10 years of *Class of...*

A decade of change for pensions and pensioners

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A decade of change

"Prudential first started researching the finances and retirement plans of people stopping work in the year ahead in 2008 with the aim of providing an annual snapshot of what their retirement reality looked like."

Vince Smith-Hughes
Retirement income expert at Prudential

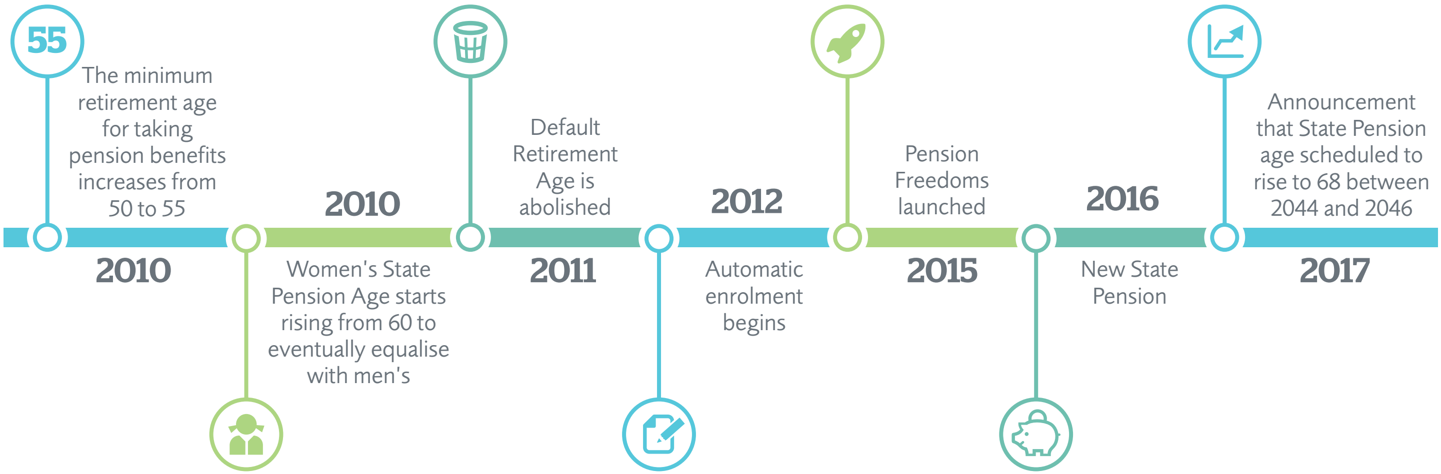
Our **Class of 2008** research reported on a retirement world inhabited by new retirees who had done all their pension saving and retirement planning in a pre-financial crisis world. A world where savers could take pensions at age 50 and had to retire at a fixed date. Most – who had pensions – could rely on generous so-called gold-plated final salary schemes.

Those who did not have final salary schemes had to buy annuities and the State Pension Age was 60 for women and 65 for men. There was no Government scheme to encourage workplace pension saving such as auto-enrolment.

In 2008 Labour was still in Government and we were still two years away from the 2010 General Election which has been followed by General Elections in 2015 and 2017, leading to a decade of political change from Labour to Coalition to Conservative.

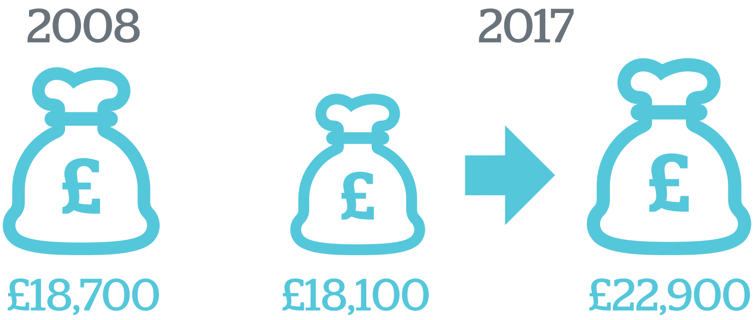
Recent years have of course also seen the massive upheaval following the referendum vote to leave the European Union, which now sees the UK preparing to exit the EU on 31 March 2019.

It has been a decade of change for pensions, and for pensioners too. And few would bet against yet more change in the decade to come.



Prudential's ***Class of...*** *research has followed the major changes in retirement plans and aspirations throughout the decade and this report outlines the major trends and conclusions.*

Retirement incomes and retirement happiness



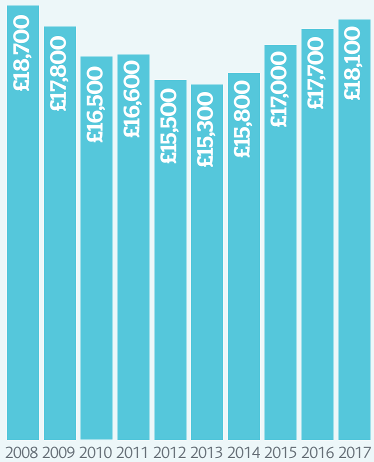
Average expected annual income from all sources for new retirees in 2008.

Average expected annual income from all sources for new retirees in 2017… But taking inflation into account, today's retirees need £22,900 a year to keep pace with those who gave up work in 2008.

"The unique appeal of Prudential's study is the picture it provides of how retirement feels year-by-year and how investment markets, the economy and legislation affect retirement, and how confident people are about their income when they reach this landmark."

Kirsty Anderson
A retirement expert at Prudential

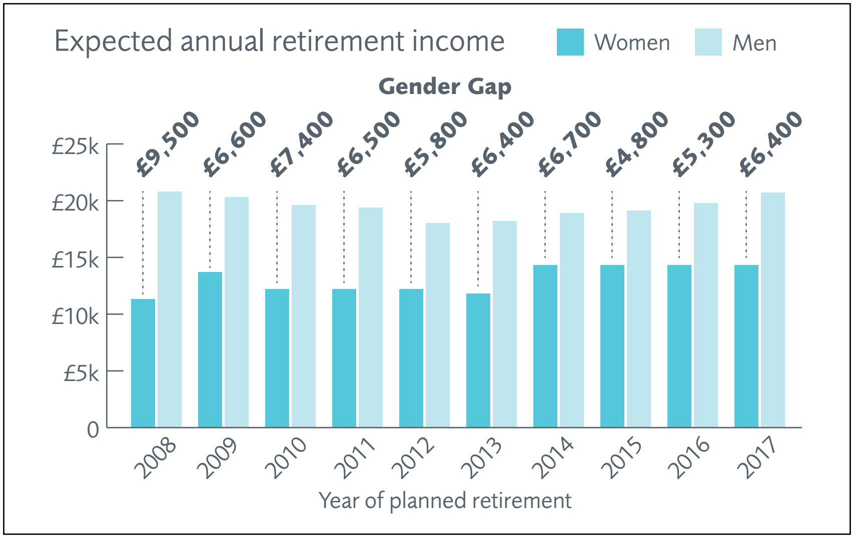
Average expected retirement income for new retirees



The past 10 years of financial crisis, recession and stock market volatility has taken its toll with expected annual retirement incomes hitting a low of £15,300 in 2013, before starting a slow recovery.

Throughout the 10 years of our **Class of...** study, the gap between men's and women's retirement incomes has remained stubbornly wide.

The **Gender Gap** remains a major issue and it's started to grow again.



Worryingly the numbers who are looking forward to retirement have dropped

6/10

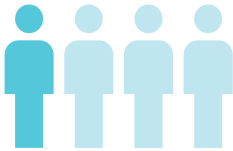
Nearly six out of 10 people were looking forward to stopping work in 2017.

50/50

Now slightly less than half do so with the numbers worried about money in retirement rising.

The changing face of pension saving and retirement income

The **Class of...** research shows significant falls in the numbers who do not save for retirement and have to rely on the State Pension.



In 2008 nearly a quarter of people retiring had no private pension savings.

14%

This year just 14% of people retired without any pension savings and the change is even more significant among women.

1/3

The State Pension remains a vitally important part of retirement planning. On average it provides around a third of a new pensioner's income but more are realising they cannot rely on it alone.

32% 2008

21% 2017

In 2008 nearly a third of women stopped work without any pension savings. By 2017 that number dropped to 21%.

A longer-term trend which had set in before **Class of...** has been the switch from defined benefit (or final salary) schemes to defined contribution schemes. More people are saving but the way they are saving has had to change as final salary schemes are closed to new members or wound up.

In 2008 more than half (52%) of people retiring still received the majority of their income from final salary schemes.

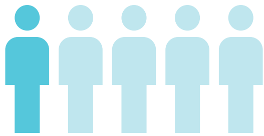
The trend is down with only 42% relying on final salary schemes for the majority of their income in 2017.

How retirement income is earned or paid

	2008	2013	2017
Company pension scheme	41%	35%	32%
State pension scheme	32%	36%	35%
Other savings/investments	15%	11%	10%
Part-time job	7%	6%	5%
Other income including personal pension and property	5%	12%	18%

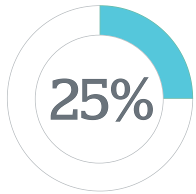
The changing retirement challenges

Retirement saving and the pensions industry has changed massively throughout the decade and new issues have emerged.

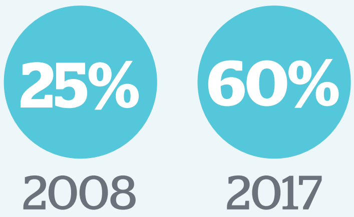


One in five retired in debt in 2011 owing an average of £33,100.

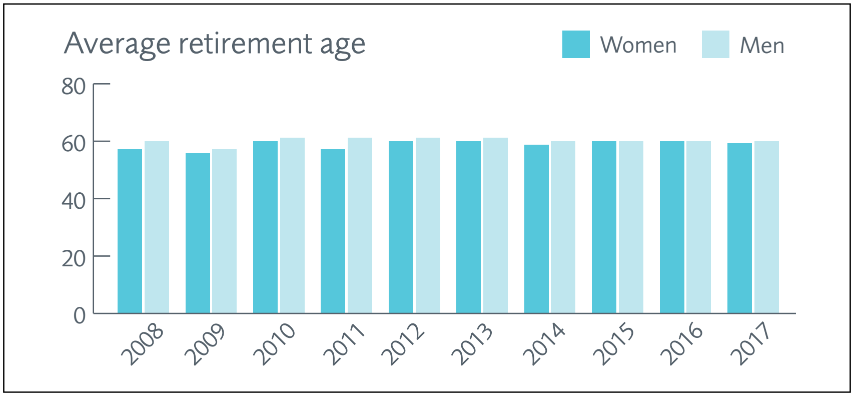
Since 2011 the amount owed has drifted lower but has risen this year to £24,300.



The proportion retiring in debt in 2017 has risen to 25%.



In 2008, 25% of people decided to retire because they could afford to. The number has now risen to 60% in 2017.



"The average age at retirement has remained relatively steady – well below the State Pension age. The early retirement dream lives on!"

Stan Russell
A retirement expert at Prudential

Attitudes to retirement advice

Those who received financial advice within the last year

28%

2017

In 2008 around one in four new retirees said financial advisers were the best source of financial advice.

Those who have never received advice

35%

2017

In 2008, 46% of new retirees said they had never received any worthwhile advice.

"Pension saving and retirement planning has changed massively over the past 10 years, and retirement is now more of a process than a one-off event. A consultation with a professional financial adviser should help many people make the right decisions about saving while they work and taking an income as they start to wind down."

Kirsty Anderson
A retirement expert at Prudential

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