



Institute
and Faculty
of Actuaries

Freedom and Choice: Public attitudes seven years on

Full survey results

January 2023

Freedom and choice: public attitudes seven years on

Introduction

On 6 April 2015 the UK government implemented the ‘freedom and choice’ reforms set out in the Taxation of Pensions Act (2014). This groundbreaking legislation allows individuals to access their pension benefits with much more flexibility than before.

A year after the launch of these reforms, the Institute and Faculty of Actuaries (IFoA) carried out research into initial public attitudes to these changes. The full findings from this preliminary research can be found [here](#).

Like many organisations, the IFoA remains concerned that many UK households are not saving enough for later life, are not accessing free guidance or paid-for financial advice, and remain ill-equipped to deal with the risk of running out of money in retirement.

In early 2022 we carried out an updated study to see whether public attitudes to the reforms had changed in the intervening six years, and to assess the current state of play as to how individuals understand and manage their pensions.

The survey

The research was carried out by YouGov between 28–31 January 2022 and covered 2,065 adults in Great Britain aged over 55. This compares to the 2016 survey which covered 1,408 adults in Great Britain aged over 55.

The sample was split according to various characteristics

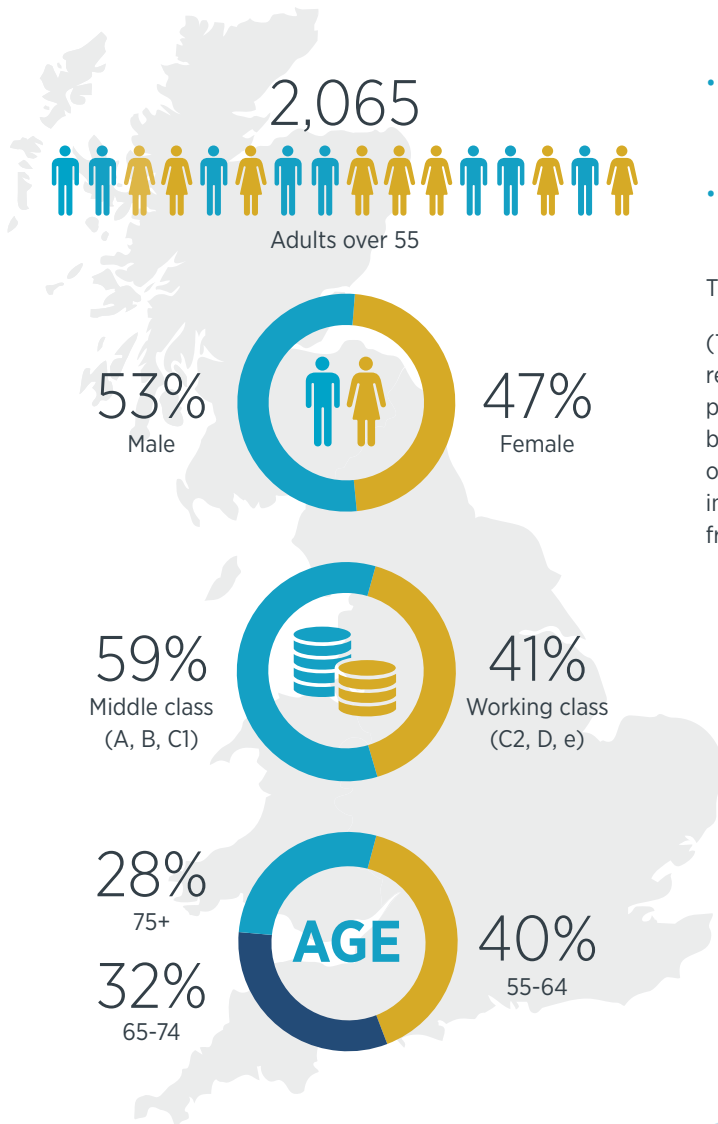
- Gender
- Age bracket
- Voting at the 2019 General Election
- Voting at the 2016 EU Referendum
- Geographical region
- Social grade
- Employment status
- Health status
- Cohabitation status

Like many organisations, the IFoA remains concerned that many UK households are not saving enough for later life, are not accessing free guidance or paid-for financial advice, and remain ill-equipped to deal with the risk of running out of money in retirement.

Survey respondents

The respondents were well balanced between categories, with a slight bias in age towards the younger age brackets, with 72% of respondents aged under 75. These respondents were more likely to have accessed pension benefits since 2015 or be close to doing so now.

Figure 1: Survey respondents by gender, social grade and age



Headline results

The main findings of the 2022 survey were:

- **Awareness of reforms** – more people now perceive the changes as beneficial than at the time of the 2016 survey
- **Access to guidance and advice** – many people retire without either taking guidance or seeking advice
- **Diversity and inclusion** – there is evidence that females and those from lower social groups are less likely to access advice
- **Financial education** – many people have only a limited understanding of the factors that impinge on retirement savings decisions
- **Limited regret** – most people who have taken advantage of the new rules are happy with their decision.

The survey questions and a summary of the full results follow.

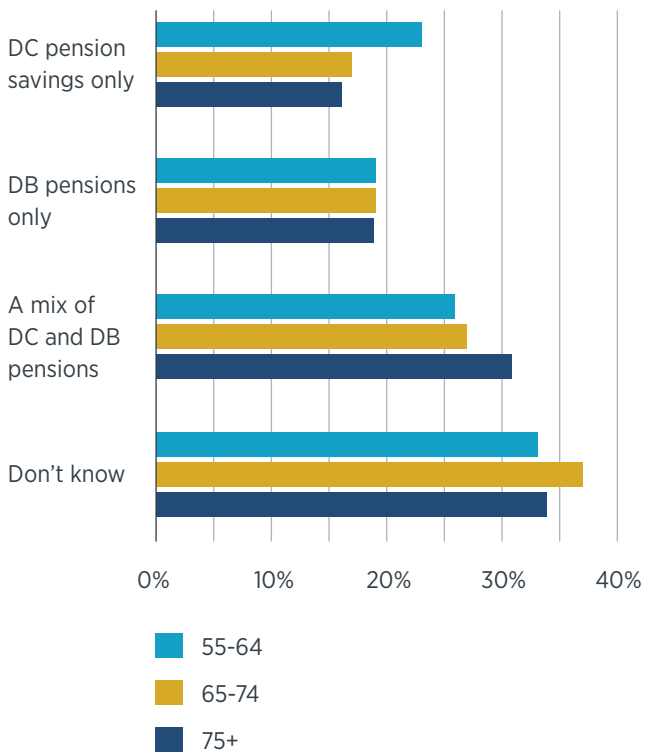
(The detailed results are included in Appendix 1, with text responses replayed in Appendix 2-6. The full results are presented in Appendix 1; those shown in italics should not be relied upon in isolation, as they come from a sample size of less than 50 respondents. The full appendices are not included in this publication but are available on request from policy@actuaries.org.uk)

Q1 Existing pension savings

Which type of pension savings do you have?

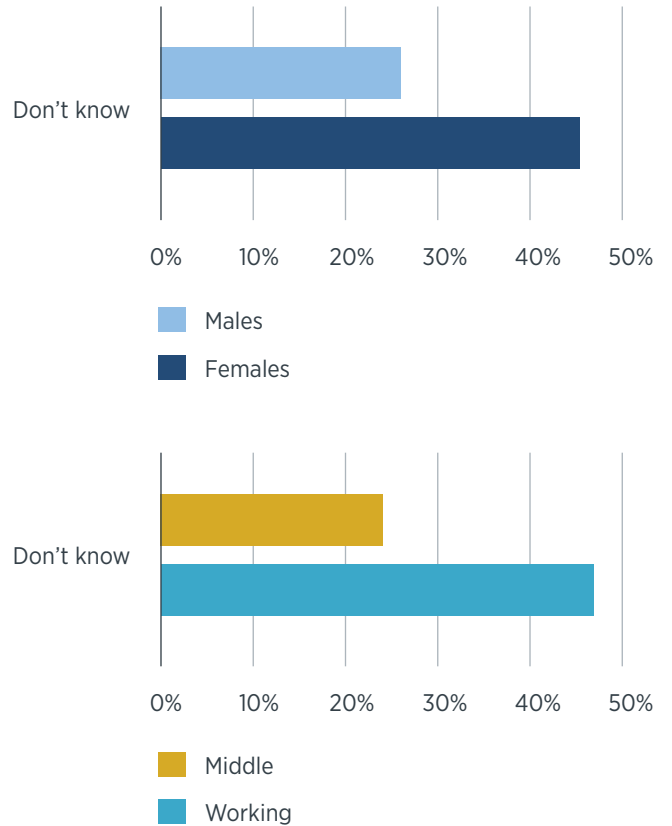
About 20% of those surveyed participated only in a defined benefit (DB) scheme, while another 20% participated only in a DC scheme. The largest group, around 30% of respondents, had a mix of DB and DC arrangements.

Figure 2: Existing pensions savings by age



Female respondents and people in social grades C2DE were more likely than other groups to be unable to answer this question and fell into the 'Don't know' category.

Figure 3: Respondents who were unable to identify the type of pension savings they have

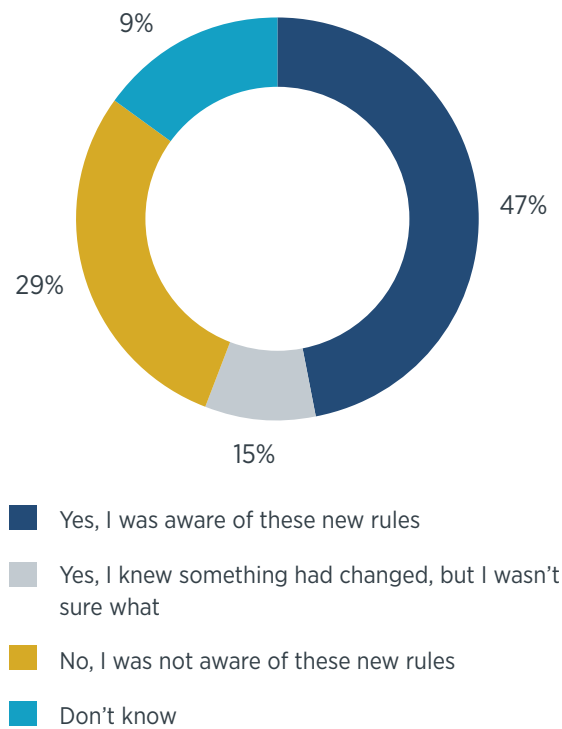


Q2 Were you aware of the 2015 changes?

In April 2015 the government introduced new rules that mean you can now access your defined contribution pension savings from the age of 55 and you no longer have to buy an annuity. Were you aware of these new rules?

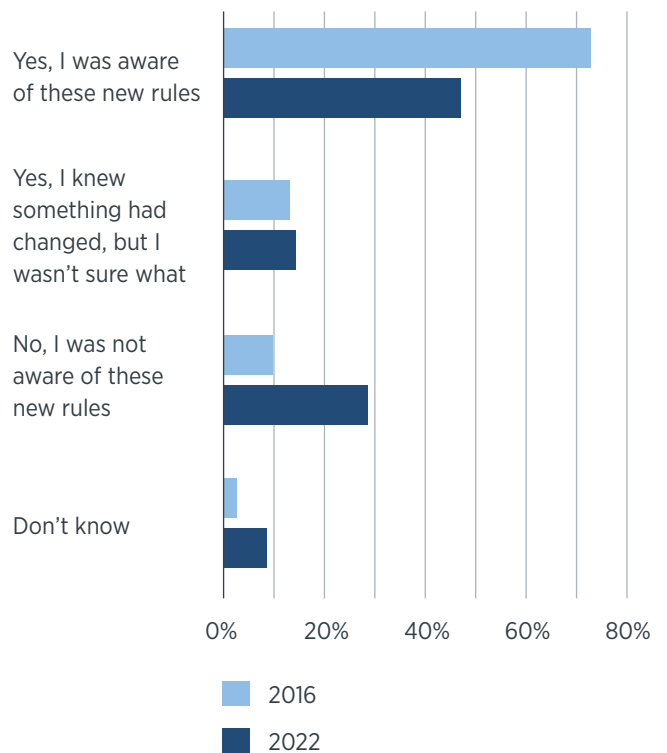
More than a third of participants were either not aware of the changes or did not understand the question. For female respondents and social grades C2DE this unawareness proportion was closer to 50%.

Figure 4: Awareness of pension freedoms legislation



This question was also asked in the 2016 survey and demonstrates a significant reduction in awareness since this time, suggesting that the overall awareness and profile of pension freedoms has reduced since its introduction.

Figure 5: Comparison of answers between 2016 and 2022



Q3 Are the changes good or bad?

In the previous question you said that you are aware of the new rules that mean you can now access your defined contribution pension savings from the age of 55 and you no longer have to buy an annuity. Generally speaking, do you think these new rules are a good or bad thing?

If a respondent was aware of the changes, they were then asked this follow-up question. 1,048 respondents were asked this question.

About 50% of respondents who said they were aware of the changes thought they were a good thing. A quarter were undecided and the remainder either didn't know (8%) or thought the changes were a bad thing (15%).

There was no meaningful difference in responses between genders or social grade, although the breakdown across ages showed that younger respondents were most likely to find pension freedoms a good thing.

Figure 6: Are the pension freedoms changes good or bad?

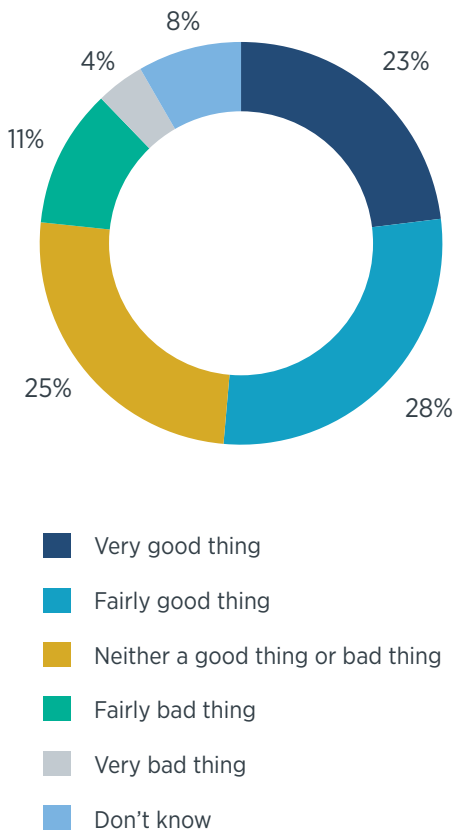
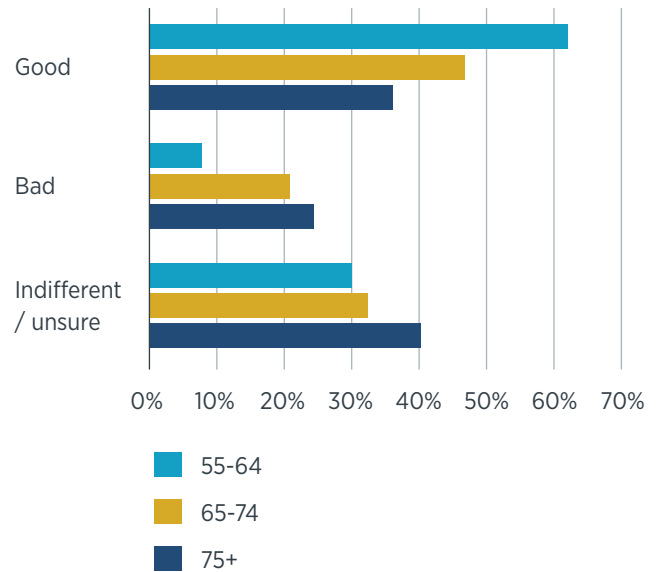
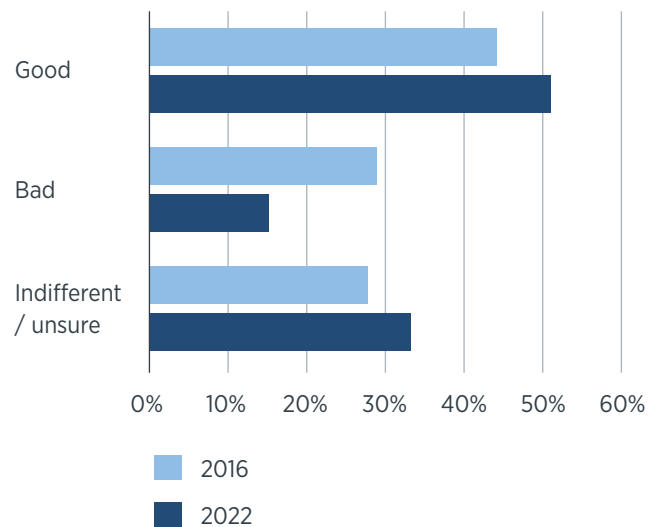


Figure 7: Views on pension freedoms split by age



This was also a repeat question from 2016, with the 2022 survey demonstrating an almost 10% increase in respondents naming pension freedoms as a good thing, and a significant fall in those viewing it as a bad thing.

Figure 8: Comparison of responses between 2016 and 2022



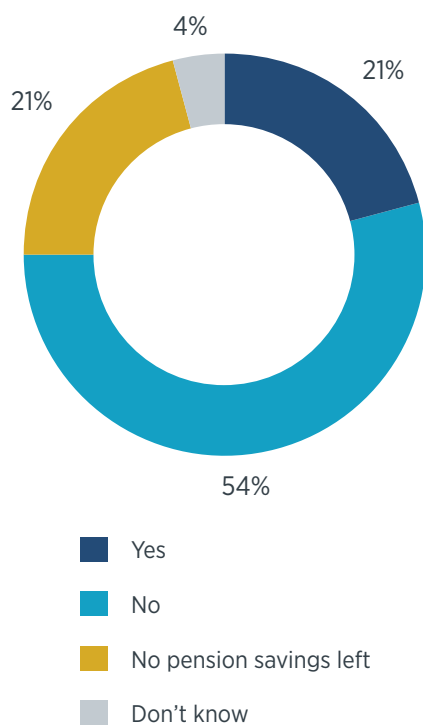
Q4 Accessing pensions

Have you accessed any pensions since the government introduced the new rules?

This question produced consistent answers across all groups and showed that just over 50% had not yet accessed any of their pension savings.

Just fewer than a quarter of respondents had no pension savings left to access. This group included those now over 75, most of whom would have drawn down all their pension under the old rules applicable before 2016.

Figure 9: Accessing pensions since pension freedoms



Q5 If you did access your pension, what options did you choose?

Which of the following did you do once you had accessed your savings? (Please tick all that apply.)

- I took my 25% tax-free lump sum
- I entered into an income drawdown arrangement
- I bought an annuity
- I have accessed it and / or made changes, but I am not sure what they are
- Other
- Don't know.

If respondents had accessed their pensions since pension freedoms, they were asked what type of action they took. 455 respondents were asked this question.

Just over half of respondents took a 25% lump sum and a quarter entered into an arrangement to start drawing down their pension savings.

Just under 20% of respondents selected 'Other' with a range of text responses, most of which were either taking the full DB pension or transferring the pension to access cash.

Unsurprisingly, the responses differed significantly by age given that different age categories will be at different stages of retirement.

Annuity purchase was selected by just 6% of respondents overall, although 12% of those aged 75+ had purchased an annuity since 2015.

Figure 10: How respondents accessed pensions

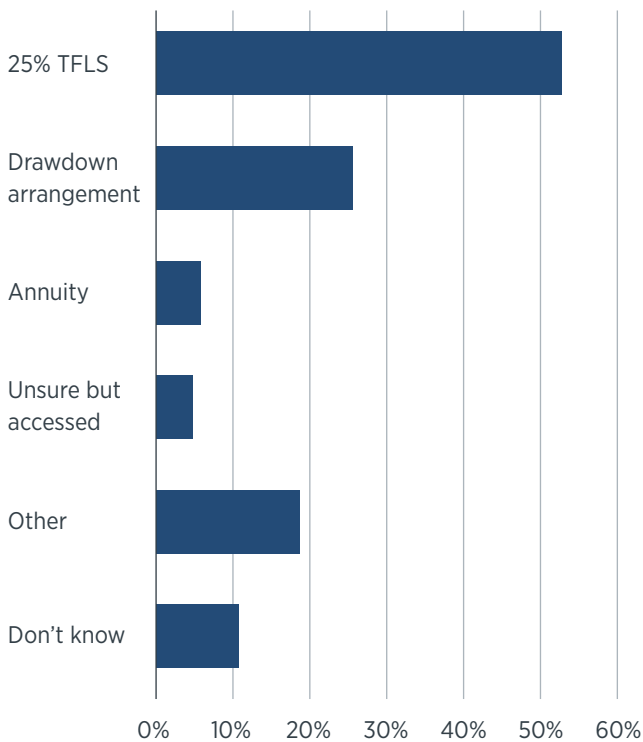
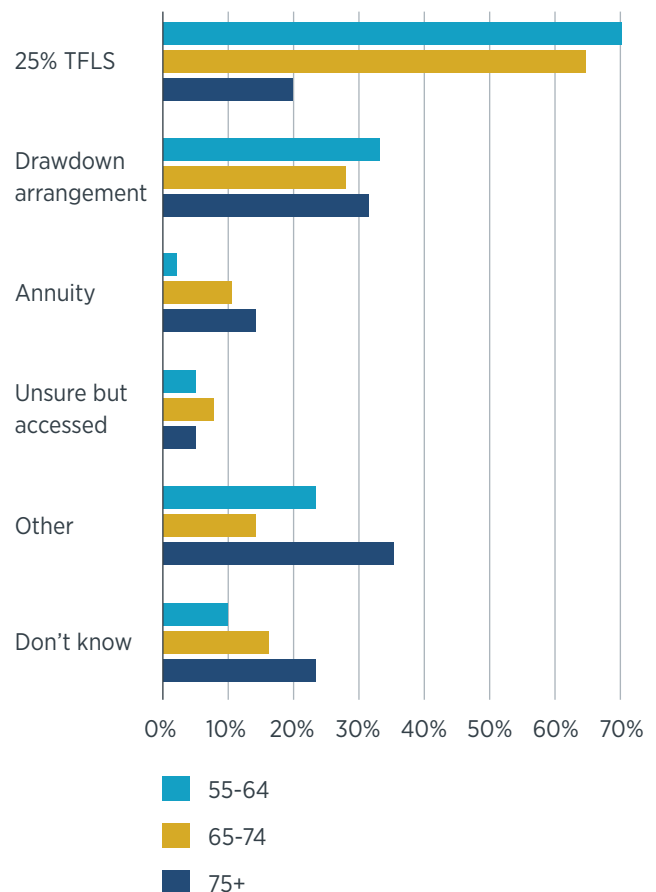


Figure 11: Accessing pensions split by age



Q6 If you haven't accessed your pension, why not?

Which of the following reasons, if any, is why you have not accessed these savings? (Please tick all that apply.)

- I do not yet need to access these savings
- I wasn't aware that I could access my pension savings
- I had already used these savings to buy a product and I am happy with the way my pension is paid to me
- I want to learn more about the choices available to me first
- I think that the charges for changing the way that my pension is paid to me will be too high
- I think the cost of advice is too high
- I think it seems like too much effort
- I had already used these savings to buy a product, but I would like to change the way my pension is paid to me to reflect the new rules
- Other
- Don't know.

If respondents had not accessed their pensions since pension freedoms, they were asked why they had not. 1,124 respondents were asked this question.

Overall, about one third of respondents said they had no present need to access their pensions.

There was a variation across the groups: those most likely to say they had no need to access their pension savings were male, EU remainers, age group 55-64, social grades ABC1 and people in the geographic region of London and the rest of the South.

Reasons for not taking advantage of the new rules included:

- My current pension plan works OK
- I need more information
- I think charges will be too high
- It will take too much effort to push through
- I retired before the new rules came in.

Figure 12: Respondents who didn't access pension



Q7 Taking advice or guidance

When you accessed your pension, did you seek formal guidance or advice to help you with your decisions?
(Please tick all that apply.)

- Yes, I accessed government guidance such as Pension Wise
- Yes, I accessed guidance provided by my employer
- Yes, I took financial advice from a regulated financial adviser
- Yes, but from a formal source not listed here
- No.

If respondents had accessed their pensions since pension freedoms, they were asked what type of action they took. 455 respondents were asked this question.

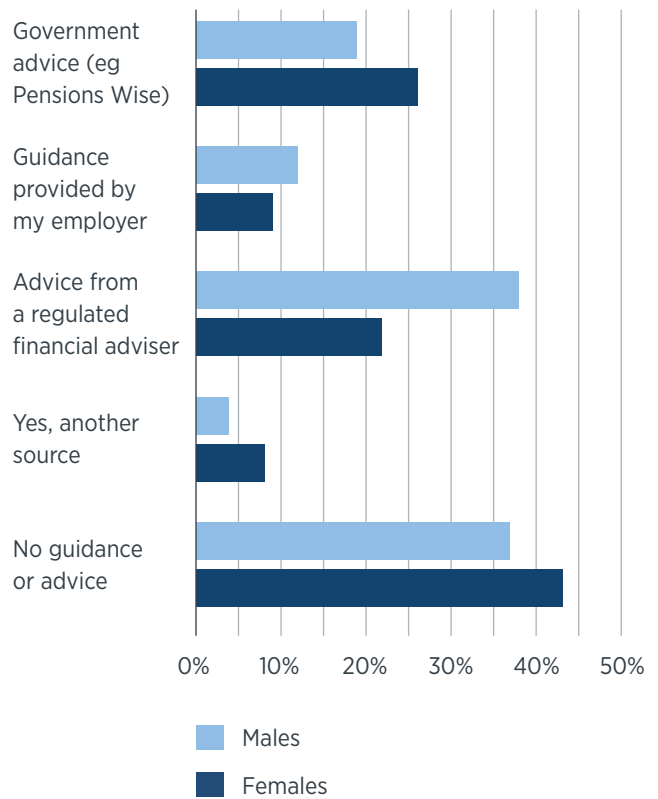
Of those who accessed their pension under the new rules, 40% of respondents took no advice at all, with age being the most significant difference in the demographics of these respondents.

Of those who took advice, men were more likely to take advice from a regulated financial adviser and women more likely to rely on generic government sources like Pension Wise.

Figure 13: Advice taken when accessing pensions by age



Figure 14: Advice taken when accessing pensions by gender



Q8 Taking advice or guidance

You said that you did not seek formal guidance or advice, what was the main reason for this?

- I felt that I didn't need to take guidance or advice
- I had colleagues, friends or family to give me informal guidance or advice
- The costs of regulated financial advice are too high
- I don't trust financial advisers
- I didn't know how to find guidance or advice
- Other
- Don't know.

If respondents had accessed their pension since pension freedoms and had not taken guidance or advice, they were asked why they had not taken it. 177 respondents were asked this question.

For most respondents who didn't seek advice, it was because they decided they didn't need to. For example, some members of DB schemes considered they didn't need advice and some respondents felt their pension savings were too low to warrant it. Of the other respondents, around 10% took informal advice from family and friends.

Significantly more men than women felt they didn't need to take advice, although the barriers to advice of cost and trust were similar across genders.

Figure 15: Reasons for not taking advice

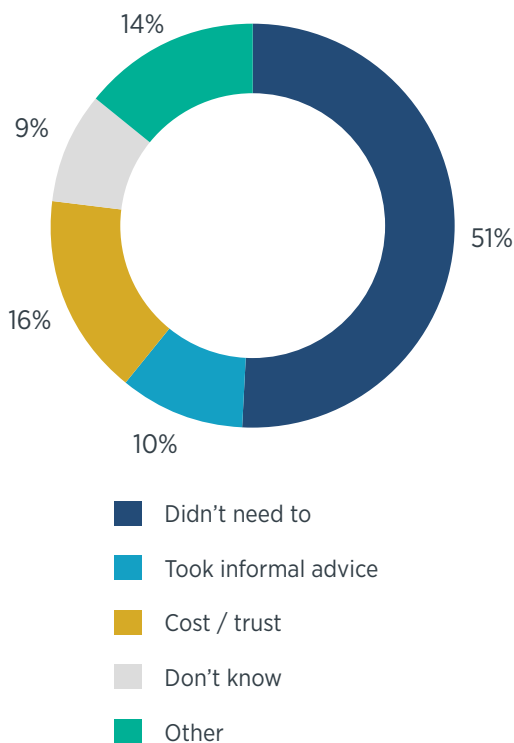
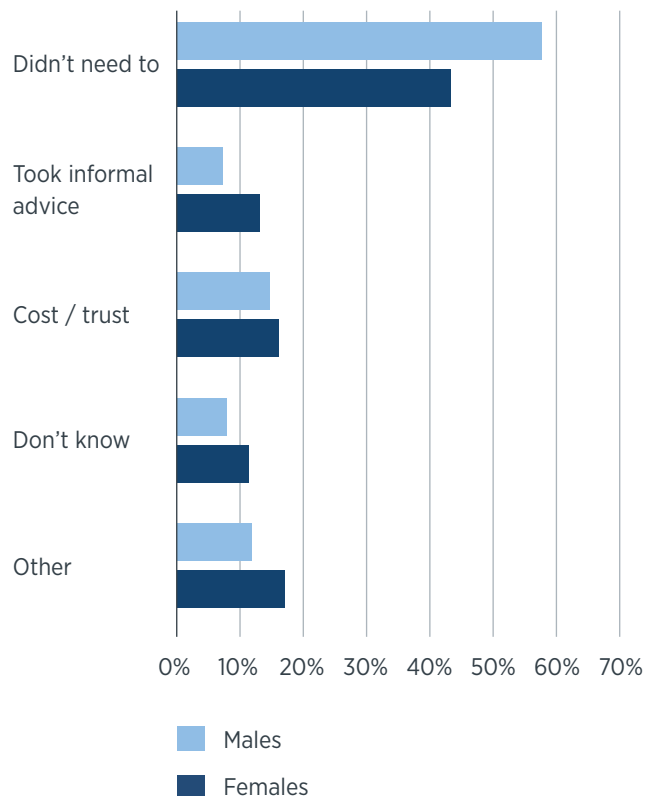


Figure 16: Reasons for not taking advice by gender



Q9 Decision regrets

If you could go back to when you did access your pension(s), what, if anything, would you do differently? (Please tick all that apply.)

- I would plan my retirement earlier to better understand my options
- I would like more flexibility with how I access my pension savings
- I would take more of my pension as cash
- I would take my pension as a regular income or annuity so that I have security that my money will not run out
- I would access guidance or regulated financial advice
- Other
- I wouldn't do anything differently
- Don't know.

If respondents had accessed their pensions since pension freedoms, they were asked if they would like to go back in time to access their pension in a different way. 455 respondents were asked this question.

Nearly three-quarters of those who had accessed benefits under the new rules were happy with their decisions. Of those who had concerns, the most common regret was not making financial plans for retirement at an earlier stage.

Those in the older age categories were more likely to have regrets about their decisions, and those in the 75+ age category would most likely have wanted to purchase an annuity earlier.

Figure 17: Would respondents access their pensions differently?

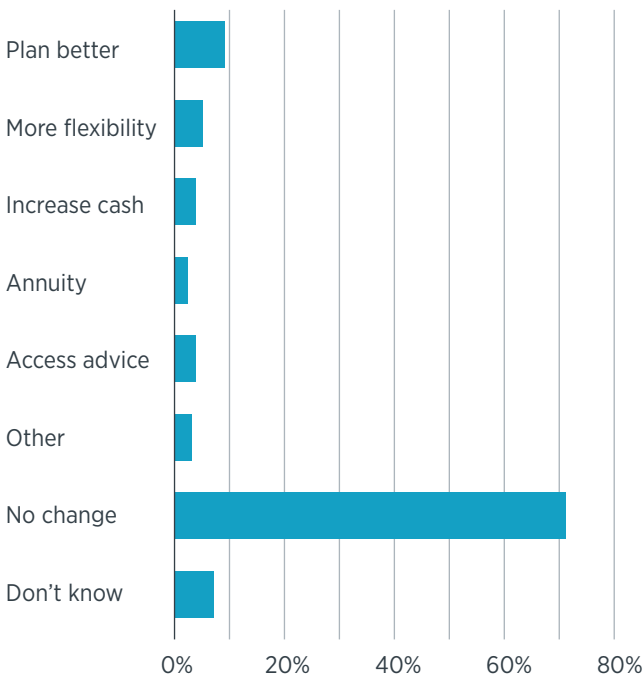
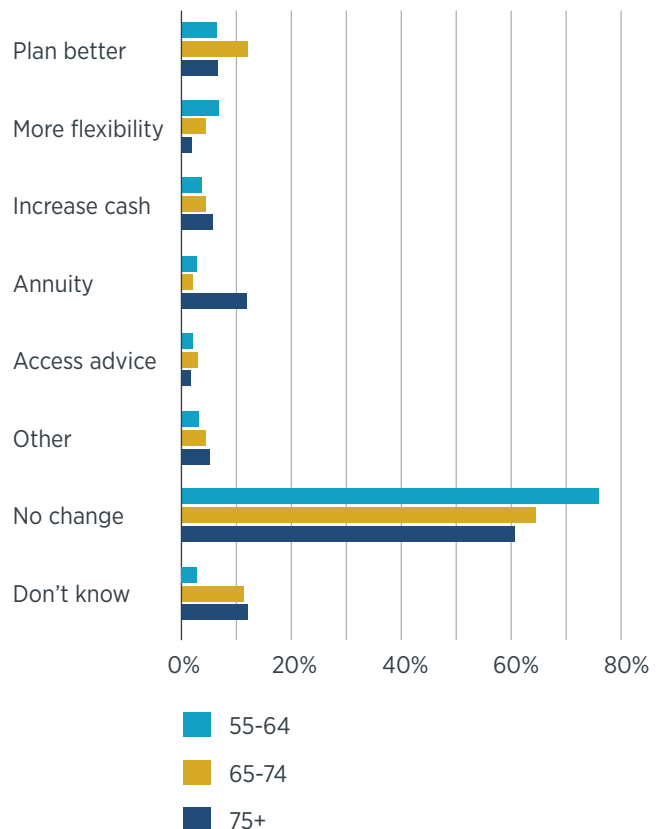


Figure 18: Changing their previous actions by age



Q10 Retirement concerns

What is / was the biggest challenge or worry when planning your retirement?

- Worrying that I make the wrong decision and run out of money
- Not fully understanding my options
- How to access good quality guidance or advice
- Lack of understanding of pension products and charges
- Falling victim to a pension scam
- Other
- Don't know.

About a quarter of respondents were worried that their pension pot would run out. Most of the remaining respondents had concerns about:

- Not understanding all the options
- How to get good advice
- Not understanding the products and charges
- Falling victim to a scam.

Many of the respondents that answered 'other' expressed not having any concerns when it came to their retirement or were already far enough through retirement that they were not worried about their remaining retirement.

Younger respondents favoured a fear of running out of money over other worries, while older members were less likely to pick one of the options available.

Figure 19: Retirement concerns

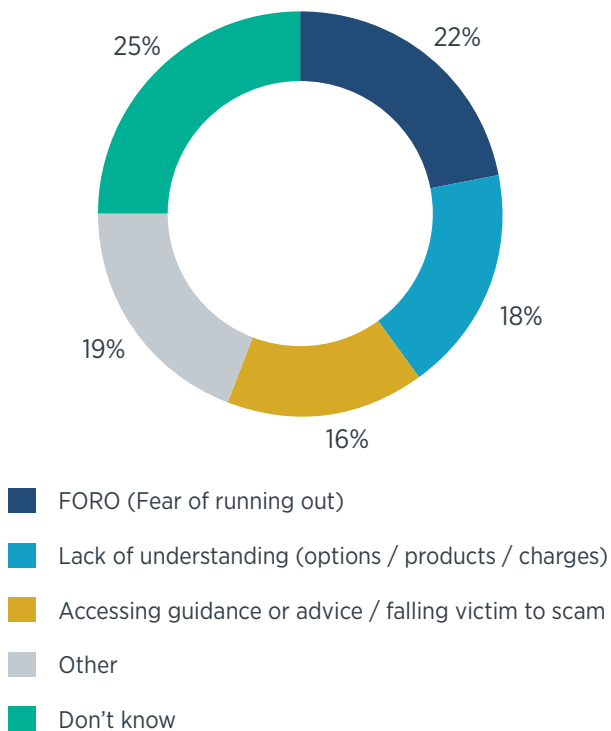
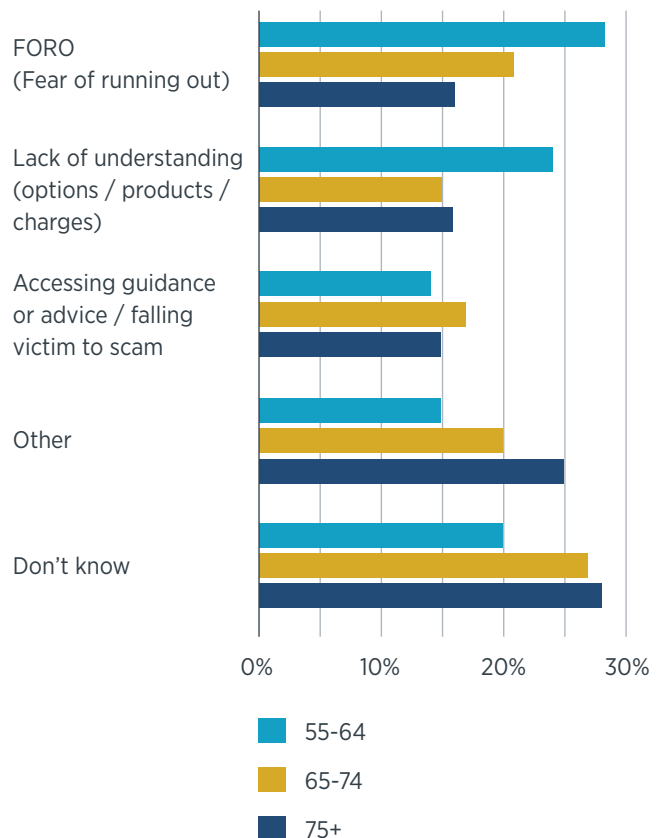


Figure 20: Retirement concerns by age



Q11 Expenditure

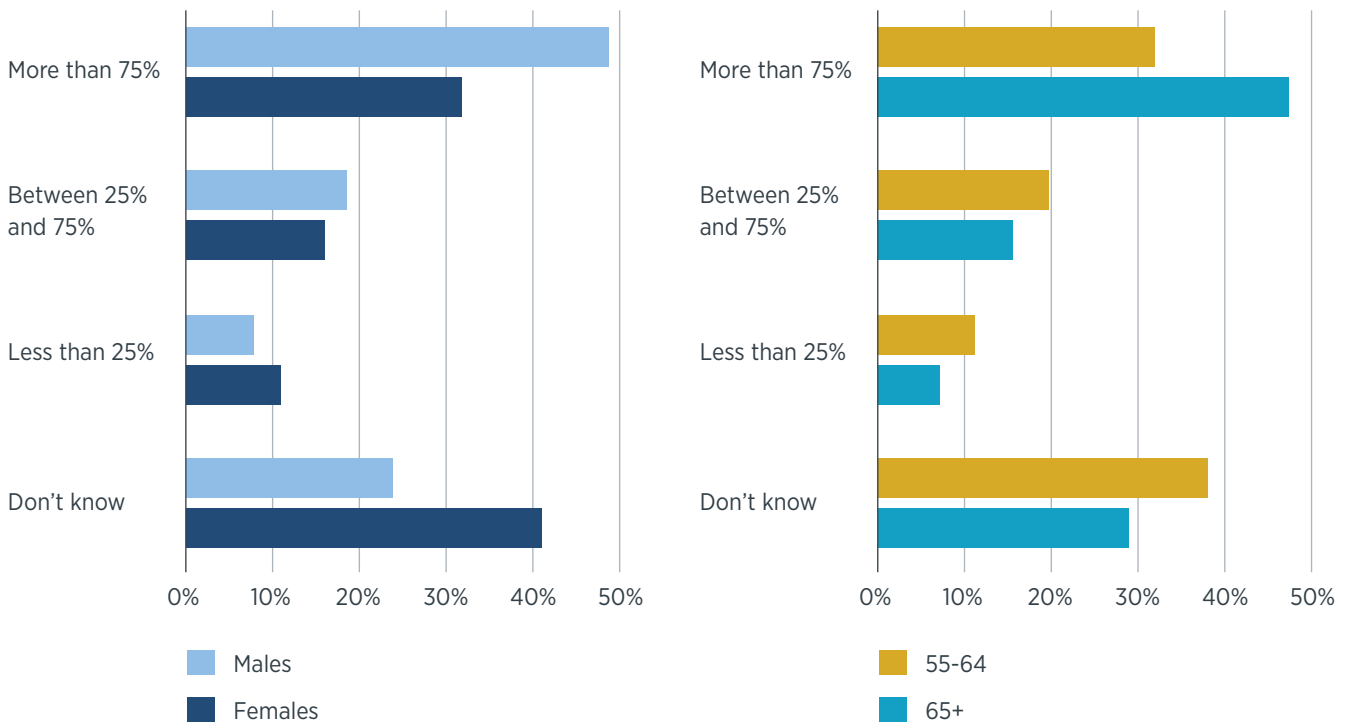
What proportion of your normal regular expenditure in retirement is being met / is expected to be met from your pension savings?

41% of all respondents expected more than 75% of their regular expenditure to be met from their pension savings, while 32% answered 'Don't know'.

As with previous charts, the class split results almost exactly mirror the gender splits, with women expecting less of their regular expenditure to be met from pension savings compared to men.

Older respondents expected more of their expenditure to be covered by their pensions savings, possibly as they are further into retirement or have better pension provision than younger generations (who will be more likely to be relying on a combination of defined benefit and defined contribution pension provision).

Figure 21: Expectation of income meeting expenditure by gender and age



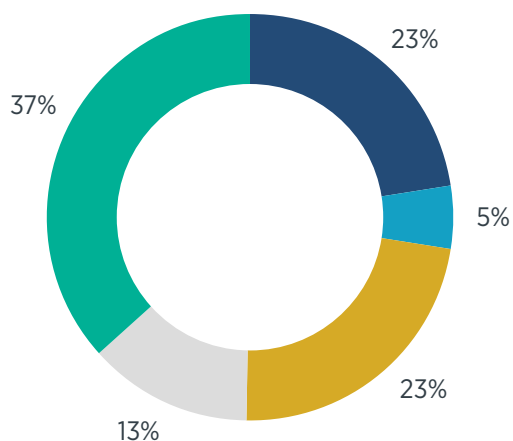
Q12 Expenditure

There is a 1 in 10 chance of a female currently aged 65 living to age 98 (96 for a male). Before taking this survey were you aware of this?

Members of DB schemes do not normally have a concern that their pension pot would run out. In contrast, participants in DC arrangements must take this major factor into account.

Although this question is quite specific, it was intended to demonstrate awareness of the probability of an individual living well into their 90s; 73% of the respondents were not aware of this. 23% of respondents said their retirement plans could allow for longevity in this region.

Figure 22: Understanding of life expectancy



- Yes, and my retirement plan allows for this potential life expectancy
- Yes, but my retirement plan assumes I will not live that long (poor health)
- No, and my retirement plan allows for this potential life expectancy (or longer)
- No, but my retirement plan assumes I will not live that long (poor health)
- Don't know

Q13 Charges

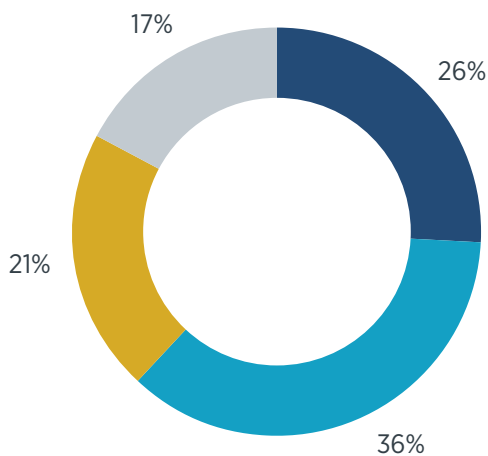
To what extent, if at all, do you feel you understand all the charges you are paying in your defined contribution pension?

Members of DB schemes do not normally have a concern that their pension pot would run out. In contrast, participants in DC arrangements must take this major factor into account.

Although this question is quite specific, it was intended to demonstrate awareness of the probability of an individual living well into their 90s; 73% of the respondents were not aware of this. 23% of respondents said their retirement plans could allow for longevity in this region.

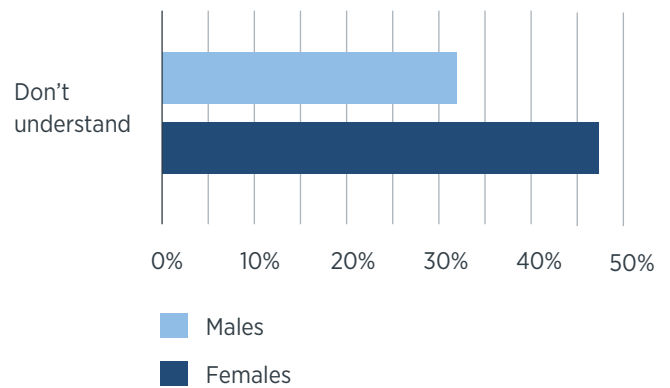
Of those that did not understand, there was a significant difference between genders.

Figure 23: Charge structure understanding



- I fully understand
- I somewhat understand
- I don't really understand
- I don't understand at all

Figure 24: Charge structure understanding by gender



Q14 Investments

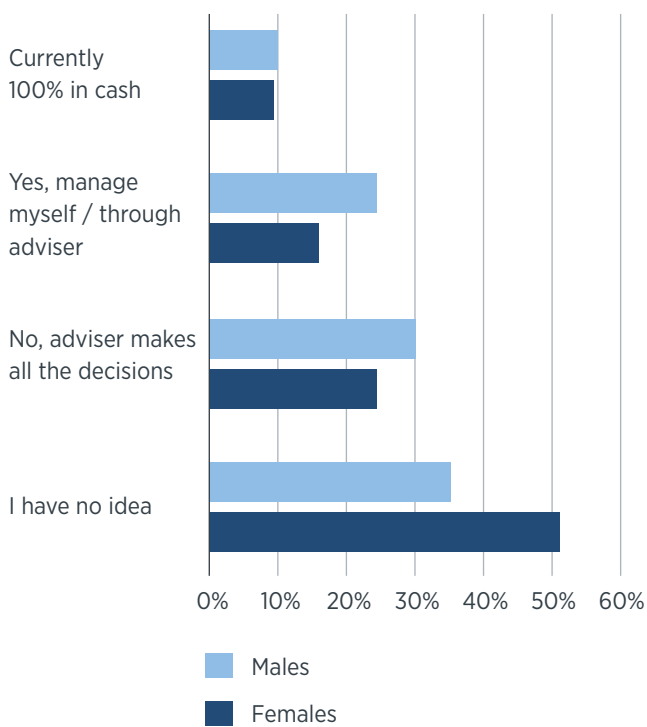
Do you know what your pension savings are invested in?

Again, this question was posed only to members of DC schemes. 993 respondents were asked this question.

70% of respondents did not know how their pension money was invested. 42% said they had no idea at all, with the remaining 28% saying they left investment decisions to their adviser.

About 10% responded to say that their fund was invested wholly in cash. Some respondents will have a good rationale for this decision but there is a concern that some DC members are foregoing long-term investment return by holding funds on cash deposit. This is the subject of a current government consultation.

Figure 25: Investment structure understanding



Conclusion

Gender and socio-economic gaps – throughout the survey there is a clear trend for women and those from lower socio-economic groups to understand less about their pension savings and be less likely to access formal advice or guidance. This suggests the industry should consider targeted communication with these groups to address these gaps in pensions understanding.

Access to advice – ‘cost’ and ‘lack of trust’ are stated as barriers for individuals to access regulated retirement planning advice. A push to nudge towards government guidance services partly addresses this but it suggests that more needs to be done in the industry to make reputable regulated advice more affordable and easier to access.

Understanding charges – although the survey showed most members have a level of understanding about their DC pension and charges, a much lower proportion of respondents fully understand these, and there is a concern in some cases that charges are too high. This suggests that more needs to be done by DC pension providers to make charges more transparent.

Savings adequacy – the younger the respondent, the more ‘fear’ there was of running out, as well as a greater lack of understanding about their retirement options. This could be (in part) due to the fact that the younger age group had more options, overall lower pension provisions and fewer guarantees (ie a greater reliance on DC pensions), compared to the older respondents who are more likely to have DB pensions.

Financial advice while accumulating pension wealth can help, but those with less in the way of general resources will be less likely to find an affordable adviser. Improving access to affordable guidance and education would improve this.



Institute
and Faculty
of Actuaries

Beijing

14F China World Office 1 · 1 Jianwai Avenue · Beijing · China 100004
Tel: +86 (10) 6535 0248

Edinburgh

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA
Tel: +44 (0) 131 240 1300

Hong Kong

1803 Tower One · Lippo Centre · 89 Queensway · Hong Kong
Tel: +852 2147 9418

London (registered office)

7th Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP
Tel: +44 (0) 20 7632 2100

Oxford

Belsyre Court · 1st Floor · 57 Woodstock Road · Oxford · OX2 6HJ
Tel: +44 (0) 1865 268 200

Singapore

5 Shenton Way · UIC Building · #10-01 · Singapore 068808
Tel: +65 6906 0889

www.actuaries.org.uk

© 2023 Institute and Faculty of Actuaries