**Introduction**

On 6 April 2015, the Government implemented the ‘freedom and choice’ reforms as set out in the Taxation of Pensions Act (2014). This legislation allows individuals to access their pension benefits with much more flexibility than was previously the case.

In 2016, the Institute and Faculty of Actuaries carried out research on initial public attitudes to these changes. This research showed that public awareness of the reforms was high but there was mixed views on whether the changes were positive or negative for individuals. The findings from this preliminary research can be found [here](https://www.actuaries.org.uk/system/files/field/document/5790_Pensions%20Freedoms%20survey%20report%28No%20Bleed%29.pdf).

We have since carried out an updated study to see whether public attitudes to the reforms have changed in the following six years.

**Executive summary and calls to action**

Our latest study showed that:

* **Awareness of reforms** – comparing to the last survey, the reforms are more clearly noted as a ‘good thing’;
* **Access to guidance and advice -** actions are needed to improve take-up of guidance and access to good quality regulated financial advice.

This supports the government’s efforts to introduce a Stronger Nudge ([link here](https://www.gov.uk/government/consultations/stronger-nudge-to-pensions-guidance/stronger-nudge-to-pensions-guidance)) to pensions guidance and the actions we have seen taken by pension schemes themselves, to provide access to regulated financial advice. Further action is needed here – for example, by improving availability and scope of the Pensions Advice Allowance[[1]](#footnote-1).

* **Diversity and inclusion** – there is evidence of a gender and social imbalance when understanding how to access pensions savings and advice. Targeted action aimed at these groups of savers should be implemented to address this imbalance.
* **Consumer understanding** – there is clear evidence that savers do not understand enough about their options, or pension products and again, the survey showed clear gender and social differentials - both recognising the type of pension they have and how important their pensions are to meeting their normal expenditure in retirement. There was also a significant lack of understanding with respect to life expectancy. Actions are needed to address financial education in the pre-retirement phase and as savers approach retirement.
* **Limited regret** – most respondents were satisfied with the decisions they made at retirement (albeit combined with the above conclusion on education and low take up of advice/guidance). This may still point to a lack of consumer understanding.

**Summary of our findings**

Our latest study showed that:

* **Those most in need to, are least likely to access savings** - where individuals had not accessed their pension savings since the new rules were introduced, this was mainly because they didn’t have a need to access them. However, there was a significant difference by social background, with individuals from middle class backgrounds being 15% more likely than those working-class backgrounds to say that they didn’t need to access their pension. Individuals from working class backgrounds were more likely to state that they did not know how to access their pension or needed more information about how their options.
* **Limited understanding** – despite a high proportion of respondents claiming that advice was not necessary, a high proportion of individuals showed a worrying lack of understanding about pension products. Only 26% of individuals “fully understand” the charges they are paying for their defined contribution pension, with 17% admitting to “not understanding at all”. Similarly, only 30% were aware how their pension savings are invested, with 42% having “no idea”.
* **PensionsWise is not well used** - where pension savings had been accessed, only 20% of individuals used the Government’s Pensions service, Pensions Wise.
* **A gender imbalance** – there was evidence of a gender imbalance with 58% of men, compared to 43% of women stating that they did not need to take guidance or advice. Furthermore, where advice was required, men were 15% more likely to take tailored regulated financial advice whereas women were 7% more likely to access generic guidance from PensionsWise and 6% more likely to ask friends or family. Therefore, despite perhaps requiring advice/guidance, women were less likely to access tailored advice. Women were 8% more likely to state that cost or knowing where to find advice as the barrier.
* **Flexibility is a good thing** – reassuringly, 68% of individuals who accessed their pensions savings since 2016 would not do anything differently next time. Of the individuals who would have done something different, 9% would have planned earlier to better understand their options and 9% would have liked more flexibility or cash.
* **Money concerns** – 22% of respondents worry about running out of money in retirement, whilst 18% of respondents worry about not fully understanding their options, or products. These concerns were highest in the respondents aged 55 – 64 who will be approaching retirement within the next 5-10 years.

**About our research population**

The research was carried out by YouGov covering 2,065 adults in Great Britain aged over 55 between 28-31 January 2022. The population characteristics were:

* 53% male and 47% female;
* 59% from individuals from middle class (A, B, C1) social grades and 41% working class (C2, D, e) social grades;
* Distributed across England, Wales and Scotland;
* Covering a range of health, employment and cohabitation statuses.
1. https://www.gov.uk/government/publications/pensions-tax-pensions-advice-allowance [↑](#footnote-ref-1)