Unmanageable** in retirement. A large proportion (68%) cannot afford to save or invest for their future and only just over one in three (36%) are saving into a pension.

Positively however, of the four groups, the **Squeezed** are most keen to be better at saving money. Nearly all of those surveyed (95%) think that they should save more, even though this may not be currently possible due to the financial constraints they face today.

Squeezed

Employment	55% in full time
Average household income	£30,000
Education	Low level
Children	Most likely to have grown up children (18+ years) also living in the household
Working life	'uncertain' and 'stressed'
Finances are	'stressed' but also 'uncertain', 'challenged' and 'nervous'.
Ability to save	Over two thirds (68%) cannot afford to save or invest for their future
Pension	Over a third (36%) has a pension. The average value is £30,000.
Saving	Less than a quarter, (23%) have no savings
Funding their retirement	Most likely to survive on state pension and, possibly, workplace pension
Financial outlook	Little disposable income but would direct any towards future
Top financial priority	Nearly half (47%) said 'Paying my bills'
Least important financial priority	Saving for retirement (2%)

Manageable

Employment	59% in full-time
Average household income	£40,000
Education	Over half educated at least to degree level
Children	Most likely to have children under the age of 18 living in the household, and most likely to be 10-17 years old
Working life	'in control' and something they are 'happy' with
Finances are	'in control' with some degree of 'optimism'
Ability to save	Less than a half (48%) can't afford to save on their current income
Pension	Over half (51%) have a pension. The average value is £40,000.
Saving	Only 11% are not saving at all
Funding their retirement	Will use a variety of savings products to provide in retirement
Financial outlook	To invest for their / family's future but also wish they could save more/were better at saving'
Top financial priority	Two fifths (41%) said 'Paying my bills'

The Squeezed Step Change

With 95% of the **Squeezed** saying that they wish they could save more, the research asked for details of their financial commitments to help identify potential opportunities for them to save now and in the future. By highlighting key outgoings, with a perceived end date flagged, the report identified potentially available funds in the future that could be redirected into long term savings.

While some of these outgoings are long-term commitments, the research also identified shorter term windows of opportunity. For example, there may be the opportunity to redirect money from childcare costs (average monthly expenditure of £245 today), paying off personal loans (average monthly expenditure of £242 today) and credit card debts and finances (average monthly expenditure of £244 today), that could release some money in eight years or less. Redirecting all these expenses could amount to around £700 extra per month.

Potential Pensions Savings Moments of Truth - Savings MOTs

The potential opportunities to save are not all large sums of money. However, even the smallest amounts can help secure a potentially better future. For example, the additional £13 per week Brits now have to spend according to the Asda Income Tracker could generate an additional £31,200 if a 35-year-old were to direct this amount into their pension over the next 30 years.

Reviewing the financial commitments of this age group showed that one of the biggest opportunities the **Squeezed** potentially have to save is by converting short-term monthly debt repayments into pension savings. Nearly half (44%) have a regular monthly outgoing to repay personal loans or credit card debts, which total an average of £242 per month which they expect to repay in approximately six years. Likewise, nearly a quarter (24%) have a regular monthly outgoing for financing items such as a car or appliance, which is an average of £207 a month, which they say is set to be repaid in eight years. For those in this position (16%), repaying both these amounts could free up an average of £449 per month.

Figure 3: Top financial commitments where the Squeezed expect to stop paying and start saving pre-retirement:

Outgoing	% paying	Average per month	Years remaining	Average intend to save when paid off
Mortgage / rent	63%	£513	22	£247
Personal loan / credit card debt	44%	£242	6	£98
Home maintenance	35%	£95	21	£27
Hobbies/ leisure for children	25%	£81	15	£19
Finance (car, appliances, etc.)	24%	£207	8	£73
Holidays	20%	£191	19	£48
Child care costs	15%	£245	8	£58

Fiona Tait
Pension Specialist
Royal London

"There appears to be a clear distinction between those that consider themselves as being able to manage their finances and the **Squeezed.** This is mainly shown in their attitudes towards their finances and home life, with the former feeling stressed and having no control of their money. The majority (95%) of this group want to be able to save more, and see that there is potential to move from being **Squeezed** to **Manageable**.

At Royal London we want to help people find ways to make savings in order to achieve this shift; if left to do nothing many in this group believe they will either remain in the **Squeezed** category up to and during retirement or, worse, fall into the position of their finances being unmanageable."

Of that £449, the **Squeezed** group said that they were likely to redirect approximately £98 of their personal loan/credit card repayment and £73 per month of their other finance repayment. If this 16% decided to save the **£171** when the commitment ends until retirement they could potentially add over **£50,000** to their pension pots. We also looked at the effect if any of the **Squeezed** could afford to increase the level of saving to over half of the financial commitment they were making, so £150 for the credit card repayment and £100 for the other finance repayment. This £250 monthly saving could potentially add **£86,400** to their pension pots.

Other key financial commitments mentioned include mortgage/rent, which while not finishing for 22 years, could still provide a welcome boost closer to retirement with potential savings of up to nearly £3,000 per year. The **Squeezed** identified that financial commitments to children such as spending on their hobbies and general childcare costs could also potentially be used to save nearly an extra £1,000 per year if all redirected into pension savings.

The Squeezed - the effect of saving more

Breakdown of the current financial expenditure of those that consider they are **Squeezed** - the financial out-goings they say that they have and the potential amounts they say they could save.

Figure 4: Potential savings MOTs and their impact on pension savings for the Squeezed.

Georgina, 35 years old, South East England:

"Childcare costs are currently a large burden on my finances, accounting for nearly half of my salary. But when I stop paying for this in two years' time, I plan on directing some of this money towards retirement provision. I know that I will need to become more active with my financial planning at the point when I have more disposable income that could be put into my pension."

Future windows of opportunity for the Squeezed

Based on insight from the **Squeezed**, there are potential windows of opportunity, Savings Moments of Truth, Savings MOTs, over the course of the rest of their working lives, which could create a step change. Some of these are more imminent than others, but regardless of when these may happen, they will be a welcome boost to a pension pot:

- **In the next five years:** Half (51%) would save more if they received a pay rise. A quarter (25%) expect their household income to increase this year, while 40% expect that to happen within three years and 45% within five years.
- **Six to nine years:** During this time period, the **Squeezed** anticipate they will have paid off current financial debt such as credit cards, loans and car finance. The group plan to redirect **£171** per month of this into the pension. This alone, would double the amount they are saving into their pension, and could secure an additional **£50,000** by the time they retire.
- **In nine years:** £14,000 childcare contributions freed up based on how much people are planning to redirect into a pension once childcare costs are no longer required.
- **Closer to retirement:** The **Squeezed** will have on average five years where they are not paying mortgage payments before they retire. This could provide an additional £19,000 for their retirement, if redirected into a pension.
- **Other opportunities this group identified included:** Redirecting spending on hobbies/leisure for children, holidays and home maintenance.

Figure 5: Savings Moments of Truth and Savings MOTs

Pay rise

- 51% said they would save more if they had a pay rise
- 25% expect household income to increase this year
- 40% expect household income to increase in the next three years

0 to 5 years

Personal debt

- Double pension contributions by redirecting personal debt
- £171 in current personal debt commitments
- £169 current pension contributions
- Average end date: 6 to 9 years

6 to 9 years

Childcare costs

- Redirect childcare costs when they end
- Average monthly childcare cost today is £250
- Average end date: 8 years

9 years +

Mortgage boost

- Heading towards retirement redirect part of £543/month mortgage or rent payment
- £19,000 mortgage boost
- Average end date: 22 years.

Closer to retirement

Fiona Tait
Pension Specialist
Royal London

"With a large proportion of the **Squeezed** wanting to save, the research shows that there are windows of opportunity in the future for them to take action and save more in the future. The amounts that can be freed up range from quite small, such as reducing hobbies and treats on a smaller scale to quite significant, for example when paying off mortgages and personal debt repayments. No matter the amount, it all adds up.

The key is to make a definite decision to take these opportunities to save when they occur."

FIONA TAIT
Pension Specialist
Royal London

"One of the greatest changes to my own financial position was when I stopped paying for nursery fees. The cost dropped by more than half when my son went to school and around that time my employer offered me the chance to increase my pension contributions. Because it was money I hadn't had available to spend before I didn't miss it so much when I redirected the amount towards my long term pension savings."

Learning from the Manageables

The biggest opportunities for the **Manageables** in the near-term come from converting short-term debt payments, on personal loans/credit cards and finance, into pension savings. Combined, these commitments account for £439. For those 15% in this position, of that £439, the **Manageables** intend to redirect approximately £105 of their personal loan/credit card repayment and £63 per month of other finance repayments into their pension pots. Once the commitment ends, if they do save an additional **£168** each month, this could potentially generate over **£50,000** by the time they retire.

Manageables have slightly more personal loan/credit card debt and a lower level of finance outgoings such as cars and appliances than the **Squeezed**. We also assessed the effect if any of the **Manageables** could afford to increase the level of saving to the equivalent of just over half of their financial commitments, (£150 for the credit card repayment and £100 for the other finance repayments) which amounts to **£250** which could increase the amount saved into their pension by over half, at **£77,160.**

This group also mentioned that they were set to pay off their mortgage in 20 years' time, two years earlier than the **Squeezed**. The extra amount for this group is over £500 per month, which if directed into a pension, even if only for a few years, could provide a real boost to their pension fund.

Figure 6: Top financial commitments where the Manageables expect to stop paying and start saving pre-retirement:

Outgoing	% paying	Average per month	Years remaining	Average intend to save when paid off
Mortgage / rent	65%	£563	20	£289
Home maintenance	44%	£91	22	£27
Holidays	37%	£153	23	£40
Personal loan / credit card debt	33%	£261	6	£105
Hobbies/ leisure for children	32%	£100	16	£25
Finance (car, appliances, etc.)	26%	£178	9	£63
Child care costs	15%	£267	9	£63

The Manageables - the effect of saving more

Breakdown of the current financial expenditure of those that consider they are **Manageable** - the financial out-goings they say that they have and the potential amounts they say they could save.

Figure 7: Potential Savings MOTs and their impact on pension savings for the Manageable

Muhammad,
36 years old,
South West England:

“I would describe my current financial situation as **Manageable.** With two kids, my wife and I think it’s important to review our finances at the end of every month. We think it’s important if we want to find spare cash that can be saved for our kids’ education. After that though, saving for retirement will be a priority.”

FIONA TAIT
Pension Specialist
Royal London

“There will be those that think they are comfortable and hopefully they will remain so into retirement, but unfortunately that may not be the case. This is where regular financial reviews are important to avoid any nasty surprises.”

All is not lost

The research illustrates that saving for retirement is a lifetime commitment and that it is important to be in control of personal finances and review them on a regular basis, in order to make a difference to long-term saving. Identifying windows of opportunity to increase savings throughout life, capitalising on advice available, both from family and friends and professional advisers and reviewing finances on a regular and proactive basis, can all contribute to a more comfortable retirement.

So unlike those identified from the previous research who think that all is lost and it is too late, with just 15% of 30 to 40 year olds surveyed in **Pensions Through The Ages: Generation 2050 and Beyond** believing they are on track for retirement, the **Squeezed** are able to take action. The research showed that 95% of those that consider themselves financially **Squeezed** say they should be saving more. The research also shows there are opportunities to take control, and take a step change to a better retirement.

Financial advice for those Feeling the Squeeze

The research also shows there is a clear need for tailored advice to meet the needs of those who are **Feeling the Squeeze**. Nearly half (45%) of the **Squeezed** and just over half (55%) who described themselves as **Manageable**, said they were somewhat or very likely to seek professional advice on pensions in the future. Financial advice may be more affordable than many think.

A poll of financial advisers conducted by Royal London also revealed that nearly three quarters (73%) said that their clients who are in this age group are engaged with their retirement savings, yet of those just 5% agreed that their clients were actively engaged in savings. The 45% of advisers who have clients that are feeling **Squeezed** told us they are not able to save more. But nearly a quarter (23%) of advisers said that there were clients in this group who if they were engaged could do more to improve their retirement savings.

45% Advisers said providers can help them encourage the **Squeezed** to improve their retirement savings by providing educational content, online tools/calculators and case studies.

Advisers also thought that if those in this age group were able to find extra money to save then nearly one fifth (17%) would use this extra money to increase their pension contributions. The majority thought that over a third (38%) would use any extra money to reduce their debts and nearly another fifth (19%) would use the money to ease their financial pressures.

Advisers thought the most important thing that providers could do was to refer those in this group to a financial adviser (29%), while the provision of more educational material or content, online tools and calculators and case studies would help encourage long term retirement savings. Royal London offers an online Lifestyle Planner available to view at: http://yourplan.royallondon.com/Contributions/Lifestyle-planner/ This helps advisers and their clients to identify potential areas where they may be able to save money that they could direct into their pension savings. It shows just how little changes can actually build into an amount that is worth saving.

One of the other key findings from the adviser poll is that over four fifths (83%) of advisers said that tax incentives available by saving into a pension were key to encouraging their clients to save for retirement. For the **Squeezed** who are unable to seek financial advice Royal London has developed tips to help them boost their pension savings:

83% Of advisers say tax incentives encourage their clients to save for retirement

For the **Squeezed** who are unable to seek financial advice Royal London has developed tips to help them boost their pension savings.

Royal London's top five tips for the Squeezed to boost pension savings

1. **Think about your future finances as a key part of your day-to-day financial management:** Nearly three quarters (70%) of those surveyed said they planned to review their finances more regularly to achieve a better outcome in retirement. This is particularly important in light of any change in circumstances, whether that be a change in job or pay.

2. **Get to grips with what your retirement will look like based on your current status:** While it may not look as though there are opportunities to save right now, there might be down the line. This is where professional advice can really pay off. Over a third (34%) don't know how much they have saved into their pension to date, and 17% don't know what percentage of their monthly salary goes towards their pension. Don't forget to account for all sources of income in retirement, including state benefits

3. **Talk about it:** Talking to and learning from friends and family, particularly those who feel more financially stable, can help increase understanding of pension savings and investment options. At present, 36% of those who feel **Squeezed** somewhat agree or strongly agree that they find pensions too confusing and don't discuss them with others. However, 47% of 35 to 44 year olds would like to hear other people's experiences about pensions.

4. **Set clear goals for retirement based on realistic levels of savings:** Just 36% of the **Squeezed** group currently have a pension. Take advantage of any matched contributions from an employer, and check that the tax office is aware of the tax relief you are due on any contributions made. This could help give pension savings a boost immediately. Check the level of employer matching to ensure it's at the highest available and where the contributions are invested as this could have an immediate impact increasing pension savings. Be realistic about how much can be saved with a clear goal in mind such as a retirement date, lifestyle in retirement and the income needed to achieve that aim.

5. **Make the step change:** Identify Pension Savings MOTs points and windows of opportunity where it is possible to increase pension contributions in the future. From the research findings, the biggest opportunities include personal debt, childcare and mortgage payments.

Fiona Tait
Pension Specialist
Royal London

"It may be easier to get advice than you think. Some employers already pay for basic financial advice, and the Government is proposing to increase the tax breaks for doing this. In addition, people nearer to retirement will be given the option to use some of the money saved in their pension to pay for advice specifically related to pensions.

The Citizen's Advice Bureau and The Pensions Advisory Service offer completely independent and impartial financial guidance which helps people to create and manage their own financial plan. Royal London and other pension companies offer information explaining how pensions work, as well as basic planning tools which can help to calculate how much needs to be saved."

Conclusion

Those that are **Feeling the Squeeze** are sandwiched between the defined benefit generation and those who will fully reap the benefits of auto-enrolment. The research has revealed that there are differences among those who fall into this age group, particularly between those who identify themselves as financially **Unmanageable, Squeezed, Manageable** or **Comfortable**. But there are opportunities for the **Squeezed** to save for the long-term so all is not lost.

There are key milestones which can fundamentally change their future income if they were to redirect previously committed money to their pension pots. The end of childcare costs, personal debts and financing repayments, and mortgage payments are all chances to boost pension savings.

Fiona Tait
Pension Specialist
Royal London

"The tips and insights include in this report are applicable not just to the **Squeezed**, but to others concerned about their future. Taking control of finances really can make material differences to pension provision in the years ahead. The important thing is to take action when the opportunity arises."

Methodology

The findings of **Pensions Through the Ages: Feeling the Squeeze** are based on in-depth quantitative analysis of 2,418 people aged 35 to 44 across the UK using a bespoke survey panel conducted by Harris Interactive UK from the 31st May to the 8th June.

Individuals were recruited from the original study by Harris Interactive UK to be involved in the case studies detailed in this report.

The Adviser online poll was conducted by Royal London team from Thursday 16 June to Monday 20 June 2016 and is based on responses from 155 advisers.

Footnotes and sources

Asda Income Tracker June 2016 - http://your.asda.com/income-tracker

Nationwide House Price Index from January 2009 to June 2016:
http://www.nationwide.co.uk/about/house-price-index/report-archive#xtab:2016

The over £50,000 potential saving is based on the amount that the **Squeezed** said they will aim to save for a person aged 39.5 with retirement age at 65; the loan repayment completed after 6 years so £98 per month saved for 19.5 years to retirement and the finance plan ending after 8 years so £73 saved for 17.5 years to retirement. This secures potential pension savings of £32,640 and £21,480 respectfully, so £54,120 in total. The over £50,000 potential saving is based on the amount that the **Manageables** said they will aim to save for a person aged 39.5 with retirement age at 65; the loan repayment completed after 6 years so £105 per month saved for 19.5 years to retirement and the finance plan ending after 8 years so £63 saved for 17.5 years to retirement. This secures potential pension savings of £34,960 and £17,360 respectfully, so £52,320 in total.

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