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UK’S WORKERS START TO LEARN THE 10-YEAR RETIREMENT SAVING LESSON

- Prudential’s unique Class of… research has tracked the changing retirement finances and aspirations of new retirees since 2008
- Just one in seven of the Class of 2017 have no savings compared with nearly one in four retiring in 2008
- Expected incomes among new retirees still below the pre-financial crisis high
- More than half retired with the majority of their income from a final salary scheme in 2008 compared with 42 per cent this year

The number of people retiring without a pension has fallen significantly over the last 10 years, according to Prudential’s unique Class of… research, which has tracked the retirement finances, plans and aspirations of people retiring each year since 2008.

Its data shows one in four (23 per cent) of those retiring in 20081 had no pension savings at all but this has dropped to just one in seven (14 per cent) of those planning to retire in 20172, reflecting the success of Government and employer initiatives to encourage saving, such as automatic-enrolment.

Women appear to have led the way in reversing the pension saving trend – in 2008 a shocking 32 per cent of women stopped work with no private pension savings, compared with 19 per cent in 2017. Just over one in six men retired without a pension in 2008 (17 per cent) while just nine per cent will do so this year.

The growth in pension saving rates has taken place against a backdrop of massive upheaval in UK pension saving rules, such as pension freedoms and the abolishment of the default retirement age. At the same time there has been worldwide financial volatility and political upheaval, including three general elections and Brexit at home as well as the Eurozone crisis and the rise of populist politics overseas.

In the face of these challenges retirement incomes for new retirees have struggled to recover from the sharp fall they took immediately after the financial crisis of 2007 to 2008. The Class
of 2008 expected to live on £18,700 a year – a figure that fell to £17,800 in 2009 and continued to fall until it bottomed out in 2013 at £15,300. Since then a slow recovery has taken place, but even now, retirees in 2017 expect to live on £18,100 a year – still £600 a year short of those who gave up work 10 years ago.

The results of Prudential’s research also highlight the steady decline in the number of people giving up work with a ‘gold-plated’ final salary pension. In 2008 more than half (52 per cent) of new retirees received the majority of their income from a final salary scheme – this year that figure has fallen to 42 per cent.

Prudential’s ten years’ worth of data shows that women now feel more financially well prepared for retirement – in 2008, fewer than two in five women planning to retire in the year ahead (39 per cent) felt financially ready to retire, but this year the figure has risen to half (50 per cent).

**Vince Smith-Hughes, a retirement income expert at Prudential, said:** “The past 10 years have been a decade of constant change with pension freedoms, the new State Pension, the roll out of automatic enrolment and the abolition of the default retirement age to name just a few.

“The financial crisis, the subsequent recession and ongoing political change have all added to the uncertainty. However, despite all of this the good news is that the message about the importance of retirement saving seems to be getting through, demonstrated by a significant increase in the numbers reaching retirement having saved for their future.

“Since 2008 we have also seen a continued shift in the responsibility for retirement provision away from government and employers and on to the individual. But for most people looking to provide for as comfortable a retirement as possible the best approach remains the same now as it did back in 2008 – save as much as possible into a pension as early as possible in your working life.”

One factor that has remained relatively constant throughout the 10 years of Prudential’s research is the importance of the State Pension to new retirees. – on average it provides 35 per cent of retirement income for those giving up work in 2017, up only slightly from 32 per cent for those retiring in 2008.

- Ends -
About Prudential's *Class of…* retirement research

Prudential has tracked the retirement finances, plans and aspirations of people retiring each year since 2008. The *Class of 2017* were the 10th annual group of retirees to be interviewed.

Notes to editors

1 Research conducted by CanvasseOpinion from Experian between 28 September 2007 and 25 October 2007. More than 4,000 people were questioned with 464 people out of that sample retiring in 2008.

2 Research Plus conducted an independent online survey for Prudential between 8 and 22 November 2016 among 10,605 non-retired adults in the UK, including 1,000 intending to retire in 2017.

In the intervening years (2008 to 2015), Research Plus conducted independent research on behalf of Prudential each November among at least 10,000 non-retired adults in the UK, including at least 1,000 planning to retire in the following year.

Charts – 10 years of *Class of…* data

*A slow recovery since the financial crisis: Average expected annual incomes for new retirees – 2008 to 2017*
The UK starts to learn the retirement saving lesson – Proportion of people retiring with no pension savings each year 2008 to 2017

2008 to 2017 Then and Now

- In 2008 the words of the year were ‘credit crunch’, the 2016 words of the year were ‘post truth’
- Average house prices:
  - Average house price in March 2008 was £182,845
  - Average house price in March 2009 was £154,452
  - Average house price in March 2017 was £215,847
- The Time Magazine person of the year for 2008 was Barack Obama, in 2016 it was Donald Trump
- In 2008 the FTSE-100 opened on 2nd January at 6,456.90, in 2017 the FTSE-100 opened on 3rd January at 7,142.83
- A baby born in 2008 had a life expectancy of 78.01 years, one born in 2015 had a life expectancy of 79.09 years
- Additions to the consumer prices inflation basket in 2008 were fruit smoothies, muffins and small-type oranges, while additions in 2017 were gin, half chocolate-coated biscuits and bottles of flavoured cider
- The Bank of England base rate in January 2008 was 5.5% and ended the year at 2%, it is currently at 0.25%
- The average salary in April 2008 was £26,137, and in April 2015 was £27,600
2008 to 2017 a potted history timeline

2008
- The UK Government nationalises Northern Rock and takes a 58% (later to rise to 70%) stake in Royal Bank of Scotland
- Lehman Brothers files for bankruptcy
- Official opening of Heathrow terminal 5
- Launch of Air BnB
- Launch of Spotify

2009
- Launch of Uber
- All remaining Woolworths stores in the UK close for business

2010
- General election in the UK sees the formation of a coalition government by the Liberal Democrats and the Conservatives – David Cameron replaces Gordon Brown as Prime Minister
- The first 3D TV goes on sale in the UK
- First release of the iPad
- Launch of WhatsApp

2011
- VAT is increased from 17.5% to 20%
- The Employment Equality (Repeal of Retirement Age Provisions) Regulations mean employers can no longer force workers to retire when they reach 65

2012
- Launch of Netflix in the UK
- London hosts the Olympic Games
- Construction of The Shard in London is completed

2013
- The word ‘selfie’ is added to the dictionary

2014
- Scotland votes to remain part of the UK in a referendum
- First release of Nutribullet

2015
- The Conservative Party wins the general election returning David Cameron as Prime Minister
- The first images of Pluto are sent back to Earth
- Consumer price inflation in the UK falls to 0.3% - its lowest level since records began in 1988
- The new pension freedoms become reality

2016
- The UK votes to leave the European Union
- David Cameron resigns as Prime Minister and is replaced by Theresa May

2017
- A snap general election leaves the Conservatives as the largest party but without a majority in the Commons