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PENSION FREEDOMS ENCOURAGE OVER-55s TO SAVE MORE FOR RETIREMENT

- **Freedom to spend their retirement funds as they wish is encouraging people to take a greater interest in retirement planning and save more**
- **But running out of money remains their biggest retirement fear and they are confused by the rules**

Three years on from the Pension Freedoms revolution people are saving more for their retirement while the over 55s are working longer to fulfil their retirement plans, new exclusive research from Prudential shows.

The research, which marks the third anniversary of the introduction of the rules, reveals that over-55s are planning to work for longer than they had originally planned – and about 12 per cent say they or their partner will work full-time or part-time past their original planned retirement date.

More than one in ten (11 per cent) working over-55s say they have started saving into a pension for the first time, encouraged their partner to save more, increased pension contributions or restarted pension saving since the rules came into effect from April 2015. One in seven (14 per cent) are also making more effort to learn about retirement savings.

However, the freedoms, which give everyone aged 55-plus flexibility on how to use their defined contribution pension funds, are not a total success with savers and the retired.

Nearly two out of three (64 per cent) over-55s say they are confused by the regulations and the overwhelming majority (82 per cent) want an end to any further Government changes to pension rules. More than one in three (42 per cent) are concerned about running out of money during retirement while 41 per cent worry about paying for long-term care.

Vince Smith-Hughes, a retirement income expert at Prudential, said: “The reality of Pension Freedoms is hitting home as consumers begin to understand that they are responsible for ensuring they have enough money to last throughout their retirement.

“The fear that they might run out of money is forcing them to take a long, hard look at how much they should be saving to ensure they have the retirement they want.

“Pension Freedoms have in many cases shifted the responsibility for making a pension fund last throughout retirement directly onto consumers. Previously most people bought an annuity to guarantee an income for the rest of their lives. Now they can drawdown as much money as they like but the risk is that they run out of money in their lifetime.

“The fact that many over-55s are preparing to work longer and save more highlights that they recognise this risk and are responding in a rational and responsible way. The best thing most people can do to ensure a comfortable retirement is to take financial advice, while also trying to save as much as they can into a pension, especially a company based scheme where they’ll immediately take advantage of contributions from their employer.”

- Ends -

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Notes to editors

¹ Consumer Intelligence conducted an independent online survey for Prudential between 23rd and 25th February 2018 among 1,000 UK adults aged 55+ including those who are working and retired

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_2018.pdf