

Department for Work and Pensions

Research Report No 438

Live now, save later? Young people, saving and pensions

**Nick Pettigrew, Jayne Taylor, Caroline Simpson, Joe Lancaster and
Richard Madden**

A report of research carried out by the MORI Research Institute on behalf of the
Department for Work and Pensions

Corporate Document Services

© Crown Copyright 2007. Published for the Department for Work and Pensions under licence from the Controller of Her Majesty's Stationery Office by Corporate Document Services, Leeds.

Application for reproduction should be made in writing to The Copyright Unit, Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ.

First Published 2007.

ISBN 978 1 84712 219 3

Views expressed in this report are not necessarily those of the Department for Work and Pensions or any other Government Department.

Printed by Corporate Document Services.

Contents

Acknowledgements	vii
The Authors	viii
Glossary of terms	ix
Summary	1
1 Introduction	7
1.1 Background	7
1.2 Study objectives	8
1.3 Methodology	8
1.4 Definitions, presentation and interpretation of the data	8
1.5 Report structure	9
2 Money management and financial priorities	11
2.1 Money management	11
2.1.1 <i>Use of credit cards and borrowing</i>	12
2.2 Spending behaviour and priorities	13
2.2.1 <i>Participants aged from 16 to 21</i>	14
2.2.2 <i>Participants aged from 22 to 29</i>	14
3 Attitudes to saving	17
3.1 Perceptions of saving	17
3.2 Defining saving and savers	18
4 Triggers and barriers to saving	21
4.1 Triggers to saving	22
4.1.1 <i>Lifestage</i>	22
4.1.2 <i>Future plans</i>	23
4.1.3 <i>The influence of others</i>	24
4.1.4 <i>Windfalls</i>	25

4.2	Barriers to saving	26
4.2.1	<i>Living for today</i>	26
4.2.2	<i>Economic factors</i>	27
4.2.3	<i>Age and lifestage</i>	27
4.2.4	<i>Income-related retirement benefits</i>	28
4.2.5	<i>Practical issues</i>	28
4.2.6	<i>Debt</i>	29
4.3	Striking a balance	30
5	Perceptions of retirement and pensions	31
5.1	General attitudes towards retirement	32
5.2	The cost of living in retirement	33
5.3	Funding Retirement	33
5.3.1	<i>Influence of family members</i>	34
5.3.2	<i>Influence of education and employment</i>	35
5.4	Understanding of pensions	35
5.4.1	<i>Facts about retirement</i>	37
6	Triggers and barriers to saving in a pension	39
6.1	Barriers to taking up a pension	40
6.1.1	<i>Lack of thought given to retirement planning</i>	40
6.1.2	<i>Perceived inaffordability</i>	42
6.1.3	<i>Lifestage</i>	42
6.1.4	<i>Pensions compared to other investments</i>	43
6.1.5	<i>Lack of trust in pension schemes</i>	45
6.2	Triggers to taking up a pension	45
6.2.1	<i>Influence of the employer</i>	45
6.2.2	<i>The influence of others</i>	46
7	Reactions to personal accounts	49
7.1	Introduction to personal accounts	50
7.2	General reactions to personal accounts	52
7.3	Features of personal accounts	53
7.3.1	<i>Views about automatic enrolment</i>	53
7.3.2	<i>Views on the age criteria</i>	55
7.3.3	<i>Portability</i>	55
7.3.4	<i>Tax relief</i>	56
7.3.5	<i>(Perceived) Government involvement</i>	56

7.4	Concerns about personal accounts	57
7.4.1	<i>Trust in the Government</i>	57
7.4.2	<i>Levels of investment return</i>	58
7.4.3	<i>Inaccessibility of funds</i>	59
7.4.4	<i>Potential impact on employers</i>	59
7.5	Impact of the discussions on those with employer pensions	60
8	Conclusions	61
8.1	Communicating with young people	61
8.2	Influencing behaviour	61
8.3	Financial considerations	62
8.4	Personal accounts and automatic enrolment	62
Appendix A	Methodology	65
Appendix B	Discussion guide (groups)	69
Appendix C	Discussion guide (depths)	79
Appendix D	Ladder exercise	87
Appendix E	Retirement scenarios	89
Appendix F	Saving scenarios	91
Appendix G	Me maps (depths).....	93
Appendix H	Pre-task (groups)	95
Appendix I	Pre-task (depths).....	97
Appendix J	Explanatory materials	99

List of tables

Table A.1	Sample design	66
Table A.2	Sample social grades	67
Table A.3	Details of depth interviews	68

Acknowledgements

We would like to thank all the participants who took part in the research, both for the time they gave, and for the openness with which they expressed their views. We would also like to thank the project team at the Department for Work and Pensions (DWP), especially our research managers Michael Kelly, Karen Elsmore and Arthur Fleiss, for their help, input and advice throughout the study. We would like to thank all members of the research team in the Social Research Institute at Ipsos MORI who recruited the participants and assisted with administrative tasks.

The Authors

Nick Pettigrew (Ipsos MORI Social Research Institute, Research Director) had overall responsibility for the quality and efficient delivery of the research. He has over 14 years' experience in research, and possesses a Management Science degree from the London School of Economics. Before joining Ipsos MORI, Nick worked as a senior analyst at the National Audit Office, at BMRB, the Institute for Employment Studies and the British Film Institute. At Ipsos MORI Nick works across a range of social projects including work for all the major government departments. He is the co-winner of the 2005 Marketing Award for best research for the public sector.

Jayne Taylor (Ipsos MORI Research Institute, Research Director) was the project director, with day-to-day responsibility for the delivery of the research. Jayne has considerable experience of carrying out work for the Department for Work and Pensions (DWP) and other government departments, specialising in research related to employment, benefits and pensions policies. Prior to joining Ipsos MORI in 2002, Jayne spent seven years working as a research economist at the independent think tank, the Institute for Fiscal Studies, where her main research interests were in the field of tax and benefit reform, poverty and inequality. Jayne has an MSc in Economics from the University of Bristol.

Caroline Simpson (Ipsos MORI Social Research Institute, Research Manager) managed the day-to-day project tasks. She has worked in social research for over five years, including a range of surveys with children and young people. At Ipsos MORI, much of her research has focused on the areas of work and learning, tax and benefits and education. Caroline worked previously at BMRB and is an Associate Member of the Market Research Society. She has a first class honours degree in German and European Studies from Keele University.

Joe Lancaster (Ipsos MORI Social Research Institute, Research Executive) is an experienced qualitative researcher. He has conducted research across a range of sectors, including central government, ethnic minorities and education and takes a particular interest in semiotics, film and participative research. Recent clients include London South Bank University, the Camelot Foundation, the Government Policy Review, HM Revenue and Customs (HMRC) and the Electoral Commission. Joe previously worked at Flamingo International Research and read Social and Cultural Studies at the University of Nottingham.

Richard Madden (Ipsos MORI Social Research Institute, Research Executive), a specialist qualitative researcher, has worked on numerous research projects for central and local government clients. He has recently conducted research on behalf of DWP, HMRC, the NHS, the Office of Fair Access and the London Borough Councils of Richmond and Barking. Richard holds a degree in Sociology from Goldsmiths College, London.

Glossary of terms

ISA

Individual Savings Account – a savings account that allows the owner to keep all the interest they receive from that investment and not pay any tax on it. Money can be invested as cash and/or stocks and shares. There is a limit on how much can be invested per year. For more details see: www.hmrc.gov.uk

Lifestage

A stage or phase of life – such as being single, independent and working, being a parent of young children, or being an ‘empty nester’ (those whose children have recently left home). Lifestage is assumed to be linked to certain opportunities (such as the ability to take out a mortgage or credit card) and constraints (such as financial responsibilities like providing for children or paying off university debts). It is also linked to certain activities or choices, such as taking out a pension and increased financial planning for the future.

NEET

A term used to describe people of working age who are **not in education, employment or training** – i.e. those who are unemployed, unable to work due to illness or disability or looking after family or the home.

Social grade

A six-point scale commonly used in social research to group people according to the type of job the main income earner in the household undertakes. The scale takes into account an individual's: position/grade; industry; relevant qualifications; and the number of staff they manage or oversee. See Appendix A for further details.

Summary

Introduction

This report documents the findings from a qualitative research project designed to examine the attitudes of young people (aged from 16 to 29) to saving, retirement planning and pensions. The research was commissioned by the Department for Work and Pensions (DWP) and was undertaken by Ipsos MORI's Social Research Institute. The research sought to inform ways of encouraging and enabling young people to begin saving, particularly for retirement. Although the benefits of starting to save early for retirement are well-established, these are not felt to be well understood by young people, or conflict with other priorities for allocating income.

Sixteen group discussions were conducted with between six and eight participants in November 2006. Each of these lasted for approximately two hours. Participants were recruited on the basis of age, gender, location, work status, social group and whether they were currently saving, either generally or for a pension. These groups were supplemented by a series of follow-up face-to-face depth interviews of approximately one to one and a half hours in length. These interviews were held with some of the group participants, and their parents or partners, in December 2006 and early January 2007.

Money management and financial priorities

A consistent theme across all of the discussion groups was the importance to young people of 'living for now' and enjoying themselves.

The younger participants had few responsibilities and their lives revolved around their social groups and going out, and these were the focus of their spending. These participants did not manage their money too closely and did not take a proactive or planned approach to their finances.

Those that did pay attention to financial management tended to be older and had greater financial responsibilities, for example, they had to pay their own utility and council tax bills, rent or mortgage. They also had different aspirations and priorities at this stage in their lives, for example spending more of their money on their homes and/or choosing to spend a night in with their partner instead of going out.

Attitudes to saving

There was a broad consensus that saving was a good thing and that people should be making provision for the future – both in the long- and short-term. However, there were also negative stereotypes of typical savers and the sort of lifestyle they led; many had a vision of 'misers' living austere lives.

Participants' perception of savers clashed with what they believed being young was all about. Participants were familiar with the arguments in favour of saving, but these tended to be a less important motivation than other things they wanted in their lives, such as socialising with friends or spending money on goods such as clothes, computer games and cars; there was a general sense of 'living for the moment'.

Young people exhibited a range of saving behaviours. Even those who initially said they did not have savings often practised some aspects of saving, for example, keeping money to one side to pay rent or a bill at the end of the month, or passing funds over to a partner or parent for safekeeping. Many participants were effectively saving without recognising that they were doing this, either by cutting back on spending or accumulating money in a current account.

Triggers and barriers to saving

One of the most important influences on saving behaviour was lifestage. The increased financial responsibilities that participants tended to take on as they got older appeared to encourage them to take saving more seriously, to think more about saving, and to begin saving. Another key influence was personal aspirations. Those with clearer aims for the future were often motivated to prepare financially and plan ahead to make their plans more achievable (such as buying a car or holiday or going to university or taking a gap year). The keenest savers, therefore, tended to be those who had the clearest plans for what they wanted to be doing in the future.

However, lifestage also appeared to act as a barrier for some participants. There was general agreement that young people should be spending their money on enjoying themselves while they were still young. This meant that they prioritised spending now over saving for the future; a behaviour that was further endorsed by the perception that marketing messages conveyed by the finance industry encouraged them to spend and take out credit, rather than save.

Similarly, most participants assumed that they would be better off at a later stage in their lives and thought they could defer the decision to start saving until then. They spoke of waiting until they had a better job, were earning more money or were more stable in their lives generally. This was a common factor across the groups regardless of how well off or stable their lives currently were.

Perceptions of retirement and pensions

Participants were very much focused on their immediate lives and had rarely given any thought to the future beyond the next few years, let alone their retirement years and how they would fund them.

Old age tended to be perceived as restricted, boring and bleak and not worth thinking about, although some participants also cited the experience of family members living a positive and happy old age. Few participants were concerned about their own retirement, although they were aware that this time may not always be 'rosy'.

When considering how their spending might alter when they retire, the first reaction of many participants was that the cost of living would be lower, as they would have paid off their mortgage and would have fewer social engagements and interests. After consideration, some revised these views and said that their expectations might alter as they aged; they might become accustomed to a certain standard of living, which would require increased or maintained income. Others took inflationary factors into account when thinking about the future cost of living.

A few participants understood the basic principles of pension schemes, but generally there was little understanding of different types of pensions and how they operate.

Triggers and barriers to saving in a pension

Participants identified a considerable number of barriers to saving in a pension. These included the fact that they saw their own retirement as being a long way off, meaning that it was not worth worrying about at this stage in their lives. Most regarded their thirties as a time when they might start thinking about saving for their retirement. This was true even of those who were persuaded of the benefits of planning ahead in this way.

Linked to this were more practical barriers. Many participants (particularly part-time workers and those on low incomes) perceived that the amount they could afford to save in a pension was too small to be worthwhile, and what little money they did have spare was allocated to more immediate demands such as university or moving to their first home. This was exacerbated by the fact that there was an expectation of many future job moves which would result in numerous 'pots' with little money in each, making pensions a less attractive saving option. In addition, a number of

participants were put off by the fact that pension savings were inaccessible until retirement, unlike other types of savings or investments.

Some participants perceived that other savings vehicles were preferable to pensions as they thought they offered higher returns. The most commonly-cited of these was buying a property, from which participants perceived capital could be drawn as necessary. This perception was heightened by a mistrust of pensions, with participants fearing that there was a risk of 'funds going bankrupt' (i.e. employers or pension companies becoming insolvent and scheme members losing their money and not being compensated).

Despite these negative perceptions, participants were also able to highlight a number of triggers to saving in a pension. Of these, an employer offering a pension scheme that they made a contribution to was perceived to be the greatest influence. A number of participants who were working believed that where their employer offered a contribution to a company pension, it would be unwise not to take this offer up as they would effectively be turning down 'free' money.

For others, the positive example set by parents, other family members or friends also encouraged them to save in a pension. In the case of family members, this was sometimes a direct influence, with parents or grandparents setting up a pension in the young person's name.

Reactions to personal accounts

At the time of the research the exact details of personal accounts and automatic enrolment into employer pension schemes were still being considered. Participants were given some basic information on the general principles of personal accounts, and were also told that automatic enrolment into a personal account would only happen if their employer did not already put all employees into a pension scheme which provides contributions or benefits which are at least broadly similar to personal accounts. In the discussions that followed this, participants mainly focused on the proposals for personal accounts.

The concept of being automatically enrolled into a pension scheme that could be kept open if the individual changes jobs, was viewed highly positively. Participants saw personal accounts as straightforward, hassle-free and convenient, particularly the 'automatic' elements of enrolment and salary deduction. Despite many participants' ambivalence towards pensions, they also agreed with the idea of being financially responsible and welcomed the fact that personal accounts may help them achieve this.

A number of participants assumed that personal accounts would be administered by the Government. Some thought that this would provide greater security than private pension schemes, especially in the light of some recent media stories about failing pension funds. Others, however, did not trust the Government to run the scheme properly.

Participants welcomed the 2012 introduction, as this corresponded to their view that pensions are something to think about in the future. However, this suggests a need to persuade young people to start saving now in anticipation of the introduction of personal accounts.

Automatic enrolment of employees into the scheme with an option to opt out was generally very well-received. This was felt to be a good way of overcoming apathy towards pensions and simplifying the enrolment process for the individual, while at the same time leaving an element of personal choice for people who decided they did not want to take part.

There was some divergence in opinion over the proposed age range (currently 22 to State Pension age) during which employees will be automatically enrolled. For some, 22 and over was ideal, as this was believed to coincide with the time when many people get their first 'real' job. Others thought that 18 and over would be better, as starting early would maximise the total amount saved.

A handful of participants from wealthier backgrounds demonstrated a relatively high level of financial awareness and these people tended to be less enthusiastic about personal accounts. Although they could see the benefit for other people, from a personal perspective they believed other investments would deliver greater financial benefits during retirement, for example property and directly in stocks and shares. This group did not welcome the idea of relinquishing control of their money and felt that by managing their investments personally they would get a better return than a 'mass-market' scheme could offer.

There was also some more general questioning about the possibility that the Government might be able to 'dip into' the funds to 'prop up' the State Pension or other projects. These appeared to relate to a lack of understanding that the money would become part of an individual's 'pot', rather than an overall Government 'pot'.

Those not in work, as well as the self-employed, were also less enthusiastic about the scheme, as they could not see the relevance of personal accounts for them.

Conclusions

Young people face a variety of barriers to saving for their retirement, including a strong sense of wanting to 'live for today', competing demands on their income and a poor understanding of the available pension options. Overcoming these barriers, and convincing young people that pensions are relevant, affordable and desirable will be a challenge.

The wide diversity of attitudes and experiences of young people requires communications about pensions and savings to be carefully designed and targeted appropriately – in particular taking into account different lifestyles. For all groups drawing on familiar and trusted sources of information and advice about pensions and saving, such as parents and the media, is likely to prove effective in helping to get the right messages across.

Against this general background of apathy towards pension saving, it is encouraging that automatic enrolment and personal accounts were mostly very well-received by participants. Personal accounts may even act to improve understanding of the need to save for pensions more generally, and the benefits of employer pensions in particular. However, many young people will need persuading that they need to start saving **before** the scheme is introduced in 2012.

1 Introduction

1.1 Background

One of the Department for Work and Pensions' (hereafter DWP) key aims is to combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners. This reflects broader Government objectives regarding saving, which include:

- creating the right environment for retirement saving;
- creating the right incentives for people to save for retirement;
- encouraging personal responsibility; and
- helping people to plan for retirement, in particular by providing information and education to help people make savings choices.

In line with these objectives, the May 2006 pensions White Paper¹ lists making it easier for more people to save more for their retirement as a priority. To achieve this, a system of personal accounts has been proposed to ensure that every eligible employee aged from 22 to State Pension age can participate in a low-cost retirement saving scheme, unless they actively opt out. The scheme will commence from 2012, but the DWP wants to encourage people to save for their retirement in the interim. Young people stand to gain from this, as they have many years of working life ahead of them in which to accumulate savings.

DWP, therefore, commissioned some qualitative research to inform ways of encouraging and enabling young people to begin saving, particularly for retirement. Although the benefits of starting to save for retirement early are well established, these are not felt to be well understood by young people, or may conflict with other priorities for allocating income. DWP commissioned Ipsos MORI's Social Research Institute to undertake a research project to build upon existing information and previous research about young people's saving behaviour, knowledge and attitudes.

¹ DWP (2006) Security in retirement: towards a new pensions system, The Stationery Office.

1.2 Study objectives

The overall aim of this research was to explore the attitudes of young people (defined for the purposes of this study as aged between 16 and 29) to saving, retirement and pensions. Within this, the research focused on six key areas:

- young people's views on financial priorities and where pensions fit within these;
- the triggers and barriers to saving among young people;
- how income levels, spending patterns, and financial priorities work together to influence young people's saving behaviour;
- the effect the remoteness of retirement has on whether young people perceive pensions saving messages as relevant to them;
- what 'thinking about retirement' entails, and, importantly, whether this leads to action; and
- whether a 'live for now' attitude is incompatible with taking any steps towards saving for retirement.

1.3 Methodology

The research comprised of two key stages. Initially, a series of discussion groups were held. Each of these consisted of six to eight participants and lasted for approximately two hours. These were then supplemented by a series of 20 follow-up face-to-face depth interviews with selected participants from the discussion groups. The depth interviews lasted between one and one and a half hours in length each, and took place up to one month after the initial discussion groups. For further details on the methodology, please see Appendix A.

The groups took place in six locations across the United Kingdom and quotas were set on age, gender, social grade², work status and whether participants had savings or a pension. This was done to ensure we spoke to a variety of young people to gather as wide a range of views and experiences as possible. Similarly, with the follow-up depth interviews, we endeavoured to speak to young people in a variety of situations and locations, and with a range of opinions.

1.4 Definitions, presentation and interpretation of the data

While qualitative research was the most appropriate methodological approach for this study (as it seeks to identify the range of views, opinions and experiences of young people), it is important to bear in mind that it utilises smaller samples that are chosen purposively, to ensure representation of a full range of views within the

² For more details on social grade, please consult Appendix A.

sample. Qualitative research is designed to be illustrative and does not look to produce statistics and this needs to be taken into account when interpreting the research findings. In addition, it is important to bear in mind that the research deals with perceptions rather than facts (though perceptions **are** facts to those that hold them).

Throughout the report we have made use of verbatim comments to exemplify a particular viewpoint. It is important to be aware that these views do not necessarily represent the views of all participants. Where verbatim comments have been used, the respondent's attributes are given in the following order: gender; age; work status; social grade; and location.

1.5 Report structure

Following this introduction, this report is divided into seven main sections:

- Money management and financial priorities;
- Attitudes to saving;
- Triggers and barriers to saving;
- Perceptions of retirement and pensions;
- Triggers and barriers to saving in a pension;
- Reactions to personal accounts; and
- Conclusions.

The following section of this report discusses participants' attitudes towards money management and financial priorities.

2 Money management and financial priorities

Summary box: Money management and financial priorities

A consistent theme across all of the discussion groups was the importance to young people of 'living for now' and enjoying themselves.

The younger participants had few responsibilities and their lives revolved around their social groups and going out, and these were the focus of their spending. These participants did not manage their money too closely and did not take a proactive or planned approach to their finances.

Those that did pay attention to financial management tended to be older and had greater financial responsibilities, for example, they had to pay their own utility and council tax bills, rent or mortgage. They also had different aspirations and priorities at this stage in their lives, for example spending more of their money on their homes and/or choosing to spend a night in with their partner instead of going out.

This chapter examines participants' general approaches to managing their money and explores the techniques young people use to balance their income and outgoings. It also outlines their spending behaviour and the influences that motivate their financial priorities.

2.1 Money management

Prior to the discussions, participants had often given little thought to the idea of money management. There were few formal strategies for managing money and spending. This was especially the case amongst the 16-18 year old participants living at home with no financial responsibilities; many simply spent their money on whatever they wanted, with no overarching or long-term plans in mind. They could afford to spend their money freely until it was all gone without having to worry about paying bills and meeting other commitments.

'Money just burns a hole in my pocket. I've just got to spend it.'

(Female, 16-18, NEET³, C2DE, Glasgow)

However, older participants had different financial responsibilities, including rent, mortgages and bills (such as utilities and Council Tax). Even those at university, who tended to be receiving some financial help – particularly with their rent – had to take these forms of expenditure into account when thinking about their spending. These participants tended to be more proactive in planning how to spend their money and putting money aside to be sure that the necessary bills and rent were covered. While there was also some evidence of younger participants saving up for larger purchases, such as holidays and car-related expenses, they tended to have fewer demands on their income overall, so financial forethought was less important. However, few participants of any age mentioned more formal ways of managing their money, for example tallying up expected expenditure with anticipated income.

Some participants talked about accounting for their essential regular outgoings and then spending the remainder of their income more spontaneously:

'Your living expenses come first and whatever's left, there'll be a bit left, then you can treat yourself.'

(Female, 22-25, NEET, C2DE, Exeter)

Some of the students and others who had just started working talked about living more cheaply when they were short of cash; rather than abstaining from certain activities, they argued that they could just do them more cheaply, for example, buying low-cost food or organising cheaper nights out:

'You can do different things cheaply though...have a cheap socialising night...Just you do something, you just work it a different way.'

(Male, 22-25, working, ABC1, Glasgow)

However, some participants were managing their money far more closely. For example, some made efforts to 'segment' money, separating it out into several accounts for different purposes.

2.1.1 Use of credit cards and borrowing

There were mixed views on credit and store cards as well as loans and other forms of borrowing. Some participants spoke of being happy borrowing money and used credit cards as part of their normal spending:

³ The term 'NEET' refers to someone who is not in education, employment or training (hereafter NEET).

'If I want a holiday or something, I'll put it on a credit card and then pay it off, rather than saving and then paying for it. I'm impatient and if I want a holiday, I want it now and I want to go. I don't want to have to save for six months, cos usually I won't save and I won't get the holiday.'

(Male, 19-21, working, ABC 1, near Exeter (rural))

Young people tended to have fairly negative views about credit cards, with many stating they would **never** wish to have one in case they became accustomed to using it and their debts spiralled out of control. They realised that large amounts of interest could be built up very quickly, and that it was very easy to get into considerable amounts of debt.

Despite this, there was a significant amount of evidence of credit card usage by some of the young people (either currently or in the past). A handful argued that they were using the cards 'sensibly' as an interest-free loan (for example, to fund building materials for their home or for emergency use to cover unexpected costs, such as car repairs or costs incurred while travelling) and planned to pay off the balance before interest started being added.

'I've got a credit card, don't really use it... Got it when I was a bit broke, so I used it for a bit and now I just pay it off. I just prefer to pay for things in the shops now in cash.'

(Female, 26-29, working, ABC 1, London)

Others mentioned debts which they had built up on credit cards in the past and were struggling to pay off. These were often impacting on the financial choices these participants were making now.

Credit card users seemed to be dealing with two conflicting influences; on the one hand a sense of what they should be doing (avoiding borrowing), and on the other the demands of their lifestyle (wanting to generally 'enjoy' their money through buying consumer goods, socialising or taking overseas holidays).

2.2 Spending behaviour and priorities

The most consistent attitude to spending that emerged was that young people should be having fun and 'living for now' and that this should be reflected in their spending behaviour. This did not mean spending money without giving it any thought, although some of the youngest participants did take that attitude. Rather, it meant that having fun and indulging themselves was the priority.

'You can buy clothes, you can go out. It's your life isn't it? Money's life. Without money, you've got no life.'

(Female, 22-25, NEET, C2DE, Exeter)

There was a general perception that this sort of spending would change as people got older. Taking on greater financial responsibilities was often seen as something to defer to an imagined point in the future when it was perceived to be more appropriate, for example when they 'settle down'. This perception was held by participants across all age ranges and it appeared that spending behaviour and priorities changed as people moved through different stages of their lives.

2.2.1 Participants aged from 16 to 21

Younger participants (aged from 16 to 21) tended to have the least responsibilities and less interest in financial planning. Many were living at home or in student housing, and derived a great deal of their income from parents, benefits and student loans. They had less need to be closely managing their money than the older participants as they tended to have fewer financial responsibilities and commitments. For the most part, they were happy with this and showed little interest in planning their finances at this stage in their lives. Indeed, some currently taking a gap year or at university anticipated a period of financial irresponsibility as inevitable. This was in contrast to the older participants who tended to have homes, families or careers, some of whom commented on how they had noticed their own attitudes towards finances change and mature in recent years to reflect their changing priorities.

Going out and socialising seemed to be the main priorities for 16-21 year old participants and consumed the bulk of their income. Consumer goods were also popular (for example, mobile phones, clothes and computer games) and most of these purchases tended to be fairly spontaneous. This spending tended to be motivated by lifestyle choices; for the most part younger participants' lives revolved around their friends and socialising:

'I'm just paranoid that when I get older I'll think "God I didn't go out enough", so whenever I get asked to go out I'll always say "yeah" even if I've hardly got any student loan left. I'd rather go into my overdraft than say no to a night out, I'd always rather go out.'

(Female, 19-21, full-time education, C2DE, Manchester)

However, there was evidence of some financial planning in this lower age group. This tended to be aspirational and dependent on how much thought these participants had given to their future. For example, those who wanted to go to university were sometimes putting money away for this.

2.2.2 Participants aged from 22 to 29

Participants aged from 22 to 29 were still relatively keen on going out and socialising, and shared the belief that young people should be spending their money on having fun. Depending on their income, they could sometimes afford to maintain levels of spending on these things whilst also planning for the future and putting money away in savings.

However, they also tended to have more financial responsibilities and independence; some were entering into long-term relationships or were getting married. This created more focus on home and family life and their spending tended to reflect this.

Crucially, lifestyle was also very important for them. They were not simply reacting to the inevitable increases in responsibility as they got older (i.e. covering the 'necessities' of financial independence, such as payment of utility bills and council tax, rent or mortgage payments or financial support of children), or moving into their own home; they also seemed to be doing more to define themselves through 'aspirational' spending on houses and cars. This slightly older group of young people placed a lot of value on the longer-term 'trappings' of success rather than the immediate gratification of nights out and smaller purchases and, consequently, these exerted some influence on spending priorities.

'I'm a PA for a big firm of solicitors. I don't have much free time and when I do, I've just moved into my own place and I'm buying loads. I'm enjoying that at the moment.'

(Female, 26-29, working, ABC1, Cardiff)

Case study: Changing priorities

Emily works full-time and lives with her husband and child. She is expecting her second child in the next few months. Emily and her husband have been paying off their mortgage for a couple of years.

She says that, when she was younger, she used to spend a lot of money on going out and having fun but now her priorities are changing.

'Maybe a few years ago, that would have been a priority, going out socialising, things like that. But now, it's just really making sure that we've got food for everybody and clothes. We try and go out once a month, but if we don't manage a night out, it's not a big deal.'

She feels she has greater responsibilities than before – looking after the children and household – and this has meant she actively budgets and is more conscious when making decisions about what to spend money on.

'Once we bought this house we had to make sure we could budget 'cos we used to stay with my mum and she was always helping us out, so now we need to do it ourselves. I like to make lists for things. Yeah, I'm very organised when it comes to money because I don't ever want to be struggling where the house might be repossessed or anything like that, so it was a bit of a fight for him to get Sky.'

Continued

Having these greater responsibilities has changed her ambitions. She is investing money in renovating and decorating her house and financial products such as life insurance. Essentially, she talked about wanting to live a different lifestyle – her focus was now on her family life and her relationship. Our conversations made her realise how much she wanted to concentrate on ensuring that she had provided for the future.

'I was just asking everybody and a lot of people who were younger than me and they were socialising, going out, drinks, clothes, stuff like that, but as you get older, you've got different priorities, so it made me realise, I don't really have anything for the future, so that's the first step, anyway.'

3 Attitudes to saving

Summary box: Attitudes to saving

There was a broad consensus that saving was a good thing and that people should be making provision for the future – both in the long- and short-term. However, there were also negative stereotypes of typical savers and the sort of lifestyle they led; many had a vision of ‘misers’ living austere lives.

This perception of savers clashed with what participants believed being young was all about. Participants were familiar with the arguments in favour of saving, but these tended to be a less important motivation than other things they wanted in their lives, such as socialising with friends or spending money on goods such as clothes, computer games and cars; there was a general sense of ‘living for the moment’.

Participants exhibited a range of saving behaviours. Even those who initially said they did not have savings often practised some aspects of saving, for example keeping money to one side to pay rent or a bill at the end of the month, or passing funds over to a partner or parent for safekeeping. Many participants were effectively saving without recognising that they were doing this, either by cutting back on spending or accumulating money in a current account.

This chapter discusses participants’ perceptions of saving and their views on the importance of this. It also considers their ideas about the types of people that save as well as their definitions of typical saving behaviour.

3.1 Perceptions of saving

There was broad consistency across the groups in terms of attitudes towards saving and ‘savers’ in particular. There was a strong sense that saving is a good thing, in principle, and that people should ideally be saving – including themselves.

'Saving is very important...if you want to make a better life for yourself and be able to afford more things in the future, and have any money, in case you get a big problem that you need to sort out.'

(Male, 26-29, working, ABC 1, London)

Typical 'savers' were thought to be sensible, organised people who were forward looking and responsible. Views did not seem to be affected by the participant's own saving behaviour.

However, there was also a persistent sense that savers were excessively frugal, to the extent that they were characterised as '*scrooges*', '*hermits*' and '*boring*'. There was a general belief that savers have to make cutbacks and therefore, would not be able to do as much as those that were not saving.

'It means having a worse time now for a better time later, which is never fun.'

(Male, 19-21, full-time education, ABC 1, Brighton)

Some younger participants imagined that the typical saver would be older and probably well off, although there was disagreement about the impact that personal wealth might have. For example, some suspected that those with more disposable income might be less disciplined in how they spent their money.

Younger participants also believed that older people were better able to save since they were less socially active and therefore, spent less money on going out. These negative images and associations were common even among those who were savers themselves, although participants were aware that this excessively miserly image was often only a stereotype.

This contrasting vision of saving and savers is of importance when understanding how participants' attitudes to these concepts linked to their behaviour. They thought that saving was something that was good and should be done, but also that it clashed with an idea of what being young is all about. The young people we spoke to often understood the importance of saving and were familiar with the arguments in its favour, but these tended to be a less important motivation than the other things they wanted in their lives. A general sense of living for the moment, socialising with friends and purchasing goods such as clothes, computer games and cars were more important.

3.2 Defining saving and savers

Young people exhibited a range of saving behaviours. Even those who originally claimed not to have savings often practised some aspects of saving, for example, keeping money to one side to pay rent or a bill at the end of the month or passing funds over to a partner or parent for safekeeping. A distinction was often made between short-term saving for specific items and regular, longer-term savings.

However, a prevailing definition of 'proper' saving was generally agreed to be putting money away regularly into a dedicated savings account or Individual Savings Account (ISA), especially if the savings were long-term and not earmarked for a specific purpose. Any other saving behaviour beyond this was often not thought of as saving at all.

Although some participants were putting money away regularly, their savings tended to be with a particular purchase in mind, for example to pay for a holiday or presents. Participants saw this money as being 'already spent' and so did not perceive this as 'proper' saving.

It was common among participants for their money to build up in their current account. This was sometimes simply because wages were not all spent before the end of the month. On other occasions these reserves were built up deliberately, to pay for specific items such as rent or mortgage repayments, utility and Council Tax bills or clothes. In both cases this tended not to be thought of as being 'saving' at all, as it was separated out into another account.

Participants also mentioned mortgages, property and other investments in the context of saving. Some participants suggested that these were savings because they all involved putting some money away to help provide for the future. However, others had not thought about these issues in this way prior to taking part in the research.

The same was true of approaches such as cutting back on spending or economising by buying cheaper food or abstaining from costly activities. These coping strategies were common across all of the groups, including the non-savers. Whilst some participants spoke about them as being part of their saving strategies, others had never thought in this way and instead perceived these strategies as a way of making their money last longer.

4 Triggers and barriers to saving

Summary box: Triggers and barriers to saving

One of the most important influences on saving behaviour was lifestage. The increased financial responsibilities that participants tended to take on as they got older appeared to encourage them to take saving more seriously, to think more about saving and to begin saving. Another key influence was personal aspirations. Those with clearer aims for the future were often motivated to prepare financially and plan ahead to make their plans more achievable (such as buying a car or holiday, going to university or taking a gap year). The keenest savers, therefore, tended to be those who had the clearest plans for what they wanted to be doing in the future.

However, lifestage also appeared to act as a barrier for some participants. There was general agreement that young people should be spending their money on enjoying themselves while they were still young. This meant that they prioritised spending now over saving for the future; a behaviour that was further endorsed by the perception that marketing messages conveyed by the finance industry encouraged them to spend and take out credit, rather than save.

Similarly, most participants assumed that they would be better off at a later stage in their lives and thought they could defer the decision to start saving until then. They spoke of waiting until they had a better job, were earning more money or were more stable in their lives generally. This was a common factor across the groups, regardless of how well off or stable their lives currently were.

This chapter discusses the key triggers and barriers to saving which influenced participants' saving behaviour. The triggers identified include lifestage and long-term commitments, plans for the future, the influence of others and unexpected windfalls. Barriers discussed include a 'live for today' attitude, economic factors (income and employment), age, lifestage, and debt. The chapter concludes by examining how the interaction between these triggers and barriers influences behaviour.

4.1 Triggers to saving

4.1.1 Lifestage

Savers often tended to talk in terms of key stages in their lives or shifts in their lifestyles, for example moving out of home or in with a partner, getting a mortgage or having children. These transitions had encouraged greater attention to saving and motivated them to start putting more money away. They were often associated with greater financial responsibility or independence and with 'settling down' or taking a more long-term view about their lives.

'I think until you actually get certain specifics in your life that you have to consistently put money towards, like running a house and kids and stuff like that, I don't think you really think about saving for the future until you actually get to a stage like that.'

(Male, 19-21, working, ABC1, near Exeter (rural))

Moving out of home was often the first big milestone in young people's increasing financial independence; some participants had become more frugal in order to pay their own bills or rent. Keeping money aside to pay for these was regarded as a form of saving by some participants. Exceptions to this were university students whose parents sometimes helped out with bills, and those participants who were already on high enough incomes to easily allow them to pay their bills and maintain their desired level of spending on other things.

Being in a long-term relationship was another influence which altered spending priorities and encouraged a longer-term view of finances and increased saving. Similarly, marriage plans or planning to purchase a house often had a similar impact, shifting the focus from spending in the present to planning for the future.

'I want to try and get a mortgage [at the] end of next year, so after New Year and that I'll have to start putting a wee bit by. So if it's something that's in the near future and you're aiming for something then fine, you'll save, no problem.'

(Male, 26-29, working, C2DE, near Glasgow (rural))

'I think ever since we moved in together, to start off with we were a bit like, ah, who cares, we've got enough money, and then it started to hit home, and over the past six to 12 months we've started to be in control and know what's going out, when it's going out and so on...[Since then] it wasn't a case of going out every Saturday night with mates and meeting up. It was more of: Saturday night we're going to stay in, spend time together and stuff, so obviously you don't spend so much money if you're not going out.'

(Male, 19-21, working, ABC1, near Exeter (rural))

One of the strongest impacts on saving behaviour was parenthood. Parents across the groups were keen to put money away for their children's futures – even if they were not saving much for their own. Adding money to Child Trust Funds and opening accounts for family members to save money into for the child were common examples of this. Typically, these savings were intended to help their children with the cost of university or more generally for when they grow up and leave home.

'Just for my son because getting him through life with a car and university is more important to me than myself really, but that's just something that you realise once you've got children you put them before absolutely everything.'

(Female, 19-21, full-time education, C2DE, Manchester)

These lifestage triggers did not actually make saving any easier, however. In fact for many, moving away from home, investing in their own house, and in particular having children were talked about in terms of the added costs and the reduction in disposable income. Despite this, it seemed that these big changes in people's lives inspired a reassessment of personal finances and spending habits. This resulted in less 'casual' spending, increased financial planning, and saving ahead to cover the financial implications of these changes. Examples of these included paying bills, mortgage repayments or saving to pay for a wedding or the cost of bringing up children.

4.1.2 Future plans

Another trigger of saving was an individual's capacity to look to the future and anticipate costs they might face. Those who were regular savers tended to be the ones with the clearest vision of, or aspirations for, the future. This encouraged planning of both a practical and financial nature. Sometimes these were for relatively small things such as holidays, cars, or clothes. These were items that people across all of the groups talked about making some form of provision for.

'As you were saying earlier, we've all got holidays or whatever, but then obviously you'll still, calm down a bit and try and save up for your holiday.'

(Male, 26-29, working, C2DE, Glasgow)

Participants also spoke of much larger costs that demanded more dedicated saving. Again, these things tended to be associated with lifestage. Amongst the most commonly cited were going to university and saving for a mortgage. Others were putting money away for future ventures such as starting a business. These bigger savers often had more extensive and ambitious plans for their own futures, and thus a greater sense of needing to make extra provision.

While lifestage and aspiration were clearly very important in motivating young people to save, there were also a number of more straightforward and practical triggers identified and these are highlighted below.

4.1.3 The influence of others

Participants often cited the influence of other people in passing on a sense of the importance and benefits of saving, especially parents and grandparents. This sometimes took the form of direct influence, where parents or grandparents opened accounts for participants when they were children and then paid money into the account, or encouraged them to pay in money themselves.

'My boyfriend he puts £100 a month away and he has done since he was really young, but that's his mum and dad who set the account up for him and told him that would be good if you do that and he still does it.'

(Female, 22-25, working, ABC1, Manchester)

Other influences were less direct, but nonetheless encouraged young people to put money aside for the future. For example, some participants were witnessing parents and grandparents enjoying and benefiting from the provision they had made when younger. Partners' savings activities sometimes also served as a motivation to begin saving for the future. Friends were less of an influence here as few young people discussed such issues amongst themselves, but there was still an element of wishing to 'keep up' with friends' lifestyles and achievements.

'[It was] probably about two years ago then that I actually started thinking about [buying a house]. Yeah, cos a friend bought his house two years ago. I went from being an apprentice on [rubbish] wages, to actually having a decent wage. I had six months of living the fast and high life, and then my friend bought his house, and I thought maybe I should start. It wasn't just oh look, he's jumped over a cliff, but my then girlfriend had her own place as well which she'd bought, and the gears started turning, and so I thought well I'll buy something.'

(Male, 22-25, working, C2DE, Oxford)

'One of my friends goes out and he spends about a fiver and you spend £80 and you're thinking, how does he spend that, and they're savers. He's got about £90K in the bank cos he just puts everything away and he doesn't go out during the week, he's like a hermit, and then he goes out at the weekend and spends a fiver. It's just you get people that are good at saving and you get folk that just spend.'

(Male, 22-25, working, ABC1, Glasgow)

While some participants acknowledged how parents had been a positive influence on their subsequent saving behaviour, others reported less positive experiences. Some spoke of accounts their parents had opened on their behalf being forgotten or abandoned, and others believed they still had a small amount of money sitting untouched in these old accounts.

Having a bank account when young did seem to help participants to familiarise themselves with the basics of money management. Additionally, some were encouraged to take part-time jobs by their parents so they would get a sense of earning, and potentially saving, their own money.

Conversely, for some, it was not their parents' encouragement that had a positive impact on their own saving behaviour so much as their parents' poor financial planning. Some participants had experienced financial hardship and debt problems when growing up and believed that these experiences had motivated them to save to ensure they would not suffer the same problems.

Case study: Influence of others on saving behaviour

Ade is an 18 year from London, who works part-time at a major department store and is studying for A-levels at college. Ade lives at home with his parents and sister, and plans to attend university next year in London to study business management.

Ade thinks his family have had a positive influence on how he sees finances and saving. They have always encouraged him to save up for things he wants to buy and to work out what he can and cannot afford. At the moment Ade is saving up to buy a car.

'I'll get paid for my job on a Friday, and money will go on food for school during the week, about £2 a day or something. Clothes, a lot of my money goes on new clothes and stuff. My phone, credit, so maybe £10 a month I'll have to cough up. But at the minute I'm focusing on getting myself a car, that's going to cost £1,800.'

Ade's parents have also encouraged him to be ambitious about the future and to try and obtain good qualifications in order to get a good job. Ade also has plenty of confidence about his financial future. His part-time job gives him a level of comfort to support his lifestyle at present, as well as allowing him to save for the car. He thinks after university he will be able to secure a well-paid job to allow him to start saving for a property and luxuries such as holidays.

'I'm not actually really saving for above 21, because I'm hoping I'll finish uni, I'm going to get a full time job maybe, I'm hoping, but obviously everyone's got dreams, aspirations, obviously I want that. Maybe like obviously 20, 30 grand a year I want to hopefully be on that. And that's when I'll start saving properly for a house, etc., for a family if I'm going to start up a family. For just a nice life when I'm older, then I can have holidays and that, as much as I can, that I'm never stuck for money.'

4.1.4 Windfalls

An increase in income, for example, from a pay rise or bonus, inheritance, or gift, was often a key trigger to saving. Although participants tended to argue that having more money did not necessarily mean a person would have the desire to save, any extra money was not always spent immediately and allowed the individual the option of putting some money away.

4.2 Barriers to saving

Many of the factors identified as triggers to saving for young people often also functioned as barriers. For example, as the previous section described, reaching a particular lifestage or holding certain aspirations were key motivators for young people to start or increase the extent to which they were saving. Conversely, young people who had not yet reached particular lifestages or who did not have strong personal aspirations were less motivated to save.

4.2.1 Living for today

The most persistent barrier to saving, and one that was apparent in all groups, was the sense that young people should be 'living for now' and not be too concerned with saving. Ideas about the importance of saving were always competing with the sense that young people should feel free to enjoy the money they had and take the opportunity to be carefree whilst they still had few responsibilities.

'I want to live well now while I've got no commitments, I've got no children, I've got no partner or anything like that, so I want to live well now.'

(Female, 22-25, working, ABC1, Manchester)

Some participants argued that those who were more concerned with saving for the future were missing out on a key time in their life that they would never be able to return to. This view was present even in the groups of savers who argued that saving for the future should not be an obstacle to spending money on having fun now and that it is important to achieve a balance between living for today and planning ahead:

'One of the problems that my Grandad had was all that money he saved, because my Grandma died, he just felt like it was a waste and he didn't want to spend any of it 'cos he had no one to share it with. So in the end, he worked too much during his life because then when my Nan went, he had all this money and no one to share it with. But then again, when he left, he left a lot of money to the family, which, again, is another advantage. But for him personally, it was quite sad.'

(Female, 16-18, working, ABC1, Exeter)

There were also a few participants who claimed not to 'believe' in savings and said they would always spend all of their income. These participants did not see any point in saving; they said that it was impossible to know what the future might hold and that they could not guarantee being around to reap the rewards.

4.2.2 Economic factors

Many argued that they would start to save after their next pay rise or promotion. This argument was often made by participants in all of the groups regardless of how high their current income was. Although saving was thought to be desirable, it was also thought that it should not be to the detriment of their current lifestyle. In order to save, participants believed they would require a higher income rather than making any cutbacks to current spending. It sometimes appeared that no salary was high enough to motivate saving behaviour in itself.

Younger participants often imagined that beginning their first 'good' job would be the appropriate time to start saving. A good job was regarded not only as one with an increased income, but also one that had a sense of stability and longevity. In this sense, achieving a 'career-type' job was another example of lifestage as a trigger to saving, whilst not having one was a barrier:

'I think as soon as I'm working, if I've got a steady job and I know I'm going to have a proper career, then I will think [about saving], well as soon as I start working.'

(Female, 19-21, NEET, C2DE, near Cardiff (rural))

As with income, the idea that getting a better job might motivate saving was common amongst participants, regardless of age or career history. A 'better' job was often defined as one with a higher salary, but it also applied to having a job with career prospects and job security – a role participants believed they would be in for a length of time. Those already in 'good' jobs who were saving regularly tended to talk about planning to save 'properly', or to take provision for the future more seriously, once they had been promoted or given a pay rise. Participants on higher and lower incomes were equally likely to cite getting a better job as something that would enable them to save more. Similarly, even those who were in long-term or stable positions (these were mainly older participants) believed that they would save more once they secured a better job.

4.2.3 Age and lifestage

For some participants the sense that they would start saving more in the future was not justified by any specific reference to career or income, but was based on a general feeling that it will be easier and more appropriate for them to start saving when they are older and more settled and stable. This appeared to be based on an assumption that activities such as spending impulsively and going out regularly were the preserve of the young and would be replaced by more responsible behaviour and spending as they got older.

'Right now if I don't save, well it doesn't affect me. It's a bit like I'm doing that to myself, that's my problem. But if I had kids or got married or got a house, you've got a bit more responsibility, I think you would have to take a bit more initiative about things like that.'

(Female, 19-21, working, ABC1, near Exeter (rural))

This belief was related to age to some extent but was not exclusive to the youngest groups; there were examples of older participants who held this view as well.

Two related perceptions emerged: first, that people should enjoy spending their money while they are young; and secondly that there will always be a better time to start saving in the future. Both of these contributed to participants' beliefs that there was no immediate need or expectation for young people to start putting money aside for the future (i.e. saving into a 'rainy day' fund – as opposed to saving up for specific purchases, which is a more common experience for young people). Participants perceived themselves as having many years ahead, during which they would be better off and more responsible with their finances. This enabled them to continue to spend and enjoy their money currently, whilst at the same time sustaining a belief that they will be able to save more when they get older.

'There will be time to save later – you'll know it's the right time when you get there.'

(Male, 22-25, working, ABC1, Glasgow)

4.2.4 Income-related retirement benefits

There was a perception across all groups, but most strongly in the non-saver groups, that having savings or investments reduces your entitlement to benefits and other forms of support from the state. Furthermore, some participants argued that those who have put money away for their future were often obliged to spend this paying for services (such as nursing or social care) that people without savings receive for free. For these people foregoing spending money in the present held little attraction or benefit for the future.

[When they're working out how much pension you're entitled to] they'll go on what you've already got saved up and the more you get from other people the less you'll get from the state...Even if you've worked really hard and saved.'

(Female, 22-25, working, ABC1, Manchester)

'You can't really say you've got a nice little nest egg there [in savings], because [if you have to go into a home] it's gone. I worked in a nursing home, and it was £400 a week.'

(Female, 26-29, working, C2DE, Manchester)

4.2.5 Practical issues

For some non-savers, a simple lack of knowledge about how saving products operate, how to open an account and how to choose between the available options was a barrier to saving. While some of this apprehension seemed to be due to limited financial literacy and participants admitting that they would not know enough about how to open such an account, people were also influenced by negative coverage of financial issues in the media – at the time of fieldwork the collapse of the

hamper company Farepak Limited was prominent in the media. Others appeared to have little confidence that putting money into savings would deliver a worthwhile return:

'I'd say it's really important [to save into an account] but I ain't got round to talking to someone about it, I don't know anything about it...I bought a finance book, How To Handle Your Finances so that'll help me but I haven't read it yet, but I will do...Cos it's important and I don't know anything about it, I'm educating myself within it and I feel more confident that when I go and open up my account I know what I'm doing and what I'm talking about...see I don't even know where to go, I don't know, maybe it'll be in that book...Do you know where I need to go [to open a savings account]?'

(Female, 22-25, NEET, C2DE, Exeter)

'And there's other stupid things like that [Farepak] thing that's been in the news recently. I know it's not long term saving, but they've been saving all year for their Christmas, that's a whole massive company, 32 million down the drain. Why would you ...?'

(Male, 26-29, working, C2DE, near Glasgow (rural))

4.2.6 Debt

The availability of credit and loans was another barrier to saving. It was often argued that, while saving was neglected, running up debts – particularly to pay for university – was increasingly considered acceptable or normal. While many argued that they were not keen on borrowing and had been put off by their experiences of credit cards, they were still being widely used (as discussed in Section 2.1.1).

It was commonly felt that credit was too easy to obtain and that it was vigorously promoted by banks and other financial institutions. Many participants argued that during this stage of their lives they were the focus of a great deal of advertising and marketing and that most of the messages they received from the media, banks, credit card companies and loan organisations focused on borrowing and spending money, rather than on saving:

'It seems like they want you to get into debt instead of saving for a pension cos I've had so many loan things, I've only ever had one letter that says think about your pension and then they don't really want you to think about that, they want you to get in debt and then they get more money that way I think.'

(Female, 19-21, full-time education, C2DE, Manchester)

'First [the loan organisations] give you £100 in vouchers which you can use down the high street... And then they come round the next week and you give them £5, and then from there, it'll be every week you pay them £5. But they will put a little bit of interest on top. Like if you were to borrow £100 you'd have to pay back £130. But I don't mind doing that because I know I'm only paying £5 a week which I can afford.'

(Female, 22-25, NEET, C2DE, Exeter)

The easy availability of credit created a disincentive to save for many participants and created a more practical barrier for some. A number of participants had debts to repay and felt it only made sense to start saving once these were cleared. This was particularly true of those who had been or were currently, studying, and who had many debts from both student loans and bank overdrafts.

Occasionally, previous debts made it difficult or undesirable for some participants to hold a bank account. This meant they used only cash, and relied on a parent or partner to administer any other types of payment. These participants tended to have a very short-term view of their finances and they were often living 'week by week'.

4.3 Striking a balance

It was apparent that most participants had a good awareness of the arguments in favour of saving and were in agreement that saving was desirable and something that they should do at some point. Few saw themselves as 'good' savers in as much as they thought that they could do more, if they really wanted to, and that they probably would do later on in their lives.

However, despite these positive signs, it was equally clear that many struggled to reconcile their saving intentions with their current lifestyles and consumption habits. For the most part, these positive triggers conflicted with the barriers in many participants' lives. A particularly strong barrier to saving for the future was the overwhelming view that being young was a time for 'living for the moment', bolstered by the belief that it would be easier to begin saving in a few years, when they would be in a better financial situation. Other barriers included lack of knowledge about financial products, concern that any savings would count against any benefits they can claim and the need to pay off debts. The desire to clear any debts before beginning saving for the future was common across all groups, but concern about the impact of savings on benefits and lack of knowledge about financial products tended to be concentrated among some of the less affluent participants.

5 Perceptions of retirement and pensions

Summary box: Perceptions of retirement and pensions

Participants were very much focused on their immediate lives and had rarely given any thought to the future beyond the next few years, let alone their retirement years and how they would fund them.

Old age tended to be perceived as restricted, boring and bleak and not worth thinking about, although some participants also cited the experience of family members living a positive and happy old age. Few participants were concerned about their own retirement, although they were aware that this time may not always be 'rosy'.

When considering how their spending might alter when they retire, the first reaction of many participants was that the cost of living would be lower, as they would have paid off their mortgage and would have fewer social engagements and interests. After consideration, some revised these views and said that their expectations might alter as they aged; they might become accustomed to a certain standard of living, which would require increased or maintained income. Others took inflationary factors into account when thinking about the future cost of living.

A few participants understood the basic principles of pension schemes, but generally there was little understanding of different types of pensions and how they operate.

This chapter examines participants' perceptions of and general attitudes towards retirement, including the kind of lifestyle they expected in retirement, how they planned to fund this period of their lives and any knowledge they had about pensions.

5.1 General attitudes towards retirement

Participants admitted that they had given very little thought to the kind of life they would lead during retirement prior to taking part in the research. Instead, they tended to concentrate primarily on their current life and events in the near future, such as plans for travelling, going to university, family life, and job and career possibilities.

Participants had little desire to think too much about their own 'old age' and 'retirement' as they regarded such concepts irrelevant to them, despite some awareness of media stories about 'pension crises in the future'.

'You don't think about getting old when you're young, do you? I'm speaking for myself really. I don't think about getting old. I think about staying young.'

(Male, 16-18, working, ABC1, Exeter)

Participants commonly associated old age with a lower standard of living, physical disability, living alone, a lack of mobility, reduced social contact and greater budgeting. The topic of retirement was regarded as dull, boring and morbid.

'I don't see it [retirement] as a nice thing, but I never did before I came. Just because of the money really and being bored, just sitting around being old. No thanks.'

(Female, 19-21, working, ABC1, near Exeter (rural))

'My Nana's got arthritis, she's got all her marbles, but she's sat there in pain, she's riddled with it, so naught to look forward to, I think.'

(Female, 26-29, NEET, C2DE, Manchester)

However, some participants had a more optimistic perception of what their own retirement might be like, from personal contact with older people who were enjoying their retirement years. Many anticipated spending quality time with their families, and enjoying a high level of material comfort without the burden of having to fit this around working hours. Expectations included travelling overseas, playing golf and relaxing. As well as grandparents, some participants also mentioned other relatives who had retired early and were perceived to be leading a very good life:

'I think my grandparents have quite a good retirement, my Grandad just, I don't know, he's always seemed happy and enjoys it really, they're never really in England, they go on holiday the whole time. It would be quite fun to do that really.'

(Male, 19-21, full-time education, ABC1, Brighton)

Participants from less affluent backgrounds or those claiming benefits tended to have a less positive impression of old age, and viewed retirement as a period of restriction and 'watching the pennies', if not outright poverty. Again, many of these

associations came from observing how those around them – especially family members – were living, with many perceived to be relying on the State Pension:

'My auntie and uncle were on a pension. My auntie died and my uncle's struggling now.'

(Male, 19-21, NEET, C2DE, near Cardiff (rural))

5.2 The cost of living in retirement

Many young people believed that current financial commitments, such as mortgage repayments or supporting a family, would not be applicable once they reached retirement. Therefore, they felt that the cost of living would be greatly reduced in old age.

Many also imagined that they would socialise far less during retirement as older people were perceived to have fewer social opportunities and activities. Thus, the proportion of income spent on social activities would also reduce in comparison to their current spending.

'When you get old, that's your time to relax, you can't do nothing, you can't move much, you just sit down, just relax.'

(Male, 16-18, full-time education, C2DE, London)

However, as the discussions developed, some participants came to the conclusion that it may be unrealistic to expect the cost of living to decline to such an extent in retirement. They recognised their expenditure might well rise if they wished to make the most of the opportunities that the increased leisure time would afford. Others mentioned that it would be likely that they would have children and grandchildren and would want to assist them financially, which would also impact on the amount of disposable income they would have.

A number of participants also spoke of the difficulties in predicting living costs so far into the future, especially when the impact of inflation is taken into account.

Others had plans to move or retire abroad where the cost of living is perceived to be far lower and retirement income would stretch further. Few had looked into this in detail and were just describing a general impression of life being cheaper abroad.

5.3 Funding retirement

Given that participants had given very little thought to old age, it was unsurprising that they had not considered how they might fund their retirement, even though some were aware of negative media reports about pensions. Participants mentioned media stories related to both changes to the State Pension, as well as company pension funds 'going bust'.

'There's too many old people, and then as we live longer there'll be more and more old people, and people aren't having enough kids...If there's not enough people paying in [to the State Pension], and there's more and more people taking out, then there's not going to be anything left by the time we get there.'

(Female, 22-25, NEET, C2DE, Exeter)

'There was something on the news recently about a guy that spent all the money that the people [in his company] put into pensions, he embezzled it or something...'

(Male, 26-29, working, C2DE, near Glasgow (rural))

Many of the participants, particularly those from more affluent backgrounds, envisaged financial independence in old age and did not believe that they would need to claim benefits or get into debt in order to get by. There was a perception that when retiring, the ideal is to be free from obligations to others and able to live exactly as you please after a lifetime of work. A small number expressed the wish to continue working during their retirement years, to ensure they kept themselves occupied to counteract boredom. However, they did caveat this by saying that any work undertaken in their retirement years would most likely be on a part-time basis.

Participants tended to be fairly optimistic when asked about their own retirement and believed 'something' would happen to 'turn the corner'. Close experience of those struggling in later life did not necessarily lead to a shift in behaviour, and there was some feeling that even where retirement was likely to be financially difficult, a basic standard of living would be provided by the State.

5.3.1 Influence of family members

The experience of family members tended to influence young people's expectation for their own retirement. Those with financially secure parents or grandparents who were enjoying retirement were optimistic about their own. This was despite stories from the media and other older people they came into contact with that some sections of the population may have little to live off in retirement. They simply did not think that this would apply to them and believed their retirement, as their parents' and grandparents', would be comfortable with an abundance of free time to pursue travel and other hobbies and spend time with their family.

A number of participants expressed the desire to take early retirement; the ideal age for this was perceived to be at least 50 years old. Few had thought through the practicalities of how to realise early retirement, however – it was more a vague wish for the future. Some referred to family or acquaintances who had taken early retirement and were able to enjoy a good social life and travel opportunities, and who lived comfortably without financial worries. Others had simply heard reports about people who worked hard for twenty to thirty years whilst young and could then retire ahead of State Pension age, and so this lifestyle seemed realistic to them.

'I just think about playing golf and fishing and things when I'm 50.'

(Male, 26-29, working, ABC1, Cardiff)

5.3.2 Influence of education and employment

Young people who had attended or were planning to attend university were generally confident that they would easily find a 'good', well paid career which would allow them to lead a financially comfortable life. There was an expectation that this 'good life' and security would continue into retirement.

Other participants who were claiming benefits and/or not currently working acknowledged that retirement might be financially hard for them, but did not see any way that they could tackle this. In fact, few envisaged that their retirement would be as financially difficult as the picture they felt the media portrayed. For many, their personal experience of the benefits system led them to believe that the State would make adequate financial provision for them, even if it was less than they would ideally like.

Many imagined that they would 'come into money' somehow or that their 'luck would change', perhaps through running their own business or relying on family inheritance or maintenance from their children or merely continuing to work (albeit in a less physically taxing role).

5.4 Understanding of pensions

Most participants, especially younger ones, had a very low level of awareness and understanding of pensions. Although they recognised that a pension provides a source of income in retirement, they were not clear about how they work or aware that there were different types of pensions.

'I've no idea but I've always imagined it as you put in a certain amount of your income every month or so, and you're not allowed to touch it until you're 65 or you're retired, and you get it back, and some interest or something. Is that pretty much it?'

(Male, 19-21, full-time education, ABC1, Brighton)

'Ain't a pension the same as signing on when you're unemployed? Like Jobseeker's Allowance or something? Yeah. If you're 65 you're allowed to not work or something?'

(Male, 16-18, full-time education, C2DE, London)

Amongst the few participants with employer pensions there was low awareness of how the schemes worked. Most were unsure about what happened to their contributions and whether they were invested, and had little knowledge about how pension savings would be translated into a monthly payment during retirement (e.g. through an annuity). The advantages of tax relief were not widely understood, and

some did not know the exact amount they or their employer contributed. Given this, few participants were able to judge whether the level of employer contribution could be regarded as 'good' or not, although they could usually see that an employer contribution was beneficial as it increased the funds being invested at no cost to themselves.

'I'm not sure what it'll be worth at the end of it all...I can't honestly say how much I put in there, they just do it all for me...it takes care of itself really.'

(Female, 26-29, working, ABC 1, Cardiff)

'I didn't realise someone was playing with the money. I thought it was just sat there making interest somewhere.'

(Male, 26-29, working, C2DE, near Glasgow (rural))

'It's [the pension scheme my company offers] one to three so we put in three per cent they put in nine per cent which is quite nice...I didn't realise until [the group discussion] that it was such a good rate.'

(Male, 19-21, working, ABC 1, near Exeter (rural))

A few more financially astute participants were aware of some aspects of pensions, including the different types that exist and the role of annuities. Those with this level of financial knowledge tended to feel that other investment options (particularly property or starting a business) would be likely to outperform pensions.

'If you pay into a pension for 30 years and you get X amount of money, you can't just say, I want that money. You need to buy – it's called an annuity – so you have to buy something else to get your money back which I think is terrible.'

(Female, 22-25, working, ABC 1, Glasgow)

'Investing seems like a great idea. Property seems like it's just an investment...in the future, I hope to get a house and rent it out because I can't see any other way of getting a nest egg.'

(Male, 26-29, working, ABC 1, Cardiff)

'I'm not going to worry about saving until I've been through uni and got myself a job, which will also hopefully pay a bomb...but then investment and property or just investment in the stock market will be more the way I'll go than pensions, certainly not state pensions...I trust myself [i.e. my investment skills] more than I trust the Government.'

(Male, 19-21, working, ABC 1, near Exeter (rural))

'It[income in retirement] could be from selling a small private business that you own, and then it could be shareholding and investing money in companies like Microsoft, so at the end, you will be getting your income.'

(Male, 19-21, full-time education, ABC1, Brighton)

5.4.1 Facts about retirement

During the discussions, participants were presented with a number of facts about retirement. These were:

- by 2021 there will be more people over 80 than there are children under five years;
- the average life expectancy for women in 2002 was 81 years and 76 years for men;
- by 2050 the average 65 year old man will live another 22 years (i.e. until he is 87);
- the current State Pension age is 65 for men and 60 for women;
- between 2010 and 2020 State Pension age for women will be gradually increased to 65;
- it is proposed to gradually increase State Pension age by one year every ten years from 2024; and
- the full basic State Pension is around £85 per week for a single person and around £135 per week for a married couple.

Many of the participants were surprised by this information. The life expectancy figures were particularly striking, and some found these facts difficult to believe, as they were so different from what they envisaged to be the current situation in society.

The facts presented about the current level of State Pension also came as a surprise to many participants. It was much lower than they had previously imagined and they found it hard to comprehend how this amount might allow them to enjoy a decent quality of life.

These facts (discussed in the groups) were often cited by participants during the depth interviews and used as rationale to support any action they were now considering taking towards providing for the future, indicating that such information is striking to young people and does stay with them.

However, some of the NEET participants thought differently; the amount they would receive from the State in retirement was comparable with what they were currently receiving on benefits and, thus, they imagined that they would be able to cope financially with that amount. They also thought there were additional 'perks' that pensioners are entitled to such as free or reduced cost transport, free TV licensing, and contributions towards winter fuel payments.

6 Triggers and barriers to saving in a pension

Summary box: Triggers and barriers to saving in a pension

Participants identified a considerable number of barriers to saving in a pension. These included the fact that they saw their own retirement as being a long way off, meaning that it was not worth worrying about at this stage in their lives. Most regarded their 30s as a time when they might start thinking about saving for their retirement. This was true even of those who were persuaded of the benefits of planning ahead in this way.

Linked to this were more practical barriers. Many participants (particularly part-time workers and those on low incomes) perceived that the amount they could afford to save in a pension was too small to be worthwhile, and what little money they did have spare was allocated to more immediate demands such as university or moving to their first home. This was exacerbated by the fact that there was an expectation of many future job moves which would result in numerous 'pots' with little money in each, making pensions a less attractive saving option. In addition, a number of participants were put off by the fact that pension savings were inaccessible until retirement, unlike other types of savings or investments.

Other savings vehicles were perceived to offer higher returns, which were deemed preferable to pensions. The most commonly cited of these was buying a property, from which participants perceived capital could be drawn as necessary. This perception was heightened by a mistrust of pensions, with participants fearing that there was a risk of 'funds going bankrupt' (i.e. employers or pension companies becoming insolvent and scheme members losing their money and not being compensated).

Continued

Despite these negative perceptions, participants were also able to highlight a number of triggers to saving in a pension. Of these, an employer offering a pension scheme that they made a contribution to was perceived to be the greatest influence. A number of participants who were working believed that where their employer offered a contribution to a company pension it would be unwise not to take this offer up as they would effectively be turning down 'free' money.

For others, the positive example set by parents, other family members or friends also encouraged them to save in a pension. In the case of family members, this was sometimes a direct influence, with parents or grandparents setting up a pension in the young person's name.

This chapter discusses the barriers and triggers to saving in a pension identified by participants. It explores the extent to which participants felt that a pension is the best option for saving for retirement, and briefly examines the reasons why the few participants who were saving in one were doing so.

6.1 Barriers to taking up a pension

Some of the barriers to saving in general also applied to saving in a pension. However, there was much greater strength of feeling when discussing the barriers to saving in a pension. These included:

- a lack of thought given to retirement planning;
- perceived inaffordability;
- lifestage;
- a perception that other investments (such as property) gave higher returns; and
- lack of trust in pension schemes.

6.1.1 Lack of thought given to retirement planning

Participants' attitudes to financial planning were focused on the present, with little thought being given to life beyond their 30s. As a consequence, participants had not thought about how their retirement would be funded:

'You start thinking about the future and think you know what, I've got Christmas to save for, thirty years' time is thirty years' time, I'll think about that then.'

(Female, 26-29, not working, C2DE, Manchester)

Participants were often unaware of the benefits of saving in a pension and could not see the attraction of doing so. Most did not understand a number of benefits of pensions, such as tax relief on contributions and that employers often make a contribution.

Additionally, participants did not think that discussing pensions was particularly exciting or interesting. Those without pensions often knew little about whether their family or peers had one. This compounded their lack of knowledge of the subject as it was not a topic they tended to broach with parents or friends. The small number of participants who did have pensions tended to have discussed them with their parents or friends and had somewhat better knowledge – see Section 6.2.2 for more detail.

Some participants were fatalistic about the concept of old age. They stated that, because the future was so unpredictable, it was not worth making provision for it. They also said that there was a possibility that they might die before or shortly after retirement, meaning that the pension contributions they had made would be in vain.

‘There’s no security because you never know when you’re going to die and you’re paying all this money in and [they’re] going to take it once you’re dead and gone.’

(Male, 16-18, full-time education, C2DE, London)

After discussing pensions in the group discussions and depth interviews, a number of participants resolved to think a little more about how to fund their retirement. In many cases, parents and other family members were often regarded as the first port of call for advice. Those who were working and had initially turned down the chance to join their company scheme had been encouraged to investigate the company scheme further following participation in the research, at the thought of the ‘free money’ they may have been missing out on. Those already with a pension generally felt reassured that they were ‘doing the right thing’ and were thankful that they had in the past signed up to a pension scheme.

There were also some participants who continued to be less enthusiastic about taking out a pension following the discussions, often because other ways of investing their money (such as property or stocks and shares) were still regarded as likely to perform better. Others said they had found the discussion useful and informative, but due to their uncertain financial situation, they would not be likely to take out a pension in the near future, but would look into it again when their employment (and hence their finances) was more secure.

‘I’m thinking what I’m going to do [for income when I retire]. I’d like to find out a bit more about what my parents did and that’s probably going to be my guide as to what I’m going to do.’

(Male, 19-21, working, ABC1, near Exeter (rural))

'I really haven't given it any thought at all because I guess I don't see my mum actively doing anything for the future, so I don't think about it. It's not there at the front of your head.'

(Female, 19-21, working, ABC 1, near Exeter (rural))

'After I came out of that discussion I was talking to my boss about the NHS pension and about if I wanted to join [and] opt back into it again if I could. And she was saying they were thinking of changing it again so then I changed my mind again because they're going to change it from the existing one, so I didn't know how that would affect me.'

(Female, 22-25, working, ABC 1, Manchester)

6.1.2 Perceived inaffordability

Another key barrier identified was a perceived lack of disposable income to pay for a pension. Participants with the capacity to set aside and save money often had more immediate calls on their funds. Holidays, moving out of a parental home, getting a mortgage or buying a car were all important events in participants' lives and ones that needed considerable financial investment. However, most felt that they did not have sufficient money left over at the end of the week or month to set aside for anything other than the immediate costs of living.

Related to this, an important barrier for those in part-time or low paid jobs was the perception that the amount of money they could afford to save in a pension was so small as to be almost pointless.

There was also a perception amongst a small number of participants that pensions are only relevant for the wealthy because of the amounts that needed to be invested in them.

Many participants of all ages imagined that in the future they would have far greater incomes and that the time to make provision for retirement would be then, when they had money to spare. This would come with their first 'real' job or the next big pay rise, although it was recognised that this may delay the moment at which provision for retirement is made.

'I will be able to start putting money aside if I get made head of unit, I'd have more money to spare then but right now I just can't spare any more.'

(Female, 26-29, working, ABC 1, Cardiff)

6.1.3 Lifestage

A common perception among participants was that because they were young there was no urgent need to consider future provision. To an even greater extent than for saving in general⁴, participants felt that taking out a pension was something people

⁴ For further detail see Sections 4.2.1 and 4.2.3.

looked into once they were 'settled' in their personal and professional lives. It was commonly felt that this would happen from their late 20s onwards. They believed that there was plenty of time in the future in which to learn more about pensions. A few participants had parents who had only recently taken out pensions, which reinforced this view.

'When we eventually retire it would be nice to have a lot of money, well, enough money so you can live comfortably and take holidays...so it's a good idea to start saving, but I don't really see the point before the age of 30.'

(Female, 22-25, working, ABC1, Manchester)

There was a strong sense that saving in a pension is appropriate for later in life. For many, pensions matched the imagery of early middle age; being married and settled, in a stable job and having a family.

'Thirties is not old at all, but it just seems I've got to really start thinking about things...about retirement...as in what I'd do. You think about, would I have a home, would I be living independently and what type of life would I be living?'

(Female, 26-29, working, ABC1, London)

6.1.4 Pensions compared to other investments

Pensions were often seen as highly inflexible because of a lack of access to funds until retirement, especially when compared to savings vehicles such as ISAs and other high interest accounts and investments (including property, starting a business or stocks and shares).

A number of participants were discouraged from putting money into a pension fund when they discovered that they would not be able to access their funds until retirement. In the case of illness or other emergencies (such as car repairs or an unexpected rise in mortgage payments), they feared not being able to access their money, as they could if it was held in more liquid assets. The fact that a pension was perceived to be 'tied' to an individual also made the option uninviting for some who said they would prefer to invest in something that could be more easily passed on to friends and family.

'I think, at this stage, a pension might not be the best way you can save, I don't think it's a good way, for example, if we had medical bills and such, if we'd saved in a savings account or something, that would be fine, if you'd put all your money into a pension, it would be useless because you'd be there dying with no money.'

(Male, 19-21, full-time education, ABC1, Brighton)

Many of the participants frequently moved between jobs or stated that they did not intend to stay in their current job for a particularly long time. They, therefore, felt there was little reason to pay into a pension as only a small amount of money would be built up. Many also perceived pensions as difficult to take out and did not want the confusion of having numerous 'pots' of money.

'If I graduated and I couldn't get a job and I was just doing something just to keep me going, I wouldn't pay into a pension there. Cos I know like they give you money back if you've not been paying into it for such a time, but even so I just wouldn't because it's not what you're going to be doing for life so there's no point.'

(Female, 19-21, full-time education, C2DE, Manchester)

Some participants thought that returns on pensions are not especially high in comparison with other investments, especially property. To illustrate, most of the few who had a mortgage considered their property to be an integral part of their provision for their future. Future investment in property was also a popular aim amongst many of those who had not yet taken out a mortgage. These participants felt they had grown up in an era of rising house prices and considered investment in property to be more profitable than pensions, pound for pound. In addition, the home itself was seen as a source of capital that could be accessed if needed, either through renting the property out, remortgaging the property or renovating it and selling on it on at a profit. An additional factor for some was that it seemed easier to comprehend the different stages of buying and developing a property, than to try to understand the (perceived) complex world of pension finance.

'I put everything that I earn pretty much into my house, and then sell it, and then just go from there. I've done up one, and I've put a load of money in and then sold it, and then with that money we bought another one, put more money into it, and then just keep going from there.'

(Male, 22-25, working, C2DE, Oxford)

'If you've got property you're renting out, you're getting your income every month and you've also got your capital still sitting there, which is just going to grow, fingers crossed. And if property prices do crash you can always ride that out and it'll come back up again, hopefully.'

(Male, 19-21, working, ABC1, Near Exeter (rural))

'I'd trust houses and stuff more. You've got something rather than it being tied up with companies that they invest in the stock market and that. I don't really understand the stock market, and I just find it all a bit confusing, and really it's just like having to trust the government, and your employer, and all the rest. What do they do with it all? I just don't trust it. At least with a house you've got that, that's yours, and you know it's there.'

(Female, 22-25, NEET, C2DE, Exeter)

There were also participants who believed they were particularly entrepreneurial. Some had identified different areas of business they thought they would prosper in, for example opening their own restaurant or renting out holiday homes, and wanted to put any available money towards these plans. They stated that, eventually, this investment will allow them to generate enough wealth to fund their retirement.

6.1.5 Lack of trust in pension schemes

A few participants were mistrustful of pension schemes and cited vague concerns about potential bankruptcy of the provider or, in some instances, 'embezzlement' by those managing the scheme. Some participants thought that, after making payments over a long period, a scheme could go bankrupt and the investment would be lost. This concern was heightened by a perception that there was little or no compensation should this occur. In many cases these views had been fuelled by high profile media stories but, in a few cases, participants personally knew people to whom this had happened:

'Don't really trust it 'cos you just keep hearing on the news how all these pensions and everything keep collapsing all the time, for all these different people. They've worked hard all their lives, and paid all this money, and then it just collapses.'

(Male, 22-25, NEET, C2DE, Exeter)

6.2 Triggers to taking up a pension

The few participants who were members of pension schemes tended to belong to employer-based schemes, rather than having a personal pension. The amounts they were paying from their own salary into the scheme were regarded as fairly minimal, when viewed in light of the employer and tax relief contributions. Few were familiar with the precise level of their own contributions, but were able to give a rough estimate, when asked.

6.2.1 Influence of the employer

The main trigger for taking out a pension was receiving a contribution from an employer. Many who had pensions (or had previously had a pension) were members of an employer scheme and stated that it would have felt like they were wasting money if they had not accepted this offer of 'free money' from their employer. Some of those who did not have a pension agreed that the idea of an employer investing additional funds on their behalf would encourage them to start saving for their retirement.

'It's like getting paid more so you'd be a mug not to take it.'

(Male, 26-29, working, ABC1, Cardiff)

'I'm paying two per cent in wages, the company pays me five per cent, about £100 a month going out. When it appears it's five per cent extra on my salary. It's sat there, it's like "do you want a five per cent pay increase paying two per cent a year?". I'd be pretty thick to say no.'

(Male, 22-25, working, C2DE, Oxford)

'A couple of my friends work for companies where they put 40 quid in and the company puts 40. Or matches it...and that would be an incentive for me [to take out a pension].'

(Male, 26-29, working, C2DE, near Glasgow (rural))

Participants with pensions felt that it was very easy to pay into the scheme as the money was automatically deducted from their wages. They also commented that over a period of time, they no longer noticed the money coming out of their earnings and had become accustomed to a reduced amount of disposable income.

However, those who saved in a pension took little interest in the running of their scheme. For example, they knew very little about the performance of their scheme, where the funds were invested and what they would be worth upon retirement.

6.2.2 The influence of others

For some participants the influence of peers and family was a trigger to saving in a pension. Whilst many did not discuss pensions with others, the knowledge that colleagues were 'getting on' with paying into a pension had sometimes encouraged them to think more about pensions. Similarly, family members sometimes had an influential role, introducing them to the concept. For example, one parent started a pension for his son, even though the son had very little understanding about what a pension involved.

'My dad has always had a pension from a very young age, cos he came from working in the family, where they knew a lot more about it, and so it's, I think knowledge, and to know what you're going to have to do, from a young, from an earlier age, would really help later on in life.'

(Male, 19-21, full-time education, ABC1, Brighton)

'One of my best friends I grew up with, her dad works in the Prudential and I remember I went round there while I was at uni, He started laying down the law about pensions and he was moaning on, "oh, you need to get one". So it's in my brain as an important thing, but not important enough for me to act on yet. I think definitely if I do get a job as a midwife I will take out an NHS pension.'

(Female, 19-21, working, ABC1, near Exeter (rural))

Participants also cited some examples of 'role models', for example, parents or other relations who had retired early with few financial worries and now spend their time travelling or playing golf. The participants who mentioned this were aware that they would need to plan ahead in order to live like this, but they did not believe that it was something that they needed to start doing in their 20s.

Case study: The role of the employer

Rachel is 28 and works full-time as a senior cleaner for a private firm within an NHS hospital. She lives alone in her rented flat in the suburbs of Cardiff with her young son.

Rachel enjoys socialising with friends at the pub, and especially likes going shopping. She says that she can be 'terrible' with money and can easily fritter away wages and end up without funds for large parts of the month. However, she feels that in recent years she has become more adept at financial planning after being motivated by the desire to provide for her young son.

'I suppose it's like, me, for me, I don't care. I would be quite happy just to live my life with no money really. And just pay what I've got to pay. But then I've got a son as well. And I want to be able to retire and be able to say to him, "well come on, let's go on holiday? I've got the money to do it".'

Her self-confessed poor financial management contrasts with the fact that she saves over £70 a month in her company's pension. She found it easy to join the scheme – the company encouraged her to do so as soon as she started and she found the process of doing so easy. She also welcomes the way in which money is automatically deducted from her wages, as she thinks of it as a healthy financial restriction on herself.

'Because it comes out of my wages before I actually get my wages. So really it's money I haven't had. So, because I haven't had it, I don't really notice it. Whereas I think if I did have it, and then paid in, to see that 70 coming out, it would be, I got to sit down and really think twice. But because I haven't had it, you don't notice it, do you?'

7 Reactions to personal accounts

Summary box: Reactions to personal accounts

At the time of the research the exact details of personal accounts and automatic enrolment into employer pension schemes were still being considered. Participants were given some basic information on the general principles of personal accounts, and were also told that automatic enrolment into a personal account would only happen if their employer did not already put all employees into a pension scheme as good as, or better than, a personal account. In the discussions that followed this, participants mainly focused on the proposals for personal accounts.

The concept of being automatically enrolled into a pension scheme that can be transferred without penalty charges if the individual changes jobs was viewed highly positively. Participants saw personal accounts as straightforward, hassle-free and convenient, particularly the 'automatic' elements of enrolment and salary deduction. Despite many participants' ambivalence towards pensions, they also agreed with the idea of being financially responsible and welcomed the fact that personal accounts may help them achieve this.

A number of participants assumed that personal accounts would be administered by the Government. Some thought that this would provide greater security than private pension schemes, especially in the light of some recent media stories about failing pension funds. Others, however, did not trust the Government to run the scheme properly.

Participants welcomed the 2012 introduction, as this corresponded to their view that pensions are something to think about in the future. However, this suggests a need to persuade young people to start saving now in anticipation of the introduction of personal accounts.

Continued

Automatic enrolment of employees into the scheme with an option to opt out was generally very well received. This was felt to be a good way of overcoming apathy towards pensions and simplifying the enrolment process for the individual, while at the same time leaving an element of personal choice for people who decided they did not want to take part.

There was some divergence in opinion over the proposed age range (currently 22 to State Pension age) during which employees will be automatically enrolled. For some, 22 and over was ideal, as this was believed to coincide with the time when many people get their first 'real' job. Others thought that 18 and over would be better, as starting early would maximise the total amount saved.

A handful of participants from wealthier backgrounds demonstrated a relatively high level of financial awareness and these people tended to be less enthusiastic about personal accounts. Although they could see the benefit for other people, from a personal perspective they believed other investments would deliver greater financial benefits during retirement, for example, property and directly in stocks and shares. This group did not welcome the idea of relinquishing control of their money and felt that by managing their investments personally they would get a better return than a 'mass-market' scheme could offer.

There was also some more general questioning about the possibility that the Government might be able to 'dip into' the funds to 'prop up' the State Pension or other projects.

Those not in work, as well as the self-employed, were also less enthusiastic about the scheme, as they could not see the relevance of personal accounts for them.

Towards the end of each discussion group and depth interview, reactions to the concept of automatic enrolment and personal accounts were explored. Participants were provided with information about the scheme's key features. This chapter looks at participants' initial reactions, their views about the concept of portability, automatic enrolment into the scheme, and their perceptions of the impact the scheme would have on them.

7.1 Introduction to personal accounts

Current proposals for pension reform include the introduction of a new low cost portable system of private pension saving called 'personal accounts'. From 2012 employees will be automatically enrolled either into a personal account or an employer-sponsored scheme if they are aged between 22 and State Pension age and earning approximately £5,000 a year. Employees outside these age bands, and self-employed individuals will be able to opt in to the scheme.

Employees who are automatically enrolled will contribute around four per cent of their earnings.⁵ The employer will contribute at least another three per cent, and tax relief from the Government will also add around one per cent. This means that the total contribution will be equivalent to around eight per cent of earnings. Employees will be able to contribute higher amounts if they wish.

Employers who offer a pension scheme which provides contributions or benefits which are at least broadly comparable to the new personal accounts scheme will have a choice over whether to enrol eligible employees into their existing arrangements, personal accounts, or a combination of the two. An employee who moves between employers who offer personal accounts will be able to continue saving into the same personal account.⁶ If they move to an employer who enrolls them into an exempt employer scheme, they would still be able to make voluntary contributions to their personal account in addition to their contributions into the employer scheme.

The charges for managing personal accounts will be low, enabling people to keep more of the money they save in the long run.

Participants in this research were given some basic information on the general principles of personal accounts but the precise details of how the scheme would work were still under consideration at the time. They were also told that employees would be automatically enrolled into personal accounts, unless their employer chose to enrol them into their own workplace pension scheme. They were informed that if they were enrolled into an employer scheme then this would have to provide contributions or benefits that were at least broadly comparable to those offered by personal accounts.

Participants were also told that people would be able to keep the same personal account even when they change jobs, and that they would be able to carry on paying into it with their new employer. They tended to assume that this meant they would keep the same personal account throughout their working life, and that all of their individual and employer contributions would be paid into this. It should be remembered during this chapter that this will not necessarily be the case; an employer will be able to choose to enrol employees into their own exempt scheme, if they have one. This could mean that employees accumulate funds in more than one workplace pension scheme during their working lives, although they would only have one personal account.

⁵ Contributions will be made on a band of earnings from about £5,000 to around £35,000 per year.

⁶ If they are still eligible, i.e. if they are aged between 22 and State Pension age and earn over £5,000 per year.

7.2 General reactions to personal accounts

The concept of personal accounts was very well received by participants who were employees or envisaged getting a job after they finished studying. Although they thought that providing for retirement was mainly their own personal responsibility, they welcomed the fact that the Government appeared to be taking steps to facilitate this. Furthermore, there was a strong sense that personal accounts appeared straightforward, secure, 'hassle-free', and easy to contribute to. Participants were particularly attracted to the idea of having a pension scheme⁷ which they could sign up to and then remain with. They also generally welcomed automatic enrolment, as long as people retained the option of opting out of the scheme if they wished and the process of doing so was fairly simple. It was envisaged that this would encourage participation and minimise the burden on individuals.

'It's good really, 'cos they're making sure that you're saving as well so you've got something to fall back on when you're old.'

(Female, 16-18, full-time education, ABC 1, Cardiff)

It was felt that automatic enrolment and the perceived portability of the scheme in particular might help overcome some of the barriers to saving in a pension – particularly not knowing how pensions work, not being confident about where to get one and having to make the decision that the time is right to take one out. In this respect, personal accounts were seen as a positive way to help and encourage people to provide for their retirement.

'It actually made me feel a bit more secure [about my own future], the fact that it's going to happen.'

(Female, 26-29, working, ABC 1, London)

There was a limited but strongly expressed view that introducing the scheme would help promote the message that it is important to save for retirement. It was also felt that the scheme would help people become better informed about their potential situation in retirement.

Low account management charges were also welcomed, although this was not something that many participants knew much about or were able to comment on in detail.

Those who were self-employed, or not currently working, were less positive about the proposed scheme, particularly as they perceived that automatic enrolment and portability were not relevant to their current situation. Whilst they could recognise

⁷ A few participants queried how current schemes would be judged against the personal accounts – i.e. who would decide which scheme was 'better' and if a company's own scheme was judged to be more favourable, would employees still be able to sign up to the personal accounts if they wished. These points were not explored in detail.

the potential benefits for people who were employed, they did not believe the tax relief and the low management fees were much of an incentive to join the scheme.

Participants were told that it is proposed to introduce automatic enrolment and personal accounts in 2012. There was a positive reaction to this as participants said this timescale would allow them to defer thinking about pension provision. This reinforces the view discussed previously that participants thought pensions were something to think about at some point in the future.

During the follow-up depth interviews, participants continued to be positive about the personal accounts scheme and wished to know more details about how it would work. They generally believed that such a scheme would be positive for society as a whole, even if they themselves would not be likely to make use of it. This interest was probably stimulated in part by the fact that the December pensions White Paper⁸ was in the news around the time of the depth interviews.

7.3 Features of personal accounts

7.3.1 Views about automatic enrolment

As described previously, automatic enrolment was generally viewed very positively. It was felt to be a good way of overcoming people's apathy towards pensions, whilst leaving an element of personal control for people who decided they did not want to save in the scheme through the option to opt out. Participants liked the fact that automatically enrolling eligible employees would engage those who might not otherwise think about making provision for their retirement, as well as those who were intimidated by the perceived complexity of such matters.

'If the people that haven't got the willpower to actually save for the future, it might give them a kick up the [backside] to make them think about it, rather than just not thinking about it.'

(Female, 19-21, NEET, C2DE, near Cardiff (rural))

'It's not something I'd go and actively look for because I'm not in a stable job but if I got enrolled in that [personal accounts] I probably wouldn't bother opting out because it's something that goes with me and it's money put aside, so there's nothing to worry about.'

(Female, 19-21, working, ABC1, near Exeter (rural))

⁸ DWP (2007) Personal accounts: a new way to save, The Stationery Office.

'If it involves a conscious decision, you have to actually sit and think about it then I probably wouldn't because I'm really indecisive, but if they enrolled me automatically I'd just let them get on with it because I know I'd be grateful for it in the future. I'd think, oh yeah, I'm really glad I didn't opt out of that and I've got my money there.'

(Female, 19-21, working, ABC 1, near Exeter (rural))

'It saves hassle for you though, setting up a pension scheme if it's automatically coming out doesn't it, and there's always something there.'

(Female, 16-18, full-time education, ABC 1, Cardiff)

Some participants acknowledged that employer pensions were popular because individuals often did not have to do anything in order to join – they simply signed a few forms on commencing employment, or after completing their probationary period. Having everything organised for them – as it was perceived would happen with personal accounts – was deemed to be a strong incentive to save.

Participants did express some reservations about how automatic enrolment would work in practice. These centred on how long people would be given to opt out, how complex the opt out process might be, and whether contributions would be deducted before a decision to opt out had been made. A few participants also thought that this practice went slightly against the principle of individual choice.

'I just don't agree, I think you should have to opt in to things rather than opt out of things. I don't think they've really got the right to do that...They're going to take four per cent of your wages unless you say "don't do it". So they're like, "we have the control to do this unless you tell us not to" and I don't think they should [have such control].'

(Male, 19-21, working, ABC 1, near Exeter (rural))

Views about automatically re-enrolling employees who were not participating in personal accounts after a few years were more mixed. Some participants felt that making a decision to opt out of the scheme just once was enough. Others took a more pragmatic approach, believing that attitudes could change later in life and therefore automatic re-enrolment was a sensible element of the proposals.

Participants viewed the fact that contributions to the scheme would be deducted directly from their earnings very positively. They felt that this removed the barrier of having to actively take steps to pay the contribution themselves. Furthermore, they believed that in time they would not miss this money. There were a few participants who currently had pension contributions deducted straight out of their earnings and they acknowledged that, after a while, they had started not to notice this.

'I think it's an easy option for a lot of people. Some people don't think about saving and things like that and I think they'll take the easy option which is them just having money taken out of their bank account.'

(Female, 22-25, working, ABC 1, Manchester)

7.3.2 Views on the age criteria

It is proposed that all eligible employees aged 22 to State Pension age will be automatically enrolled into a personal account or exempt employer pension scheme⁹, and receive an employer contribution. Some participants, especially those in full-time education, felt this was the right age. They stated that, by this point, most people will be in a 'proper job' and will be in a position to contribute to the scheme.

'Well I'm not earning anything till I graduate so there's no point till then...it's no point putting aside money now as what good would the bit from part-time wages do you in comparison to what you make when you've got a proper job.'

(Female, 19-21, working, ABC1, near Exeter (rural))

Conversely, other participants, particularly those who had not been in higher education previously, believed it was fairer and simpler to reduce the age of automatic enrolment to 18. They thought this would result in people being encouraged to put money aside as soon as they started working and that this might result in potentially much higher returns.

'I think the sooner the better you get into something like the better it will get you into the habit earlier and you'll notice it less.'

(Male, 19-21, full-time education, ABC1, Brighton)

7.3.3 Portability

Participants were told that people would be able to keep the same personal account even when they change jobs, and that they would be able to carry on paying into it with their new employer. They tended to assume that this meant they would keep the same personal account throughout their working life, and that all of their individual and employer contributions would be paid into this (however, as described in Section 7.1, this will not necessarily be the case).

'I liked that as well, the fact that it's your own personal account. If you moved from one employer to the next would the percentage still remain the same? Yeah I like that, I like the fact that that's individual to you and that you can take it with you and still get the same elsewhere, so you're not losing out.'

(Female, 22-25, working, ABC1, Manchester)

'People at 22 don't want the hassle of going to their bank, of changing company and having to change the thing. They just want to know that it[their pension] goes with them.'

(Male, 18-21, working, ABC1, near Exeter)

⁹ Those employers who offer a pension scheme which provides contributions or benefits which are at least broadly comparable to the new personal accounts scheme will have a choice over whether to enrol eligible employees into their existing arrangements, the new personal accounts pension scheme, or a combination of the two.

Participants liked the fact that personal accounts could be transferable between employers and felt this would be a strong incentive for people like themselves to participate in the scheme.

This was due to the fact that participants generally felt that they would not have the employment stability that their parents had. Rather than working for the same employer for 30 years they believed they might move jobs regularly, perhaps even every few years. This means that they sometimes felt uneasy about the idea of investing in an employer scheme as there was a perception that they might lose (or lose track of) their contributions when they switched jobs.

The perceived portability of personal accounts helped reduce these concerns. Participants spoke about having greater control, for example being able to change jobs, without worrying about whether their pension contributions were going to be 'lost' or 'tucked away' for decades until they retired. This was particularly important for those in less secure jobs who could envisage that they might have a number of different employers over their working lives and lose track of the different pensions they had opened and frozen. A few mentioned that their parents (usually the mother) had been through this experience and were uncertain what their entitlements would be on retirement.

'The good point is that you change your job, but it still has the same account.'

(Male, 19-21, full-time education, ABC1, Brighton)

'I think that's a good idea that you can move it with your job because like you say not everyone's going to stay in the same job for like until they retire.'

(Female, 19-21, full-time education, C2DE, Manchester)

7.3.4 Tax relief

The added incentive of tax relief was broadly welcomed by participants. Many saw it as the Government 'rewarding' them for taking responsibility for their retirement.

However, some participants took a more cynical view and suggested that although they would get tax relief on their contributions, the Government would eventually claim this back during retirement by taxing their income from personal accounts. Some participants also believed that, by paying less tax, the Government would subsequently seek to raise money in other ways.

7.3.5 (Perceived) Government involvement

Many other participants supported Government involvement in the scheme, as they felt this would provide more security than schemes administered by privately owned companies. Participants frequently referred to stories in the media about problems with endowment shortfalls and pensions scandals (such as the Robert Maxwell case) which had reduced their trust in private pension providers. As they perceived that if the Government ran the scheme, it would not be doing so for profit, some

participants believed there was less likelihood of their money being 'gambled' with or invested irresponsibly and any profits would be passed on to the scheme members.

'It sounds like it will be safer like if the Government's running it and not the employer then it can't really go wrong and you can't really get messed up I suppose.'

(Female, 19-21, full-time education, C2DE, Manchester)

'You might as well accept the Government's trying to do it to make sure you've got something [to live off in retirement]. In other words the banks are not like that, they're trying to make money off you.'

(Male, 26-29, working, C2DE, near Glasgow (rural))

'I'd probably be happier paying into one of these than a private pension...I trust the Government a little bit more than I trust businesses...I think you'd probably make more because they're not trying to make profit like the companies are, they just cover their costs.'

(Male, 26-29, Working, ABC1, London)

7.4 Concerns about personal accounts

While recognising the potential advantages of personal accounts, some participants also had some negative perceptions of the scheme. These are discussed in more detail below.

7.4.1 Trust in the Government

Although some participants viewed Government involvement in the personal accounts scheme as reassuring (see Section 7.3.5), others had a number of concerns related to a lack of trust in the Government. For example, there was some suspicion about the State's motives for bringing in such a scheme.

'There's no way that this is just to benefit us. There's obviously, in some way, in some shape or form, it's benefiting the Government as well somehow.'

(Male, 16-18, full-time education, C2DE, London)

There was also some concern that if a different political party took power the scheme might be disbanded or changed.

'I would want a separate, independent government body to organise it rather than the people that are in power, because the Conservatives could get in, they could scrap it, and you've paid all this money in.'

(Female, 22-25, working, ABC1, Manchester)

Some participants also thought that the Government did not have the financial aptitude necessary to administer such a scheme and there was a risk of it 'going bankrupt'. Others believed that the Government might 'dip in' and borrow money from the scheme to finance other things.

These concerns appeared to relate to a lack of understanding on the part of participants that the money would become part of their own 'personal pot', rather than contributing to an overall 'Government pot'.

'People have paid so much in National Insurance through their whole life and now they're getting done over and it sucks really. Because it could happen again. If you're doing this [opening a personal account] then the government could borrow a bit from your personal account or whatever and then not pay it back, which is, as I understand it, what's happened [with National Insurance contributions].'

(Male, 19-21, working, ABC 1, near Exeter (rural))

Some participants were a little suspicious of the apparent shift in responsibility for looking after people in their old age, from the State to the individual. Others thought that the Government might use the introduction of personal accounts to save money by using the scheme to replace or reduce the State Pension.

'I would imagine the state would be forced to make the [State] pensions less generous because they're giving to more people.'

(Male, 19-21, full-time education, ABC 1, Brighton)

'I'd say it's covering their own backs really cos if you don't save for a pension, the Government still has to give you some sort of income. So if they make sure you do save, they don't have to give you as much to actually retire. So they're sort of saving money.'

(Male, 16-18, full-time education, ABC 1, Cardiff)

There were also some suggestions that the focus should instead be on helping more people into employment, which would in turn increase total revenue from National Insurance Contributions (and provide more for State Pensions).

As discussed previously (in Section 7.3.5), despite these concerns, many other participants regarded Government involvement in the scheme positively.

7.4.2 Levels of investment return

Some participants were aware of other direct forms of investment such as investing in property, businesses or stocks and shares (see Chapter 6) which they said they would prefer to use to save for retirement, as they thought these would provide better returns than personal accounts. In particular, they felt that the level of return from the scheme would be too small to provide them with the level of income they desired in retirement. They were also concerned that there may only be a limited choice of investment options for their savings 'pot'.

7.4.3 Inaccessibility of funds

Although there were those who liked the idea that their savings would be locked away until they retire, others did not, believing that as it was their money they should have access to it whenever they wanted. This seemed particularly incongruous given that participants believed this to be the case with other investments.

Those who hoped to retire early perceived that they would not be able to access their personal account funds until State Pension age and this was a source of disappointment for them (the age limits for accessing funds were not discussed). Participants believed that personal accounts could remove or limit the choice of when to retire, as this would be determined by when money from the scheme became available.

However, there were also participants who believed this aspect of the scheme to be particularly positive as it would prevent people from spending their retirement savings early.

Some participants expressed concerns about being unable to access their money from personal accounts if they needed it in the meantime, for example if they needed extra funds to cover periods of illness or unemployment during their working lives. Others also thought that if they changed their minds about the scheme, perhaps because they had decided to provide for retirement in some other way, they would not be able to access the money.

'If you're already involved in it, and you decide to come out of it, do you get your money back or would you be stuck without it?'

(Male, 22-25, NEET, C2DE, Exeter)

7.4.4 Potential impact on employers

Occasionally, participants expressed concern that employers might view personal accounts as an excuse to wind down their own, more generous, pension schemes. However, other participants countered this by stating that employers would want to offer a good pension package to attract potential employees.

There was also some concern among a handful of participants about how employers, especially smaller ones who did not currently offer pensions, would be able to afford the employer contribution. Participants suggested that they might have to reduce wages as a result, or increase the prices of their products and services. A small number also suggested that it might deter overseas companies from investing in the UK.

'Because it's not financially sensible, so the employer will have to get the money that they previously didn't have to give anyone, to you, and so they'll take the money off your wages, or put prices up, if they're a shop or something, it's not free money this... Yeah, someone's going to have to pay for it.'

(Male, 19-21, full-time education, ABC1, Brighton)

'To make every company in the UK do this, is then going to affect the fact that foreign companies don't want to invest here cos they know they're going to have to pay pounds into this pension scheme, so they're not going to come here.'

(Male, 22-25, working, C2DE, Oxford)

This view reflected a general sense expressed repeatedly by participants throughout the research, that 'nothing in life comes for free', and that if individuals are reaping rewards from personal accounts then they must be paying for it somewhere else, either now or in future:

'Don't know if I'm just too cynical about it, but it just sounds a little bit too good to be true.'

(Female, 19-21, full-time education, C2DE, Manchester)

7.5 Impact of the discussions on those with employer pensions

Participants with employer pension schemes began to see their current pension in a more positive light after discussing personal accounts, and comparing their current employer's contribution to that of the proposed minimum of three per cent. In particular, those with 'good' pension schemes (for example final salary schemes) appreciated the value of their pension arrangements more. Questions were raised about how the merits of different schemes should be judged against the proposed personal accounts and whether pensions currently frozen could be incorporated into personal accounts, and any penalties that might be levied. Participants with employer pensions were generally in favour of personal accounts – even if they did not feel that it would be useful to them personally, they could see the value for others.

8 Conclusions

Although there was widespread acknowledgement amongst participants that saving and planning for the future were important and an individual's own responsibility, other factors conspired to prevent these attitudes translating into behaviour. A desire to 'live for now' and enjoy life whilst young was a particular barrier, especially when combined with a struggle to meet current financial commitments on a low budget. These barriers were heightened by low awareness and poor understanding of pensions, and a largely media-driven distrust of pension schemes.

8.1 Communicating with young people

The research highlighted a diverse range of attitudes and experiences amongst participants. This means that it is difficult to treat all young people in the same way when discussing saving and planning for retirement. Communications on these subjects need careful design if they are to influence behaviour effectively. It may be more appropriate to target people according to their personal circumstances (i.e. their lifestage), rather than their age. For example, students living at home, young parents, or new job market entrants could all be targeted in specific ways.

Participants consistently found the 'hard facts' about the State Pension amount and life expectancy surprising and thought-provoking. This suggests that these types of messages could be a particularly effective starting point for communications about retirement planning for all young people, regardless of lifestage.

8.2 Influencing behaviour

The research underlines the challenges associated with influencing young people's behaviour. It would be useful to consider ways of helping to link young people's tacit knowledge of the benefits of saving and planning for the future to their actual behaviour. This will entail overcoming 'live for now' attitudes and generating a more positive image of pensions and retirement.

The most important influences on savings behaviour were parents, partners and the media, rather than the Government or the financial services industry. Having an employer who provided or contributed to a pension motivated some participants to join a scheme. It would be useful to further examine how influential employers are, and the reasons for this. Further work examining the potential for exploiting different channels of communication to promote savings messages may also be helpful.

8.3 Financial considerations

A crucial message to convey to young people is the need to begin saving for retirement as early as possible, and that starting early gives the total savings 'pot' longer to benefit from interest or investment growth. It is also important to communicate that saving even relatively small amounts at an early age reduces the need to save in later life; some participants (mostly part-time or low paid workers) thought that the sums of money they were able to save were not worthwhile amounts.

A combination of relatively low incomes and more immediate financial demands (such as credit card bills or mortgage repayments) means that many young people will need a great deal of persuading that retirement saving is affordable and desirable. Even participants who understood the need to plan ahead to ensure a financially secure retirement thought they would not need to start saving in their 20s.

Establishing where pensions should fall in a person's hierarchy of spending priorities will also be challenging; as noted earlier, young people are a diverse group, and current and anticipated financial circumstances differ from person to person. For some (such as those with expensive debts), saving in a pension might not be the best immediate option.

8.4 Personal accounts and automatic enrolment

It is encouraging that personal accounts and automatic enrolment were well received by participants. Although there was general recognition that retirement saving was an individual responsibility, young people welcomed the fact that the Government appeared to be taking an enabling role, encouraging them to save. The key attractions of personal accounts emerged as their simplicity and 'hassle-free' nature, through automatic enrolment, direct deduction of contributions from pay, and portability between employers. The option to opt out was also welcomed.

Less encouraging was participants' attitude that the introduction of automatic enrolment and personal accounts from 2012 meant that there was no need to plan for retirement in the interim. This echoed the commonly-held view that pensions were something to think about in the future. Measures to counter this and persuade young people of the benefits of saving before the introduction of the proposed reforms will be necessary.

Participants also had some concerns about personal accounts. Some thought that other ways of investing (such as property or starting a business) would provide higher returns. It was generally presumed that the Government would administer the scheme, and some concern was expressed about its ability to do this, but there was also some reassurance about Government involvement in the scheme. Others did not understand that each member of the scheme would have an individual savings 'pot' and were worried that the Government could 'dip into' their funds. Ensuring that people are well-informed about the features of the scheme will help to allay concerns of this nature.

Appendix A

Methodology

The research adopted a wholly qualitative methodology of discussion groups, and single and paired depth face-to-face interviews. A qualitative approach was most suited to this study as it is an interactive process. It not only identifies what people think, but why they do so. It is also ideal for exploring complex issues. This can provide insights into the attitudes and beliefs of young people, which could not be examined in as much depth using a structured quantitative questionnaire. Furthermore, a qualitative method is particularly well suited to discussing sensitive issues such as pensions and saving, as the moderator is able to develop trust with the participants through the face-to-face and interactive approach.

The research was comprised of two key stages: firstly, a series of discussion groups, and secondly some follow-up face-to-face depth interviews. Each discussion group consisted of six to eight participants and lasted for approximately two hours.

The sample design for the discussion groups is outlined in the following table. A definition of social grade is provided in the subsequent table.

Table A.1 Sample design

Group	Age	Gender	Status	Social grade	Savings/ Pension	Location
1	16-18	Male	Full-time education	C2DE	No	London
2	16-18	Female	Full-time education	ABC1	Yes	Cardiff
3	16-18	Mix	Working	ABC1	Yes	Exeter
4	16-18	Mix	Not working	C2DE	No	Glasgow
5	19-21	Male	Full-time education	ABC1	Yes	Brighton
6	19-21	Female	Full-time education	C2DE	No	Manchester
7	19-21	Mix	Not working	C2DE	Yes	Near Cardiff – rural area
8	19-21	Mix	Working	ABC1	No	Exeter
9	22-25	Male	Working	C2DE	Yes	Banbury
10	22-25	Female	Working	ABC1	No	Manchester
11	22-25	Mix	Working	ABC1	Yes	Glasgow
12	22-25	Mix	Not working	C2DE	No	Near Exeter – rural area
13	26-29	Male	Working	C2DE	No	Near Glasgow – rural area
14	26-29	Female	Not working	C2DE	No	Manchester
15	26-29	Mix	Working	ABC1	Yes	London
16	26-29	Mix	Working	ABC1	Yes	Cardiff

Table A.2 Sample social grades

Social grade	Definition of occupation group
A	Approximately three per cent of the total population. These are professional people, very senior managers in business or commerce or top-level civil servants. Retired people, previously grade A, and their widows.
B	Approximately 20 per cent of the total population. Middle management executives in large organisations, with appropriate qualifications. Principal officers in local government and civil service. Top management or owners of small business concerns, educational and service establishments. Retired people, previously grade B, and their widows/widowers.
C1	Approximately 28 per cent of the total population. Junior management, owners of small establishments, and all others in non-manual positions. Jobs in this group have very varied responsibilities and educational requirements. Retired people, previously grade C1, and their widows/widowers.
C2	Approximately 21 per cent of the total population. All skilled manual workers, and those manual workers with responsibility for other people. Retired people, previously grade C2, with pensions from their job. Widows and widowers, if receiving pensions from their late spouse's job.
D	Approximately 18 per cent of the total population. All semi-skilled and unskilled manual workers, apprentices and trainees to skilled workers. Retired people, previously grade D, with pensions from their job. Widows and widowers, if receiving a pension from their late spouse's job.
E	Approximately ten per cent of the total population. All those entirely dependent on the state long-term, through sickness, unemployment, old age or other reasons. Those unemployed for a period exceeding six months (otherwise classify on previous occupation). Casual workers and those without a regular income. Only households without a Chief Income Earner will be coded in this group.

These groups were then supplemented by a series of 20 follow-up face-to-face depth interviews, of between one to one and a half hours in length each. The depth interviews were undertaken with selected participants from the discussion groups, a month or so after the discussion group. These interviews also included four paired depths with the young person and their parent(s) and four paired depths with the young person and their live-in partner. Demographic details of the 20 depth participants are displayed in Table A.3 – depths took place in a range of locations and we spoke to young people with a range of saving and pension views and experiences, as well as family situations.

Table A.3 Details of depth interviews

Details of depth interviews	
1. Male, 19-21, full-time education, ABC1,	11. Male, 26-29, working, C2DE
2. Male, 26-29, working, C2DE	12. Male, 22-25, NEET, C2DE
3. Male, 16-18, full-time education, working part-time, C2DE	13. Female, 22-25, NEET, C2DE
4. Male, 22-25, working, ABC1	14. Male, 19-21, ABC1, working
5. Female, 16-18, full-time education, ABC1	15. Male, 19-21, working ABC1
6. Female, 26-29, working ABC1	16. Female, 19-21, working PT, ABC1
7. Male, 19-21, NEET, C2DE	17. Female, 19-21, full-time education, ABC1
8. Female, 26-29, working,, ABC1	18. Female, 22-25, working, ABC1
9. Male, 16-18, NEET, C2DE	19. Female, 22-25, working, ABC1
10. Female, 22-25, working, ABC1	20. Female, 22-25, working (self-employed), ABC1

This methodological approach had a number of advantages: Firstly, the discussion groups allowed us to explore young people’s concerns about saving for retirement. Secondly, the depth interviews meant we were able to further explore participants’ views and perceptions, by determining whether the participants had reflected on the new ideas discussed in the group. The depth interviews also allowed us to undertake a more in-depth exploration of people’s personal finances and the attitudes which underpinned their savings actions.

The specific aims of the depth interviews were to:

- see if the intervening time since the discussion group and possibility for reflection has changed the way they feel about savings, pensions and the savings accounts, if they have discussed options for financing retirement with friends/family since – and identify further insights into views of the potential options, triggers and barriers;
- undertake a more in-depth exploration of people’s personal finances, and further explore what options the participant believes is best for them and their retirement and which would have the biggest impact on their future behaviour;
- talk to others who may be involved in financial decision making, such as partners or parents, to see what influence they have on saving attitudes and behaviours.

All discussion groups and interviews were structured using discussion guides developed in consultation with DWP. These can be found in Appendices B and C.

In order to analyse and interpret the information collected thoroughly, we used QSR XSight software. This is a relatively new addition to the field of qualitative research and provides a means of constructing a structured and searchable framework within which to categorise data. XSight is also designed to work as a knowledge management tool to formally capture and organise data from a variety of different moderators, meaning that it is ideally placed to assist researchers in their analysis of large-scale qualitative projects.

Appendix B

Discussion guide (groups)

(1) Introduction and warm-up

- Thank participants for attending – mention that discussion should last around two hours (1½ for 16-18s)
- Research commissioned to understand how people aged 16-29 feel about saving and planning for retirement
- Stress there are no right or wrong answers – we are just interested in finding out their views and opinions
- Don't need any prior knowledge
- Reassure participants of confidentiality – MRS code of conduct
- Permission to record – for analysis purposes only
- Mobiles, toilets, fire exits, etc
- Collect in pre-tasks ('we'll come to these later')
- INFO: Names, where they live, who they live with, what they do day-to-day

(2) Financial priorities

- What sort of things do people here spend their money on? WRITE UP ON FLIPCHART. PROBE: CLOTHES/SHOES, CDS, RENT/MORTGAGE, BILLS, CAR, TV LICENSE, PHONE, FOOD, SAVINGS (TOP OF MIND, NO NEED TO SPEND TOO MUCH TIME ON THIS)
- What are the biggest/highest value items on this list? Why?
- And which are the most important items on this list? Why?

- What are your main sources of income? Where do you get money to spend? WRITE UP ON FLIPCHART. PROBE: SALARY, INVESTMENTS, BENEFITS, PENSION, LOANS, FUNDS FROM PARENTS/OTHER FAMILY MEMBERS, ANY OTHER KINDS OF PAYMENTS. IF NO INCOME: What sort of financial responsibilities do you have? How do you feel about this? PROBE FOR POSITIVE AND NEGATIVE ASPECTS
- How do you decide what to do with your money? What sort of things do you spend it on? WRITE UP ON FLIPCHART AND COMPARE TO ITEMS THAT CAME UP ON PREVIOUS FLIPCHART. ASK BRIEFLY ABOUT SIMILARITIES AND DIFFERENCES

(3) General thoughts on saving

- Thinking now about saving, what do you think of when I say the word 'saving'? What kind of thoughts or images come to mind?
- What kind of person saves? Can you tell me a bit more about this person – how old are they? What are they like as a person? What kind of job do they have (or do they do something else)?
 - How do you feel about this person? PROBE IF IT'S SOMEONE LIKE THEM OR SOMEONE THEY WOULD LIKE TO KNOW OR NOT – WHY?

BUBBLE DRAWING EXERCISE

- On this sheet the stick people represent you and this saver that we've been speaking about. Please can you write in:
 - a) What you would say to the saver about saving?
 - b) What you would be thinking about them saving?

GO ROUND AND DISCUSS WHAT PEOPLE HAVE WRITTEN, WHY THEY THINK THAT AND WHAT THE OTHERS THINK OF WHAT THEY HAVE PUT

SAVING SCENARIOS (USE IF NECESSARY, IF PARTICIPANTS NOT TALKING VERY MUCH – ONLY USE 1-2, ROTATE ORDER)

- HAND OUT and DISCUSS TO GET VIEWS ON SAVING. SPLIT INTO PAIRS/THREES FOR A COUPLE OF MINS TO DISCUSS and FEEDBACK.
- I've got some short scenarios here that I'd like to get your thoughts on.
- (1) Is it ok that Carlos spends his wages each week or should he be thinking about putting some aside for the future? Why? What do you think of Carlos's policy of living for today? What would you do?
- (2) If you were Natalie, would you start saving up to buy the Christmas presents she wants to get, or would you put them on your credit card? Does it matter? Would you have any worries before Christmas about paying the card off? How do you think you'd feel in January when you came to pay the bill?

- (3) What would you say to Rajiv? Does it make more sense to save up for a deposit and wait a year to buy a flat – or is it better to get a more expensive mortgage but to buy a flat soon? Why? Which would you do?
- (4) What do you think of Jane's choices? Is she being sensible or being overly cautious? Is she right to think about the future or should she be thinking more about her current situation? What would you do in her situation? How much would you save if you were her? Why?

(4) Saving – experiences and attitudes, triggers and barriers

- When you were invited to come along to this discussion, you said to the recruiter that you do/don't have any savings. Can I just check, does anyone here save any money or have you ever saved for anything? SEE GROUP QUOTAS
- Where would you put yourself on this ladder? LADDER EXERCISE. Why?
- IF SAVING ASK GROUP:
 - What are you saving for (if known)? EG TRAINERS, CLOTHES, HOLIDAY, HOUSE, RETIREMENT, OTHER. IF NOT SAVING FOR SPECIFIC ITEM: Why are you saving?
 - How do you save? Where do you keep the money? Do you have a specific savings account or not? PROBE: BANK, BUILDING SOCIETY, PIGGY BANK, PENSION, STOCK AND SHARES
 - Do you save regularly or from time to time?
 - When did you first start saving? And why was that?
 - Are you happy with the amount you are saving – do you wish you were saving more/less? Why?
 - REFER BACK TO LADDER What would need to happen for you to move up the ladder (i.e. save more or save more regularly)? WRITE ON FLIPCHART. PROBE: EARN MORE, BUY OWN HOME, PAY OFF CREDIT CARDS/DEBTS/STUDENT LOAN, GET A (DIFFERENT) JOB, CHANGES IN PERSONAL LIFE (MARRIAGE, KIDS)
 - How do you decide what you are going to save and what you are going to spend? PROBE FOR TRADE-OFFS What things do you do without in order to save money?
 - And now thinking about borrowing money, if you wanted to borrow some money, how would you go about it? PROBE: CREDIT CARDS, BANK LOANS, FRIENDS/PARENTS, PAWN SHOP, LOAN SHARKS
 - In what kind of situation do you think you might want to borrow money? Why might you need to borrow money? What for?

- IF NOT SAVING ASK GROUP:
 - What are your reasons for not saving? WRITE ON FLIPCHART. PROMPT: CONSCIOUS DECISION, NO SPARE FUNDS, OTHER PRIORITIES, WOULD RATHER SPEND TODAY, ANY ALTERNATIVE METHODS OF SAVING (SHARES, PROPERTY, ETC), LACK OF INFORMATION, ANY OTHER REASONS.
 - Which of these reasons are most important? RANK IF APPROPRIATE
 - How would you decide what to save and what to spend? What might you have to go without if you started saving money? PROBE FOR TRADE-OFFS
 - Have you saved in the past at all?
- IF YES: How? Was this regular or irregular saving? Why were you saving – and why did you stop?
- IF NO: Have you ever wanted to save at all? What for?
 - REFER BACK TO LADDER What would need to happen or change for you, in order for you to move up the ladder (i.e. to start saving (again))? What else? PROBE: EARN MORE, BUY OWN HOME, PAY OFF CREDIT CARDS/DEBTS/ STUDENT LOAN, GET A (DIFFERENT) JOB, CHANGES IN PERSONAL LIFE (MARRIAGE, KIDS)
 - And now thinking about borrowing money, if you wanted to borrow some money, how would you go about it? PROBE: CREDIT CARDS, BANK LOANS, FRIENDS/PARENTS, PAWN SHOP, LOAN SHARKS
 - In what kind of situation do you think you might want to borrow money? Why might you need to borrow money? What for?

(5) Savings – future behaviour

- REFER TO LADDER And thinking about the next couple of years, where do you think you'll go on this ladder (i.e. up or down – and how much?) Do you think you will start/continue saving? Why? IF START: When?
- How do you think you might change the way in which you save? PROBE FOR START/STOP SAVING, CHANGE AMOUNT SAVING, CHANGE WAY IN WHICH SAVE
- Why do you think you'll be changing the way you save? PROBE ON LIFESTAGE, INCOME

REFER TO LADDER

- And when do you think you'll move (further) up the ladder (i.e. save/save more)? What will have changed for you by then? IF NECESSARY: How about in five or ten years' time, do you think you might be saving then? Why? What will have changed for you by then?

(6) Explaining what pensions are

- I'd now like to talk about pensions. What are pensions? What kind of images come to mind when I talk about 'pensions'?
- I've got a slide here to explain a bit more about the different types of pension if anyone is unclear. HAND OUT SLIDE A (*WHAT IS A PENSION?*) AND TALK THROUGH
 - EXPLAIN WHAT THE STATE PENSIONS IS AND HOW MUCH PEOPLE GET (£85/WK FOR SINGLE PERSON; £135/WK FOR MARRIED COUPLE)

THEN INTRODUCE EMPLOYER AND PERSONAL PENSION AND SAY WE'LL FOCUS ON THESE FROM NOW ON.

(7) Views on pensions/retirement – against other financial priorities

- How important would you say it is to save for your retirement? Why do you say this? PROBE FOR INCREASED LIFE EXPECTANCY, PERCEIVED DECLINE IN STATE SUPPORT, MAINTAIN STANDARD OF LIVING AND SO ON
- Where do personal/employer pensions come in the list of financial priorities you came up with at the start (REFER BACK TO FLIPCHART)? What is more/less important than saving into a pension? Why?

DISCUSS PRE TASK ANSWERS – COMPARE/CONTRAST AROUND GROUP

- About what age do you think you'll retire?
- What did you think of the information we provided on retirement income and life expectancy? Was it a surprise or about what you thought?
- What kind of things do you think of when I ask about 'retirement'? Is retirement a positive or a negative experience? Why?
- And how much do you think you'd need to live on then? How – if at all – would your life be different then?
- How will what you spend money on now compare to what you spend money on when you retire? Why?
- When thinking about your retirement, how do you think you will manage, financially?
- Do you have a personal or employer pension or have you had one in the past? PROBE FULLY TO DETERMINE WHAT THEY WILL RELY ON – TYPES OF PENSIONS, OTHER FORMS OF INCOME E.G. PROPERTY AND SO ON. WRITE UP ON FLIPCHART.
 - PROBE RELATIVE IMPORTANCE OF EACH ASPECT IN TERMS OF PROVIDING A RETIREMENT INCOME AND WHETHER THIS WILL BE ENOUGH TO LEAD THE KIND OF LIFE THEY WANT

(8) Pensions history

FOR THOSE WITH A PENSION/HAVE HAD ONE IN THE PAST

- Why did you decide to take out a pension? What was the key or trigger that made you do it (i.e. was there something that started you off)? Did you give it much thought beforehand?
- And have you ever thought of stopping paying into a pension? Why? Did you end up stopping paying in? Why/Why not?

FOR THOSE WITHOUT A PENSION

- Why haven't you got a (personal or employer) pension?
- IF NEVER HAD A PENSION: Have you ever thought about getting a pension? IF YES: Why did you decide not to take out a pension?

ASK THOSE WITH AND THOSE WITHOUT A PENSION

- How would you persuade someone like you to take an interest in pensions? What would you say to them? What do they need to bear in mind? Why?

PENSIONS SCENARIOS

HAND OUT SCENARIOS (DISCUSS 1-2, ROTATE ORDER). I've got some short scenarios here that I'd like to get your thoughts on. SPLIT INTO PAIRS/THREES (DIFFERENT GROUPS TO PREVIOUS SCENARIOS) FOR A COUPLE OF MINS TO DISCUSS AND FEEDBACK. ASK ABOUT (1) FOR 16-18S

- (1) Should Jade be concerned about her own situation or not? Why? Is 18 too early to start worrying about retirement? What would you do in her situation?
- (2) What do you think? Should Michael be thinking about starting a pension, or is it more important to pay off his student loans first? And what about getting a car – where does that come in the order of priorities? Why? What do you think you would do in this situation?
- (3) How about Matika – should she concentrate on her wedding and house and worry about a pension later on, or is it important to get started on a pension now? How do you think it works if she's been paying into a pension at her old company? What would you do if you were in Matika's situation?
- (4) Was Luke right to listen to his colleague? Why? What do you think of Luke's choices? Would you have done the same in his situation? Why?

(9) Pensions triggers and barriers

- When is a good or **realistic** time for **you** to start saving for **your** retirement? Why? PROBE FULLY TO SEE HOW DIFFERENT LIFE EVENTS E.G. PARENTHOOD, BUYING FIRST HOUSE, LEVEL OF INCOME, STUDENT LOANS AND SO ON IMPACTS ON ABILITY TO SAVE INTO A PENSION

- Thinking generally about pensions, and saving for retirement, whose responsibility is it to make sure you've got enough money to live on when you retire? PROBE FOR SELF, GOVERNMENT, EMPLOYER. Why?
- How much do you feel you know about pensions and different options for providing for your retirement?
- Do you know that contributions to a pension are tax-free – this means that the tax you pay on the money you put into your pension gets added to your contribution (GIVE OUT SLIDE B: *WHAT IS TAX RELIEF?*). Does this change how you feel about pensions at all? Why?

PENSIONS – INFLUENCES

- How much do you know about how your **parents, grandparents or other close relatives** are providing for their retirements? Do they have a personal or employer pension? What does this make you think about the way you will/you are providing for your retirement?
- Do your parents/grandparents talk to you about saving/pensions?
- And how about your **friends**? What do you think about the way they are providing for their retirements? What does it make you think about your own provision?
- How about the **media**? What kind of things have you heard or seen in the media about retirement and pensions? What kind of messages have they been giving? How does that make you think about your retirement?
- Have you heard about or found out about retirement provision from any one else? EG. EMPLOYER, FINANCIAL SERVICES INDUSTRY, GOVT

16-18s: ALSO FRIENDS/MEDIA

- IF YES: Who/where from? What has that made you think about yourself and your own retirement?
- IF NO: Where would you look for information on retirement and pensions?

(10) Pensions – awareness of recent changes/personal accounts

- Are you aware of any discussions or announcements made by the Government recently to do with pensions? IF YES Could you tell me briefly about these? PROBE FOR AWARENESS OF PENSIONS COMMISSION REPORT (Turner Report), INCREASE IN WORKING AGE, NPSS, CHANGES TO STATE PENSION, PENSIONS WHITE PAPER
 - What do you think about these potential reforms? PROBE LEVEL OF TRUST, REASSURANCE, FEAR...
- The government plans to raise State Pension Age so people in their 20s at the

moment wouldn't be able to claim a state pension until age 67 or 68 – there have been some stories on this in the media. What do you think about this? Will it affect your own plans for providing for retirement? Why?

- I've got some more information here on proposed government changes for pensions...

READ OUT: The Government has announced plans to make it easier to save for retirement. This will be through a system of personal accounts to ensure that everyone aged 22 or over can participate in a low-cost retirement saving scheme, unless they actively opt out.

All eligible employees will be automatically enrolled in the scheme, to ensure that people are saving for a pension unless they actively decide not to do so. The scheme will commence in 2012.

(HAND OUT SLIDE C: *WHAT ARE THE PROPOSED PERSONAL ACCOUNTS?* AND TALK THROUGH IT. **MAKE SURE THAT ALL PARTICIPANTS REALLY UNDERSTAND CONCEPT**)

- What are your instant reactions to this? WRITE ON FLIPCHART Why do you say this? PROBE FULLY TO SEE WHETHER PERCEIVE THEM AS A TAX, PART OF WAGES, OWN PENSION FUND, SECURE ETC
- What would be the advantages of such a system? Why do you say this? PROBE IN PARTICULAR FOR VIEWS ON PORTABILITY, GOOD WAY TO SAVE, GOOD TO BE PROMPTED TO SAVE, NATIONAL SCHEME, GOVERNMENT COORDINATED, MONEY DEDUCTED FROM WAGES AT SOURCE...
- And what about the disadvantages? Why do you say this? How do the two balance out?

GIVE OUT SLIDE D (*WHAT IS AUTOMATIC ENROLMENT?*) The system proposes to 'auto-enrol' people into a scheme, unless they say they do NOT want to be included.

- Is this something that you would be happy to be auto-enrolled into or do you think you would opt out? Why?
- ASK THOSE AGED UNDER 22: Only those aged 22+ would be automatically enrolled. If the scheme was introduced tomorrow, how likely would you be to ask to join it? Why? Would it make a difference if there was an employer contribution or not?

DISCUSS PRE TASK (AGAIN)

And now just going back to the information we gave out before the group this evening, on retirement income and life expectancy.

- How does this make you feel about your retirement and your own provision? Why?
- After our discussion this evening, do you think you will have enough money to

look after yourself in retirement? Where will it come from?

- Where is the money going to come from to look after all the other retired people?
PROBE: STATE, EMPLOYER, INDIVIDUAL
- IF SAY STATE: Would you still be in favour of relying on the state to fund retirement, if that involved raising the amount of tax you/your family pay?
- What could be done to encourage you or people like you to take out a pension or to make provision for retirement? What else?

(11) Conclusion

- Thinking about all the things we've discussed, how would you say you feel about saving for when you retire? Is this something you view favourably or not – why?
- Where does saving come in your list of financial priorities? Are there some things that are worth saving for and others that are less important? Which ones? Why?
- Thinking about all the things we've talked about, how do you think you will provide for your retirement? And when do you think you will start making provision for this?
- What do you think about the proposed Personal Accounts saving scheme?
IF16-21: Is it something you might ask to join?
- IF 22-29: Is it something you might ask to opt out of?
- IF PARTICIPANTS WOULD LIKE MORE INFORMATION, THEY CAN LOOK ON THE DWP WEBSITE: <http://www.dwp.gov.uk/>
- What would you say to someone else (your age) about saving for retirement? Would you try to encourage them to save or not? Why?
- And is there anything that we haven't discussed that you think is relevant?

THANK AND CLOSE. RECRUIT FOR FOLLOW-UP INTERVIEW.

Appendix C

Discussion guide (depths)

(1) Introduction and warm-up

NB: Paired depths with partners – partner to be involved from start

- Thank participants for agreeing to be interviewed – mention that the interview should last no longer than an hour and a half
- Research commissioned to understand how people aged 16-29 feel about saving and planning for retirement – this interview to pick up in more detail some of the points raised in the groups, and to explore their personal attitudes and habits
- Stress there are no right or wrong answers – we are just interested in finding out their views and opinions. Don't need any prior knowledge
- Reassure participants of confidentiality – MRS code of conduct
- Permission to record – for analysis purposes only
- FOR PAIRED DEPTHS WITH PARENTS: Ask parent to leave for now and explain will ask to return towards end of interview (in around 45 minutes)
- FOR PAIRED DEPTHS WITH PARTNERS: Explain that questions will be aimed primarily at respondent, but that partner will be encouraged to contribute as appropriate.

INFO:

- Names, who they live with, what they do day-to-day (ALTHOUGH WILL HAVE GATHERED THIS INFORMATION AT THE INITIAL GROUP, CAN REITERATE AND GATHER MORE DETAIL FOR ANALYSIS PURPOSES)
- How did you find the group discussion? PROBE IF FOUND INTERESTING, HARD, FUN, ETC. – AND WHY?
- Have you thought any more about what we discussed in the group?

- IF YES: What have you been thinking about? How, if at all, have your views changed since the group? Why? ONLY BRIEFLY FOR NOW – EXPLAIN WILL COME BACK TO THIS LATER

(2) Spending

So in the group we talked about the different things that people spend their money on. Now we want to think about you (and your family) in particular.

- Just to remind me, what would you say the main things are that you spend money on each week or each month?
- SPIDER DIAGRAM. PROBE FOR RENT/MORTGAGE, UTILITY BILLS, CAR, PHONE, TV LICENCE, FOOD, CLOTHES, SOCIAL ACTIVITIES, PENSIONS/SAVINGS, PAYING OFF LOANS/CREDIT CARDS
- COMPARE TO DIARY – DISCUSS HOW REFLECTIVE ENTRIES ARE OF AN AVERAGE WEEK
 - Are these planned or unplanned spendings? PROBE FOR ANY REGULARITY
- Are there other things that you spend money on less often, say on a monthly or yearly basis? What are they? IF APPROPRIATE: WHY DO YOU PAY FOR THAT ON A MONTHLY/YEARLY BASIS?
- And what about spending money on one-off items?

FOR PAIRED DEPTHS WITH PARENTS: IDENTIFY ANY SPENDING ITEMS RESPONDENT DOES NOT WISH TO DISCUSS WITH PARENT PRESENT AND EXCLUDE FROM LIST TO USE LATER

- If you were to rank these outgoings overall (FROM ANY SOURCE), which would you say are most important, and which are less important? Why?
- Would you say it's more important to live well now, or save for the future? Why?
- And thinking a bit now about how you pay for things that you buy, what are the most common ways you pay for things? Are there other ways that you use less often to pay for things? PROBE FOR: CASH, DEBIT CARD, CREDIT CARD, CHEQUE, DIRECT DEBIT, STANDING ORDER, MONEY TRANSFER, STORE CARD
- Do you tend to use different methods to pay for different items? Can you tell me a bit about how and why you decide how to pay for different items? ASK ABOUT MOST COMMON THINGS THEY BUY – AS WELL AS LESS COMMON METHODS. MAKES SURE YOU ASK ABOUT VARIETY OF METHODS
- Do you have a credit card or storecard? NOTE HOW MANY HAVE
 - FOR EACH: How often do you use it? What kind of things do you use it for?
 - Do you tend to pay the bill off in full each month – or how do you handle it? Why?
 - How do you feel about having a credit card/storecard? Is it a good or a bad thing – why?

(3) Earnings/income and financial decisions

- Thinking about the money you/your household has coming in each week or each month, where does this come from? PROBE: PROBE FOR PARTICIPANT AND OTHER FAMILY MEMBERS IF APPROPRIATE: SALARY, INVESTMENTS, BENEFITS, PENSION, LOANS, FUNDS FROM PARENTS/OTHER FAMILY MEMBERS, ANY OTHER KINDS OF PAYMENTS
- And how about the money you personally have coming in each week or month, where does this come from? PROBE: SALARY, INVESTMENTS, BENEFITS, PENSION, LOANS, FUNDS FROM PARENTS/OTHER FAMILY MEMBERS, ANY OTHER KINDS OF PAYMENTS
- And about how much would you say comes into your household in total? REFER TO INCOME SHOWCARD IF NECESSARY
 - Is this weekly/monthly/yearly?
 - And about how much of this do you contribute personally? PROBE FOR ROUGH ESTIMATE OR PROPORTION IF PRECISE FIGURES NOT KNOWN – AND FOR WHO ELSE CONTRIBUTES AND HOW MUCH (IF APPROPRIATE)
- To what extent do other people influence your decisions about how you use your money? USE ME MAP, PROBE FOR DIFFERENT INFLUENCERS (E.G. PARENTS) AND DIFFERENT AREAS OF INFLUENCE: SPENDING, SAVING, INVESTING, PENSION, ETC
- How do you make decisions about what you will spend your/your family's money on? IN PAIRED DEPTHS WITH PARTNERS: Are these joint decisions?
 - Can you talk me through what happens for different items? FOCUS ON ITEMS IDENTIFIED IN PREVIOUS SECTION AS MOST IMPORTANT BUT ALSO ASK ABOUT SOME LESS IMPORTANT ITEMS. CHART 'DECISION JOURNEY' IF NECESSARY. PROBE – AT WHAT POINT WAS DECISION MADE? WHY? WHAT LED UP TO THIS POINT?
 - Are there any items that are decided on differently? Which ones? Why? PROBE FOR WHAT HAPPENS WITH ANY LESS COMMON OR ONE-OFF PURCHASES
- Do you have any problems balancing your income and spending?
 - IF YES: Just briefly, can you tell me a bit about where the problems are.

(4) Saving/using accounts

General attitudes

- And now thinking about saving, would you say that you are a 'saver'? Why?
- What do you regard as 'savings'? PROBE IF HAVE ANY MONEY PUT ASIDE BUT WOULD NOT CLASS SELF AS A SAVER: WHY?
- Do you have to have a 'savings account' to be 'saving'? Why?
 - What else counts as saving? Why?

- How do you feel about saving and how much you save/the fact you don't save? Why? What stops you saving (more)? How much would you ideally like to be saving? Why?
- How would you react if someone said that they thought everyone should save in a savings account? Why? What would you say to them?
- On a scale of 1 to 10, how important would you say it is for you to save in a savings account – where 1 is not important at all and 10 is 'essential'? REFER BACK TO LIST OF SPENDING PRIORITIES – Where in this list does saving come for you? Why?

Savings behaviour

- Do you have any kind of bank, post office or building society savings account - or any account you use mostly for the purpose of saving?
 - IF YES: Who set up the account? Was it yourself, or a parent/relative, or someone else?
 - IF NO: Have you ever had any savings accounts in the past that you have closed/no longer use?
 - ~ IF YES: Why did you stop (using) that account? Did you set up the account yourself?

IF HAVE OR HAVE HAD SAVINGS ACCOUNT IN PAST:

- When did you start saving into this account? What for? PROBE FOR SPECIFIC ITEMS OR GENERAL SAVING
- How much do you/did you pay in to this account? How often? PROBE FOR REGULAR OR ONE-OFF PAYMENTS
- Has the amount you save changed over time? How? Why? PROBE FOR INCREASES/DECREASES
- Do you save or invest your money in any (other) way? EG PUTTING MONEY IN A JAR/ON SHELF, OTHER ACCOUNTS, PROPERTY, STOCKS+SHARES, PENSION, ETC.

IF PUT MONEY ASIDE IN JAR. ON SHELF, OTHER ACCOUNTS

- Why do you prefer to save in this way (than in a savings account)? What are you saving for?
- IF INVEST IN ANY OTHER WAY: Why do you prefer to save in this way? How does saving fit in with your other investments? Is it more/less important? Does it serve the same/different purpose?

IF NOT SAVING IN ANY WAY:

- How much 'spare' money would you need to have before you would think to save in any way?

- If you did have this money spare, do you think you would save it – or what do you think you would use the money for? Why?
- Is there a stage/event in your life when you think you will start saving? What would it be?
- What would have to happen to encourage you to start saving? And what are the things that get in the way of saving?
- Do you think saving will become more/less important to you in the future? When? Why?

(5) Pensions history and triggers

- Can you just remind me, do you currently pay in to a personal or employer pension or have you ever done so in the past? RECORD DETAILS

IF CURRENTLY PAY IN TO AN EMPLOYER/PERSONAL PENSION:

- And again, just to remind me, why did you decide to take out a pension? What was the key or trigger that led to you having a pension (i.e. was there something that started you off? Did you give it much thought beforehand?
- Do you know if many of your friends or family (or your partner) have a pension? Who? Is it something you ever discuss with them?
- Have you ever thought of stopping paying into your pension(s)? When? Why? Did you actually end up stopping paying in? Why/why not? IF HAVE HAD PENSION FOR >1 YEAR (NOW OR IN PAST): Do you get any information on how it is building up?
- Do you think the amount you will get from your pension will be enough to allow you to lead the kind of life you would like when you retire? Why? Why not?
- How do you feel about having a pension? Does it change the way you think about your retirement? How do you think this will impact on your life when you retire?
- How does paying into a pension fit with any other financial arrangements you might make for your retirement – e.g. investing in property or shares?
- Do you think you will continue to save in the same way for retirement in the future? How might this change? Why?

IF DON'T CURRENTLY PAY INTO AN EMPLOYER/PERSONAL PENSION:

- Have you ever paid in to an employer or personal pension in the past? Why don't you currently pay/why did you stop paying in to such a pension?
- Do many of your friends or family (or your partner) have a pension? Who?
- IF NEVER HAD A PENSION: Have you ever thought about saving in to a pension?
 - IF YES: Why didn't this happen?

– IF NO: How do you think not having an employer or personal pension will affect the kind of life you lead when you retire? Do think you will have to go without anything? PROBE WHAT WILL GO WITHOUT AND WHETHER CONCERNED ABOUT THIS

- How do you intend providing for yourself in your retirement?
- When, if at all, do you think you might start saving into an employer or private pension? What will have changed for you then?
 - IF WOULD NEVER CONSIDER SAVING INTO A PENSION: Why do you say you would never pay into a pension? What would need to change for you to consider starting saving into a pension?

IF THINK WILL START SAVING INTO A PENSION AT SOME POINT IN THE FUTURE: How much 'spare' money would you need to have before you started saving into an employer or private pension?

(6a) Influences – partner (ask both partners about influences)/individual interview

- Before today, how much did you know about how your parents, grandparents or other close relatives are providing for their retirement? What does this make you think about the way you will provide for your own retirement? Why? PROBE FOR IMPACT OF ALL FAMILY MEMBERS
- And how about your friends or work colleagues? What do you know about the way they plan to provide for their retirement? What does this make you think about the way you will provide for your own retirement?
- How about the media (TV, newspaper, radio)? What kind of things have you heard or seen in the media about retirement and pensions? What kind of messages have they been giving? How does that make you feel about your retirement?
- And have you got any information about or got information about pensions or saving for retirement from anyone else? PROBE: EMPLOYER, FINANCIAL SERVICES INDUSTRY, GOVT.
- Have you ever had any advice from anyone on pensions? PROBE FOR ADVICE IN A PROFESSIONAL CAPACITY AS WELL AS NON-PROFESSIONAL ADVICE
 - What sort of advice did you get? How did it affect what you did/feel about pensions or saving for retirement?
 - How helpful did you find the advice? Why?
 - Did any of the advice put you off taking up a pension? Why?
- What has been the strongest influence on how you feel about pensions and retirement would you say? And how has that affected your thoughts and actions?
- What would you say to encourage someone like you to take out a pension? What things would you point out to them? What approach would you take?

(6b) Influences – parent/young person interview

- How much do you know about how your parents, grandparents or other close relatives are providing for their retirement? What does this make you think about the way you will provide for your own retirement? Why? PROBE FOR IMPACT OF ALL FAMILY MEMBERS
- And have you got any information about or got information about pensions or saving for retirement from anyone else? PROBE: MEDIA, FRIENDS/COLLEAGUES, EMPLOYER, FINANCIAL SERVICES INDUSTRY, GOVT.
- What do you think has been the strongest influence on how you feel about pensions (IF DON'T KNOW ABOUT PENSIONS, ASK ABOUT SAVINGS)? Why?

ASK FOR THE PARENT TO COME IN AND ADDRESS FOLLOWING QUESTIONS TO THEM:

- How much do you feel you discuss finances and related information such as saving with X? PROBE IF A CONSCIOUS DECISION OR NOT
- How would you describe X's attitude to money – and to savings? Why? DISCUSS WITH RESPONDENT – EXPLORE ANY DIFFERENCES IN OPINION
- What decisions (if any) do you feel you both make together about finances? And which do you/does X make on his/her own? Are there any financial decisions that you make on X's behalf? Why? EXPLORE REASONS GIVEN WITH PARENT AND RESPONDENT
- How much of an influence would you say you have on X and how s/he handles his/her income and spending? PROBE FOR EXAMPLES IF NECESSARY. AGAIN DISCUSS WITH RESPONDENT – EXPLORE ANY DIFFERENCES IN OPINION

RECAP AS TO FINANCIAL PRIORITIES LIST (EXCLUDING ITEMS REQUESTED EARLIER BY RESPONDENT) – WHAT THEY HAVE AN INFLUENCE OVER AND WHAT THEY DON'T (AND WHO ELSE DOES). How do you feel about X's answers here? Why?

- And how do you think X would feel/feels about paying into a pension for his/her retirement, or saving for it in some other way? DISCUSS ANSWER WITH PARTICIPANT – EXPLORE ANY DIFS IN OPINION
- And what do you think about saving for retirement and saving in general? Do you think it's important for young people to think about saving? Is it important for them to think about pensions and saving for retirement? Why?
- How are you preparing for your own retirement? PROBE HOW THEY FEEL ABOUT THEIR OWN PREPARATIONS
- And what would you advise X to do? Why? EXPLORE WHAT PARTICIPANT THINKS ABOUT THIS - WOULD THEY ACT ON ADVICE?

- How do you think your own preparations for retirement impact on X? Why? PROBE FOR SETTING A GOOD EXAMPLE, PROVIDING FOR THEM TOO IN SOME WAY, MAKING X FEEL THAT THEY DON'T NEED TO MAKE THEIR OWN PREPARATIONS, NOT INVOLVING X IN SUCH AFFAIRS ETC. AGAIN EXPLORE WHAT RESPONDENT THINKS ABOUT THIS – DO THEY AGREE?

(7) Personal accounts (PARENT STILL PRESENT)

HAVE EXPLANATORY MATERIALS TO HAND In the group we discussed the Government proposals to introduce a system of personal accounts to make it easier for people to save for retirement. Everyone earning over £5,000 a year and aged over 22 would be automatically enrolled unless they actively opted out. The account would be 'portable' so it could move with you when you move jobs.

- What did you think of this in the group? Did you discuss this with anyone following the group discussion? PROBE FOR PARENTS, FRIENDS, PARTNER
- And have your thoughts changed at all since? How? Why? PROBE EG ON HOW FEEL ABOUT AUTOMATIC ENROLMENT, PORTABILITY OF SCHEME, %S THAT EMPLOYER/GOVT PUT IN, 22 YEARS OLD+ FOCUS OF SCHEME, ETC
- Are there any disadvantages or problems with this proposed scheme? PROBE FULLY FOR ANY MENTIONS
- If you were working in a company where this was brought in, how do you think you'd react? Why?
- ASK PARENT/PARTNER: What do you think about this scheme? What would you regard as good or bad aspects? How would you feel about enrolling in it yourself? And how about X enrolling in it? Why?
- How would enrolling in such a scheme affect how you save in other ways do you think? Would you reduce or increase your other saving? Why?

(8) Conclusion

- Thinking about all the things we've discussed, how would you say you feel about saving for the future? How much of a priority is this for you? Why?
- Thinking about all the things we've talked about, how do you think you will provide for your retirement? And when do you think you will start making provision for this?
- Do you think you'll do anything/anything different about planning for your retirement as a result of taking part in this research? What?
- What do you think about the proposed Personal Accounts saving scheme? Is it something you'd be likely to join?
- And is there anything that we haven't discussed that you think is relevant?

THANK AND CLOSE

Appendix D

Ladder exercise

The ladder exercise was used as a scale to help understand the extent to which participants save. They were asked which rung of the ladder they would place themselves on and why – the further participants put themselves up the ladder, the more or the more regularly they saved. This exercise was used in the group discussions (and in the depth interviews as necessary) to discuss:

- current experiences and attitudes towards saving;
- what would need to happen in order for them to move up the ladder (i.e. to save more);
- where they imagined they would be on the ladder in the next few years – and what would have changed for them to be there.



Appendix E

Retirement scenarios

These scenarios were produced so that if group participants found it difficult to talk about their own situation, the scenarios could stimulate discussion about when is the best time to take out a pension and what the triggers and barriers might be. Ten copies of each scenario were printed on A5 card and one or two scenarios were discussed (as necessary) in each group.

Jade is 18 and lives at home with her parents and younger brother. She is a supervisor in a local clothes shop and enjoys going out with her friends. She spends most of her money on clothes and going out. Her grandfather has recently retired (living off savings from a pension he paid into throughout his working life) and this does not seem to have had much impact on the way he leads his life. If anything he has more social activities than before.

Michael is 24 and finished university just over a year ago. He has spent the last year working in a call centre in order to fund a round the world trip. Since coming back, he has found a job working for the local council as an Environmental Health Officer and is looking forward to buying his first car!

He's been at the council for a couple of months now and recently passed his probation period. He enjoys the job and can see himself staying there for the next couple of years, but he's not sure it's something he wants to do forever. The personnel department have asked him if he wants to join their pension scheme but he's not sure if he should do it. It would reduce his take-home pay by £60/month and the council would also contribute a similar amount to the scheme. However, he's not sure if there are better ways he could use the money, especially when he remembers the student loans he took out at university.

Matika is 27 and works as a secretary. She's getting married early next year and will look at buying a house together with her husband after the wedding. She's been in her current job for about six months and the company have asked her if she wishes to join their pension scheme. Matika joined a company scheme at her previous company and paid into it for almost 2 years, but she's not sure if she wants to do this again. It seemed like quite a chunk of her salary being taken away each month, and she's aware that things could be quite expensive in the next year or so, with the wedding and buying a house.

Luke is 29 and works as a finance clerk for a high street clothing company. He rents a flat with his girlfriend and they have been together for three years. When he started his current position about four years ago, one of the older guys in the finance department told him about the importance of starting a pension young. He told him he should get used to having the contribution taken out of his salary early on, so he wouldn't even notice it eventually. When his colleague told him what a large chunk of his pay he has to put into a pension to 'make up' for not putting any in when he was younger, Luke decided maybe he should look into it. Luke's now totally used to seeing the pension contribution taken out of his pay cheque and doesn't even think about it any more. When he thinks about retirement, he's reassured by the thought of the funds he's investing now building up over time to support him.

Appendix F

Saving scenarios

These scenarios were used to encourage discussion amongst the group participants about the extent to which saving is desirable and under what circumstances. Again, this was a support tool, in case participants found it difficult to discuss such matters. Copies of each scenario were printed on A5 card and one or two scenarios were discussed, if needed, in each group.

Carlos is 17 and lives at home with his mum and two younger sisters. He's doing science A-levels at college and has a part-time job in the local supermarket at the weekend. He takes home about £65 each week. He doesn't have to pay rent to his mum or buy much for college but he finds that he spends most of his wages each month on going out and seeing his mates. His mum keeps telling him that he should try to save up for his future, for if he wants to go to university or travel. Carlos doesn't see the point in cutting down on his socialising – if he wants to go to university or go travelling he's sure he'll find the money from somewhere. For now, he just prefers to live for today.

Natalie is 21 years old and works as a childminder. She moved to London last year and is looking forward to going back home for Christmas and catching up with all her friends. She's planning to take lots of nice presents home for everyone to show them how much she misses them. She doesn't think she needs to worry too much about how she'll pay for them – she can just put everything on her credit card and pay it off in January. She's sure it won't be a problem.

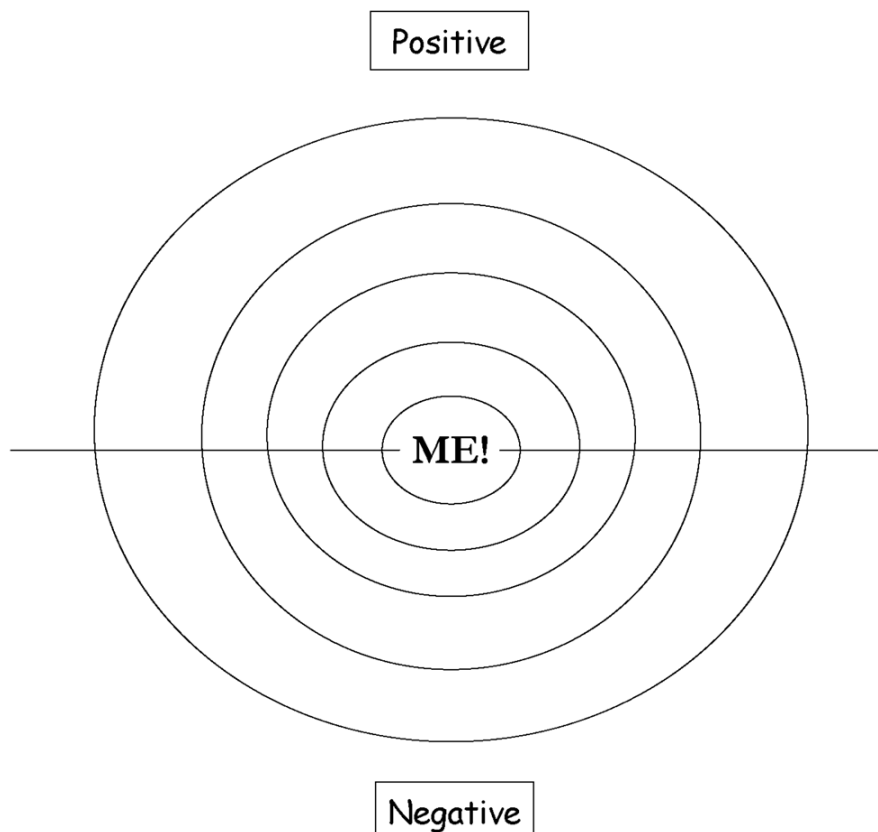
Rajiv is 26 and works in IT. He's living at home but thinking about buying his first flat. He's spoken to his bank about getting a mortgage and they have gone through different deals with him. Rajiv's not sure whether it's worth saving up for a deposit – there are some deals that loan you 100% of the cost of buying the house, and he doesn't want to have to wait another year. It works out a bit more expensive over time to borrow 100% of the cost but he's not too fussed about that. If he's borrowing such a large amount anyway, what does a little bit more matter?

Jane is 23 and is in her final year at university. She's got a part-time job waiting on tables at a local restaurant to supplement her student loan. Including tips, she takes home about £100 each week, and it can be even more around Christmas and Valentine's Day. She gives herself a budget of £50 a week to live off and puts the rest of her money into a high interest saving account. Jane wants to travel and work abroad once she's finished studying so she thinks it's important she saves her pennies now as she'll appreciate it in the end. It's also probably a good habit to get into for when she's older and wants to settle down and buy a house.

Appendix G

Me map (depths)

The Me Map can be used to help identify positive and negative influences on an individual (e.g. parents, partner, other family members, friends, teachers) and the comparative strengths of these different influences. For this study, young people were asked who or what influenced their decisions about how they used their money. A positive influence was marked on the upper half of the chart and a negative one on the lower half. The closer an influence was marked to the centre (ME!), the stronger the influence was on the young person.



Appendix H

Pre-task (groups)

Participants were given this pre-task as an exercise to complete prior to the group and bring along to aid the discussion. The answers to the questions about expected retirement age and outgoing and incoming funds were used to stimulate discussion around their expectations of, and plans for, retirement. The information provided in the second half of the sheet provided participants with some basic information about retirement and pensions that was referred back to in the discussions.

Saving for the Future

Thank you for taking part in this group discussion on [/ /06]. Please could you read and fill in this sheet before the group. Thanks.

How old do you think you'll be when you retire (stop working)?
PLEASE WRITE IN:

How, if at all, will your financial outgoings be different when you retire compared to when you are working?
PLEASE WRITE IN:

How much do you think you'll need to live on when you retire (e.g. per week/ month)? PLEASE WRITE IN:

And where do you think your income will come from when you're not working? PLEASE WRITE IN:

Some interesting facts...

- The full basic state pension is around £85 per week for a single person (around £135 per week for a married couple)
- By 2021 there will be more people over 80 than there are children under 5 years
- By 2050 the average 65 year old man will live another 22 years (i.e. until he is 87)
- The current retirement age (for the state pension) is 65 for men and 60 for women. Between 2010 and 2020 the retirement age for women will be raised to 65 too
- The average life expectancy for women in 2002 is 81 years and for men 76 years.
- It's likely the State Pension Age may rise by 1 year every 10 years
50+ today – 65
40+ today – 66
30+ today – 67

Appendix I

Pre-task (depths)

Participants in the follow-up depths were sent a diary¹⁰ to record their daily outgoings for the week prior to interview. The notes were used to remind participants during the interview what detailed items they spend their money on and to feed into a discussion about their spending habits.

Saving for the Future

- Please fill in this diary for the week before the interview
- We would like you to detail everything you spend money on (no matter how large or small it is) and how much you spend
- We'll then refer to this diary during the interview

Name: _____

Date started diary: _____

Was this a typical week or not? Why?

Many thanks for taking the time to fill in this diary. We really appreciate your help on this project.

If you do have any further thoughts on any of the topics we've spoken about you can give us a call on 020 7347 3000. Thank you!

Caroline and Jayne

Day 1

What day is it today? _____

What did you do today? _____

And how much did you spend today?
What on?

What spent on?	How much?

¹⁰ The booklet contained a page for each day – Day 1 is pictured above.

Appendix J

Explanatory materials

These materials were given out to group and depth participants at different parts of the discussion to help talk through any potentially complex information, such as:

- the different types of pensions that exist;
- the concept of tax relief and how this impacts on pension contributions;
- how the proposed personal accounts might work;
- how the system of automatic enrolment might operate.

A

What is a pension?

A **State Pension** is a regular sum of money the government pays to people who have reached State Pension Age, to help them live. Entitlement is dependent on how many years you have paid National Insurance contributions (NI contributions are paid by everybody earning £5,000+ per year)

An **Employer Pension** is a pension scheme run by some employers, which deducts contributions directly from their employees' pay. The employer usually also pays into your pension

A **Personal Pension** is a pension that people set up for themselves, with a pension provider (e.g. bank, building society, or insurance company). The money you save is invested, and the amount you get when you retire depends on how much you have saved, and how much the investment has grown

B

What is tax relief?

Currently most workers pay **income tax at a rate of 22%** (more if they are on a high income)

This means that for every £1 you earn, **you pay the government 22p** in income tax

However, **if you pay that pound into a pension scheme, then you do not pay tax on this money**

This means that **the Government effectively pays 22p into your pension**

For example, if you wanted to pay £100 into your pension scheme, **you would only need pay £78 yourself, and the Government pays the other £22**

C

What are the proposed personal accounts?

Employees aged 22+ and earning over £5,000 would automatically be put into a pension saving scheme (called a personal account)

They pay 4% of their wages into this account every time they were paid

The employer would put another 3% in their account, and tax relief from the government would add an extra 1%. Put another way - for every £1 paid in by an employee, they would receive *another* £1 – 75p from the employer and 25p from the government

People would be able to ask to not join the scheme (but anyone who is self-employed or not working would need to ask to join)
People would keep the same personal account even when they change jobs – so they could carry on paying into it with their new employer
The charges for managing the account would be kept low, so people get to keep more of the money they save in the long run

D

