The auto enrolment experience over time

Understanding the real impact of contribution increases on behaviours and attitudes

Authored by

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About our project partners, LGIM

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About Nest Insight

Nest Insight is a collaborative research unit set up by Nest Corporation to help understand and address the challenges facing Nest members and other defined contribution savers. For more information visit: **nestinsight.org.uk**

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Foreword

Auto enrolment in the UK has been a great success so far. With the staging dates completed, all employers are now automatically enrolling their eligible workers, and millions more people are saving into a private pension to provide for their later life. Opt-out rates from the start were lower than expected at less than 10 per cent across the industry. For new workers enrolled into Nest the opt-out rate is around 6 per cent[1]. To smooth the experience of savers and employers the UK government decided to take a phased approach to minimum contribution levels, with two rises planned after the introduction of auto enrolment. This structure was also in part an attempt to mirror the successful 'Save More Tomorrow' approach used by auto-escalation schemes in the United States (US)[2]. The first phased contribution increase took place in April 2018, with the second increase due in April 2019, taking total minimum contributions from 2 per cent at the start, to 5 per cent today, to 8 per cent in the coming months. The key question raised by this auto-escalation of contributions was whether it would challenge the status quo and lead savers to cease contributions and cause new joiners to opt out at a higher rate.

> "Whilst inertia has clearly been harnessed as a powerful force for good, we need to be mindful of the flipsides of its power"

In March 2018, we published our point of view, based on behavioural insight from around the world, that any changes in behaviour in response to the contribution rises would be modest, and that we would not see large increases in opt-outs or cessations[3]. Data released by Nest, other providers and the Department for Work and Pensions[4] since the increase confirms this to have been the case. Research with Nest members before and after the rise, further confirms this while allowing us to dig more deeply into savers' experience of the rise.

Many of the signs emerging from this research are extremely positive. Very few members (1 in 20) think too much of their income goes into their pension. Indeed, over a quarter of members told us after the increase that they've thought about increasing their contributions further, suggesting more thought could be given to how to make it easier for those people who have expressed an interest in increasing their contributions to do so in a way that relates more closely to their desired retirement outcomes. In addition, there are signs that as the auto enrolment timeline has progressed, there has been a slight increase in Nest members' confidence in their saving for later life, and we have seen an increase in members aged over 60 anticipating that their own pension will be their main source of income in retirement. There are many reasons here for optimism – more people are now saving more for their retirement, giving them greater confidence in their future.

However, it's also important that we dig under the surface of this picture of success as we look ahead to the future. Whilst inertia has clearly been harnessed as a powerful force for good, we need to be mindful of the flipsides of its power. Based on this research, there are two areas which we believe require further monitoring and evaluation going forward:

[1] NEST Insight and Vanguard (2008) **How the UK Saves.** Based on cumulative enrolment data as at 31 January 2018
[2] Thaler, R.H and Benartzi, S. (2004) *Save More Tomorrow: Using Behavioral Economics to Increase Employee Savings*. United States: The University of Chicago Press
[3] Sandbrook, W. (2018) **Viewpoints: What should we expect from phasing?** NEST Insight, London
[4] Department for Work and Pensions (December 2018) **Automatic enrolment evaluation report 2018**

1. Engagement with retirement outcomes rather than inputs

Whilst 77 per cent of members told us they look at their payslips, only 49 per cent noticed an increase in their contribution. This is strong evidence that many people are looking at take-home pay, rather than contribution amount, which may not have changed much, if at all, given the cushioning effects of other changes in April 2018. There's also been a decrease in those who say they know how much they are contributing to their pension, from 64 per cent before to 57 per cent after the contribution rise. Given this low awareness of contribution amounts, it's likely that few people are considering whether what they're saving will be adequate for the retirement outcomes they hope for. Previous research has found that when people are automatically enrolled into pension saving they're less engaged in it than if they had actively and voluntarily signed up to saving themselves. Automatically enrolled workers in one well-known US study, for example, were more likely to stay with both the default contribution rate and the default fund allocation than those who had elected to join the scheme[5]. It's possible that people trust that the default contribution levels have been set at an adequate amount – that they're seen as advised levels rather than minimum levels. We would like to explore this issue and possible behavioural interventions to address it in our future research.

2. The relationship between pension saving and debt

Although low opt-out and cessation rates are to be celebrated, we need to remain aware of the broader financial context in which people save for retirement. There is little if any evidence from this survey that savers are funding increased pension contributions through debt – rather, where there is a take-home pay impact it seems to have been funded through moderating consumption. Yet a small number of people, 8 per cent of Nest members, reported themselves to be over-indebted in both waves of the survey. Strikingly, these people were more likely to have become unaware of how much they were paying into their Nest pot between the waves (22 per cent compared with a Nest average of 17 per cent). This is something to watch, and we intend to do more work into the topic of indebtedness and pension saving during the coming year

Overall this new in-depth research with Nest's members before and after the first contribution rise presents a positive picture. Looking ahead to the next rise in April 2019 there are many reasons to believe there will be a similarly low impact on cessations and opt-outs. Like others, we will watch with interest as the next rise takes effect, including looking to see if the trends emerging from this research persist.

Nest Insight relies on sponsorship and research grants to deliver its ambitious programme of work. We are grateful to Legal & General Investment Management (LGIM) for supporting this research and report, as well as their ongoing support of our work.

Will Sandbrook
Executive Director of Nest Insight

[5]Madrian, Brigitte C. and Shea, Dennis F. *The Power Of Suggestion: Inertia In 401(k) Participation And Savings Behavior 2001.* Quarterly Journal of Economics, 2001, v116 (4,Nov), 1149-1187

Following its roll-out in 2012, auto enrolment has been a clear success in helping members to save more for their retirement. With opt-out rates well below industry expectations, we at Legal & General Investment Management (LGIM) fully support the next increase of auto enrolment contributions scheduled for April 2019.

At LGIM, we are committed to doing more to support trustees, employers and members. Recently, we have explored using behavioral 'nudges' to help members make better-informed decisions for their retirement. Through a number of methods, including personalised video benefit statements, we are working to help members understand how much they may need to contribute and encouraging them to make changes to the amount they pay in, in order to help them enjoy an increasingly varied set of post-retirement lifestyles. We have found these methods to be highly effective at increasing engagement. Our video benefit statements, developed with one of our largest clients, encouraged 95 per cent of viewers to watch until the end. Of these, 37 per cent took action; changing their contribution level. We continue to look at ways to harness member awareness and increase positive engagement.

So, we are delighted to have supported NEST Insight's incredibly valuable research. It sheds further light on key retirement behaviours, firmly underlining that we are not approaching 'saturation point' in contribution levels just yet, and suggesting that 2019's increase may achieve similar levels of success. It's important to remember, however, that contribution rates are still not at the level most defined contribution members will need to be saving at in order to finance the pension they need for a comfortable retirement. NEST Insight's research rightly points out that we may be approaching a point of heightened sensitivity when it comes to contribution rates, and heavily indebted members are more likely to be anxious about additional contributions. Further research and more initiatives need to be brought to light before we can say we've hit upon the magic formula to provide members with the retirement they picture. At LGIM we are committed to helping members get the best possible outcomes in retirement by continuing to address the challenges they face, now and in the future.

"Further research and more initiatives need to be brought to light before we can say we've hit upon the magic formula to provide members with the retirement they picture"

Emma Douglas
Head of DC, LGIM

Glossary of terms used in the report

After survey: A follow-up survey undertaken between 18 September and 18 October 2018 amongst Nest members who had consented at the *Before survey* to be re-contacted.

Auto enrolment: The requirement, introduced in 2012, for all employers to automatically enrol their eligible jobholders into a workplace pension scheme if they are not already in one. Workers have the right to opt out of the scheme if they want to.

Before survey: An initial benchmark survey undertaken amongst Nest members between 16 March and 17 April 2018 before the first phased contribution rise.

Contribution rises: A statutory increase in the minimum amount members, employers and the Government pay into an auto enrolment pension scheme.*

Longitudinal analysis: An understanding of data over a period of time.

Membership Information (MI): Data held by Nest on its membership base.

Nest members: When workers are enrolled into Nest, they become members of the Nest pension scheme. In this report, we use the term Nest members to refer to those who were registered as actively contributing to the Nest pension scheme as of February 2018.

Over-indebted status: Those who either feel that keeping up with bills and credit commitments is a heavy burden or have missed three or more monthly payments for bills or credit commitments in the last six months. This is based on a Money Advice Service (MAS) definition[6].

Personal contributions: The money a worker pays into their workplace pension scheme. This excludes any contributions made by the employer or Government.

Savings: Any money that's been set-aside, excluding pension savings.

Unsecured borrowing: Borrowing that doesn't include loans a member has secured against their assets, such as a mortgage or car finance.

Weighting factor: A statistical weight given to a data point to assign it a lighter or heavier importance in a group.

	Before April 2018	After April 2018	Looking ahead from April 2019
Member contribution	0.8%	2.4%	4%
Employer contribution	1%	2%	3%
Tax relief	0.2%	0.6%	1%
Total contribution	2%	5%	8%

*Statutory increases in the minimum amount paid into an auto enrolment scheme

[6] Money Advice Service and CACI (2017) **Levels of over-indebtedness in the UK: Technical report, 2017 over-indebtedness model**. MAS, London

The quick read

Before and after the first contribution rise: what did we learn?

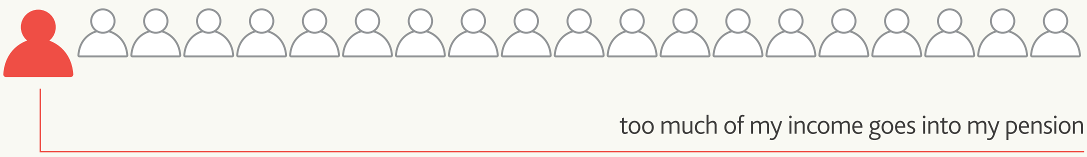
At a headline level, the first phased contribution rise had very little impact, either on cessation or opt-out levels, or the broader picture of other saving and indebtedness. However, given the size of the population affected, it's no surprise that a much richer picture emerges when we look under the surface...

Affordability

Was there any impact on perceptions of affordability of pension saving?

Very few members think too much of their income goes into their pension and this hasn't changed.

1 in 20 agree

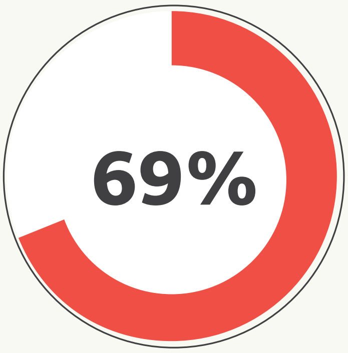


However there was a slight decrease in members disagreeing with the statement – this may be an early warning sign that sensitivity to contribution levels is increasing.

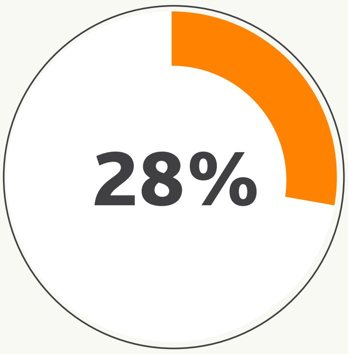
Was there an increase in opt-outs or cessations or the consideration of it?

Nest has seen no evidence of an increase in cessation or opt-outs following the automatic increase in contributions.

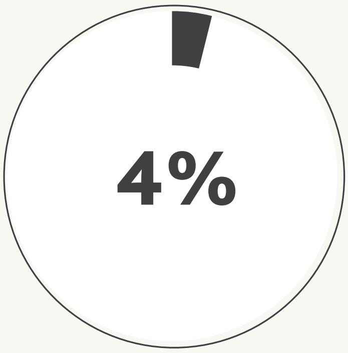
At the *After survey*, very few members had considered decreasing their pension contributions and indeed over a quarter had thought about increasing them:



Had not considered changing their pension contributions



Had considered increasing their pension contributions

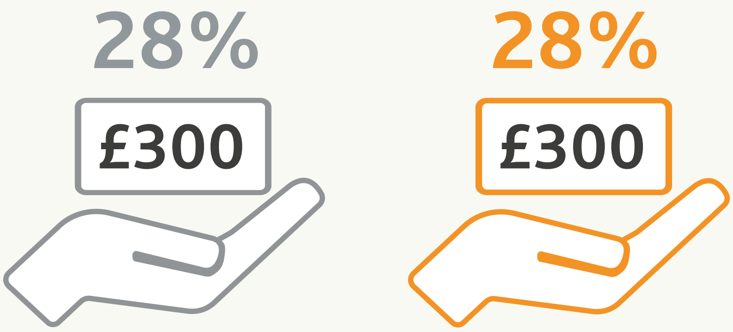


Had considered decreasing or stopping their pension contributions altogether

What impact, if any, has there been on financial resilience?

No net change has been seen in the ability to pay an unexpected bill. Almost two thirds of members have remained able to pay an unexpected bill using their own money.

Nest members who would have to borrow to pay an unexpected bill of £300 within seven days:



Before

After

The quick read

Awareness

Did people notice the contribution rise?

About half of Nest members didn't notice a change in contributions. There was higher awareness of the increase in personal contributions than employer contributions.

51% didn't notice an increase in their pension contributions

36% said their employer was paying more in pension contributions

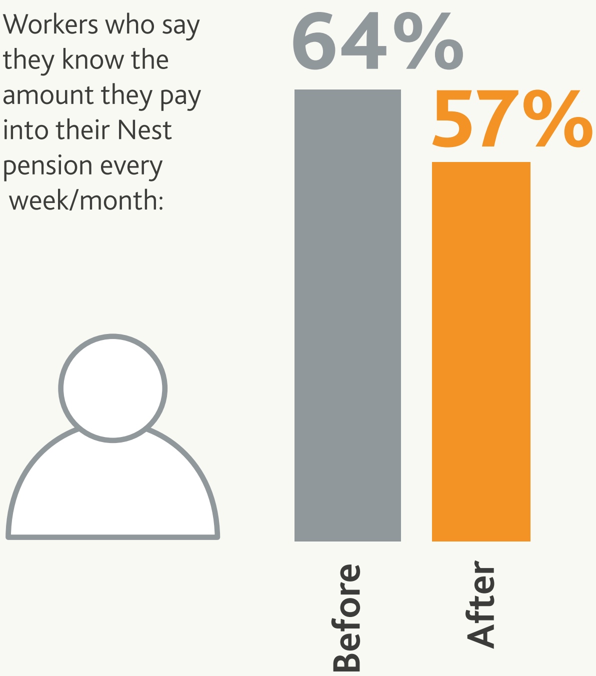
44% said they were paying in more pension contributions themselves

32% noticed a rise in employer and member contributions

Did it increase awareness of pension contributions?

There has been a fall in the proportion of members saying they know how much they pay into their pension. Members are more aware of how much they are personally paying in than how much their employer is contributing.

Workers who say they know the amount they pay into their Nest pension every week/month:



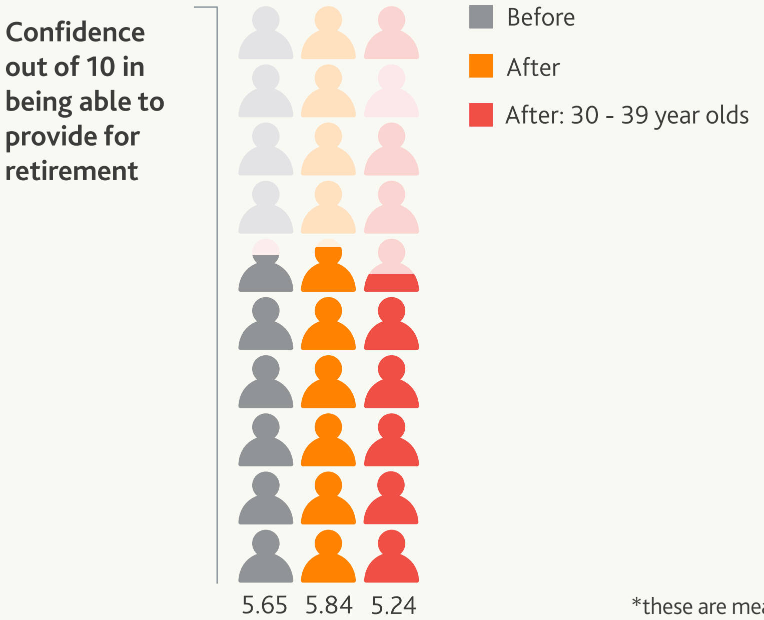
38% say they know the amount their employer contributes*

*this question was only asked in the after survey.

Confidence

Did increased pension contributions lead to greater confidence in being able to provide for retirement?

There has been a very small increase in confidence in being able to provide for retirement. Members in their thirties are the least confident.*

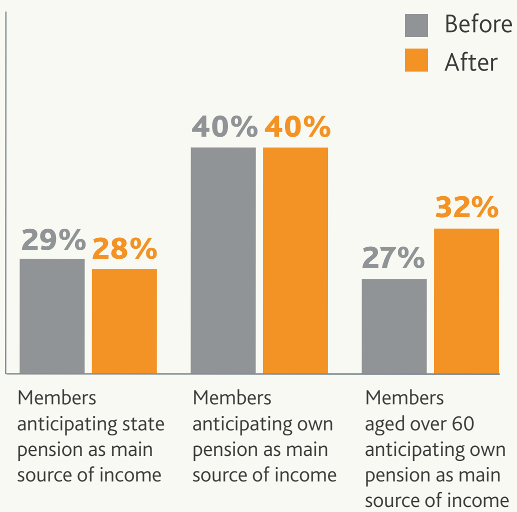


*these are mean scores from a 0-10 confidence scale.

Did the increase in pension contributions make people more likely to consider their pension as a main source of retirement income?

There has been little change at a high level in the extent to which members consider that their pension will be their main source of income in retirement.

However, there has been an increase in the proportion of older members who think their own pension savings will be their main source of funding for retirement.



The quick read

Impact on debt

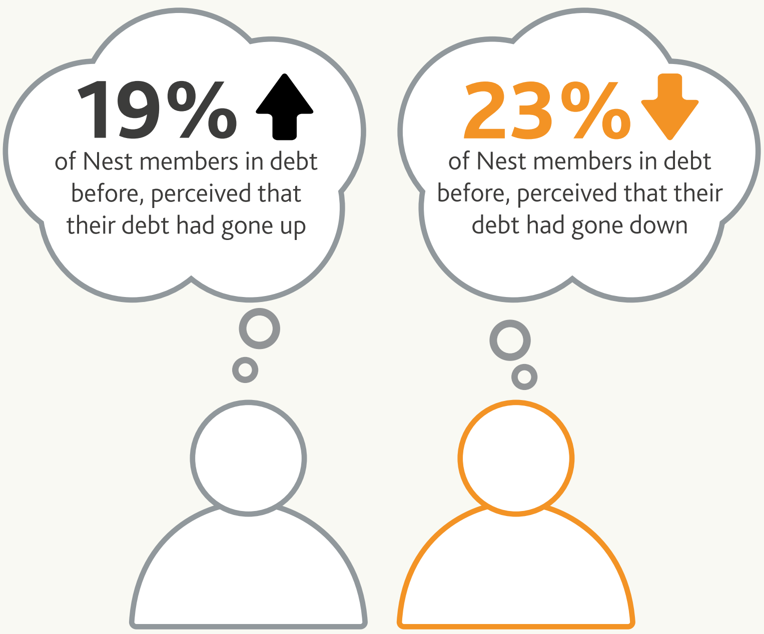
How, if at all, did levels of over-indebtedness change?

About the same proportion of Nest members are over-indebted now as before the automatic contribution rise.

Before	After
15%	14%

Do members feel they have more debt now?

Overall there was actually a slight reduction in individuals' perception of their debt levels:



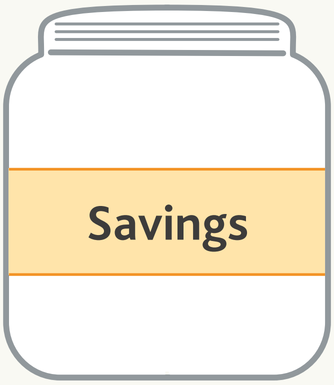
Impact on savings

Did increased pension contributions replace more immediate savings?

There's no indication that the presence of non-pension savings has changed and neither has the frequency of saving.

3 in 5

members still have savings after the contribution rise



1 in 4

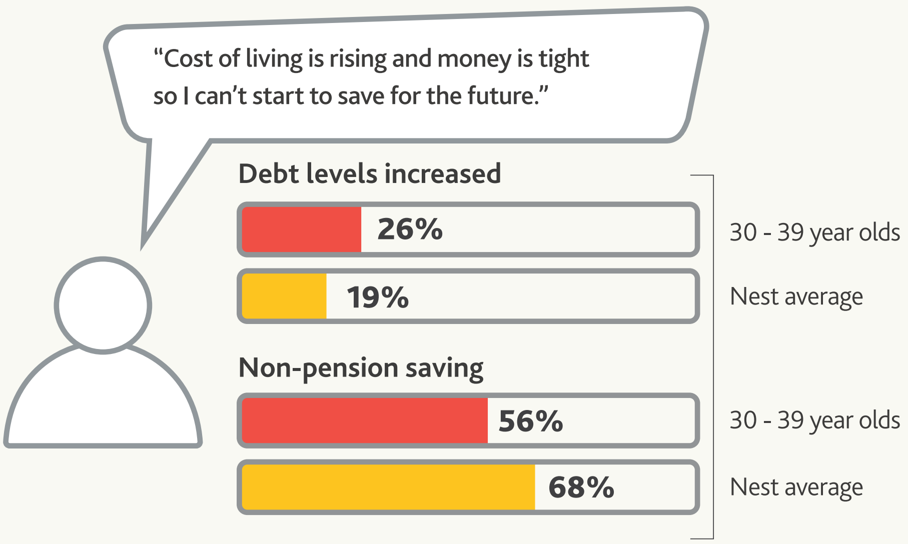
members still don't have savings after the contribution rise

The quick read

Groups to watch

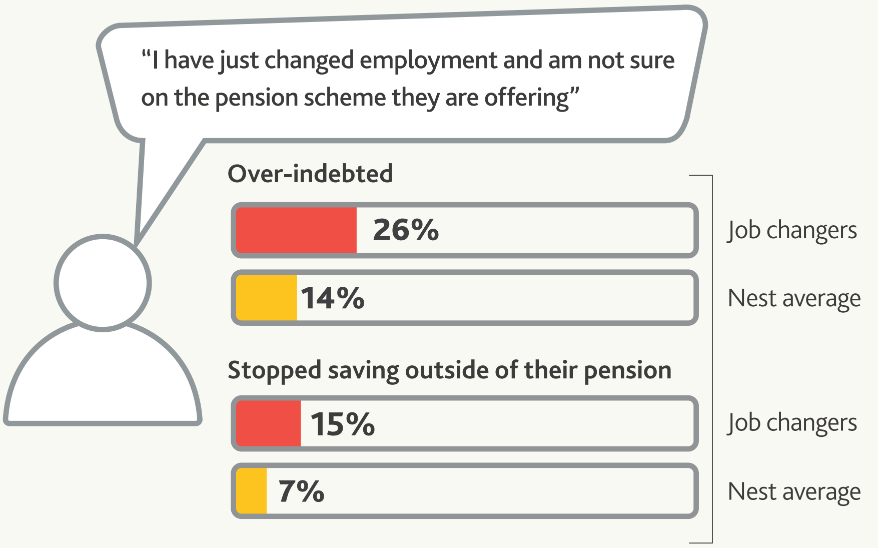
The general picture, consistent with the national view, is clearly that Nest members have not felt adverse impacts of the first contribution rise. However, below the surface of the total picture, there are three groups to keep an eye on:

30 - 39 year olds



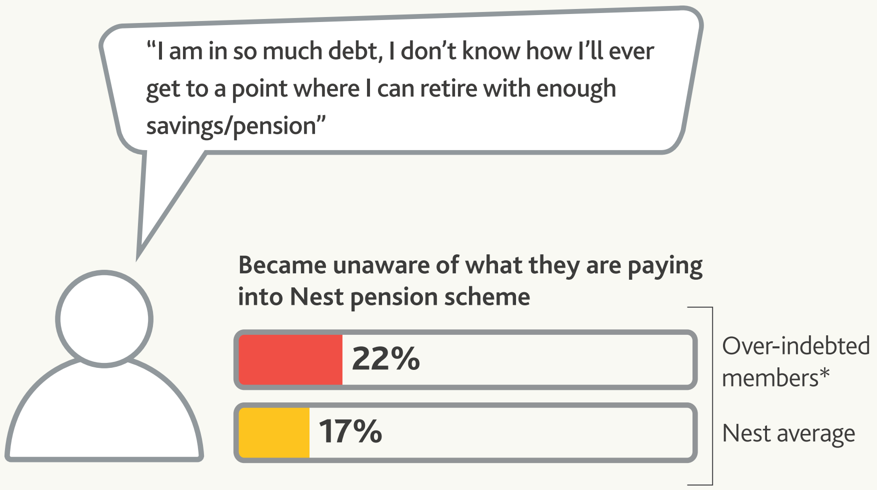
26 per cent of 30-39 year old Nest members perceive their debt level had increased compared with 19 per cent for the Nest average. 30-39 year olds are also the least likely to save.

Job changers



Nest members who have changed jobs are significantly more likely to be over-indebted. Job changers are also more likely to have stopped saving, outside of their pension saving.

Debts to pay



Members who are over-indebted are most likely to have become unaware of what they are paying into the Nest pension scheme.

*8 per cent of Nest members were over-indebted across both surveys. This chimes with other data that we have from a recent survey by GfK, where 6 per cent of Nest members stated that they are either "having to draw on savings" or are "running into debt".

Introduction and background

Context

Auto enrolment into workplace pensions was introduced in the UK at the end of 2012. Existing organisations had to enrol their workers by April 2017, followed by all other employers by February 2018. Since February 2018, auto enrolment has been in place for all eligible workers, initially at the contribution level of 2 per cent of the worker's pensionable income[7]: with 1 per cent of that coming from the employer, 0.8 per cent from the worker and 0.2 per cent of tax relief from the Government.

Since 2012 more than 9.5 million people have been automatically enrolled and the proportion of workers who contribute to a workplace pension has significantly increased, with a further quarter of UK workers having an active workplace pension scheme by 2017 (73 per cent compared with less than 47 per cent in 2012[8]).

The levels of pension contributions have been designed to be phased in over time to help employers and individuals adjust. In April 2018, at the start of the new tax year, the contribution levels were automatically raised, increasing to a 5 per cent total contribution (2 per cent from the employer, 2.4 per cent from the worker and 0.6 per cent of tax relief from the Government).

All workers enrolled in a pension scheme, and already paying the minimum automatically, had their contribution levels effectively tripled from 0.8 per cent to 2.4 per cent. Those paid weekly might have noticed this increase in their pension contributions from the second week of April, and those paid monthly, at the end of April.

Employers were not required to notify their workers directly that contributions were going to be automatically increased. This information is communicated when workers are first automatically enrolled.

As this increase was introduced at the start of the new tax year, it coincided with other structural changes which should be considered to fully understand this research in context:

- The National Living Wage, which covers more than 2 million of the lowest paid workers, was increased by 4.4 per cent.
- The personal allowance for income tax increased from £11,500 to £11,850. National Insurance thresholds also increased.

In addition, millions of people would have received an annual pay rise in April, and more people will have come into Universal Credit, receiving 63p in additional Universal Credit for every extra £1 in pension contributions.

These contextual factors will have mitigated the impact of the contribution increase for many people. Depending upon personal circumstances, the worker may actually have seen higher take-home pay, despite tripling their pension contributions. However, whilst many people may not have seen a nominal change in their take-home pay as a result of the contribution rise, because of these cushioning effects, the real impact may be seen over time as costs rise.

[7]Contributions for auto enrolment are not calculated on total pay but on a band of qualifying earnings. For 2018/19 this is earnings between £6,032 and £46,350 per year.
[8] Office for National Statistics (2018) **Pension participation at record high but contributions cluster at minimum levels**. ONS, London

Cushioning the impact: a case study

Royal London's analysis[9] of the change in net pay of an individual earning £20,000, taking into account a pay increase of 2.4 per cent, tax, National Insurance Contributions (NICs) and pension contributions, demonstrates that for some the increase in contribution level had minimal impact on take-home pay, with a modest rise seen in this case:

	April 2017	April 2018
Gross pay	**£20,000**	**£20,480**
Minus income tax	-£1,700	-£1,726
Minus NICs	-£1,420	-£1,447
Minus pension contributions	-£160	-£492
Take-home pay (per annum)	**£16,720**	**£16,815**
Take-home pay (per week)	£321.54	£323.37

Default contribution levels will be increased again in April 2019 with the total contribution rising to 8 per cent (3 per cent from the employer, 4 per cent from the worker and 1 per cent from the Government). It is likely, because of that timing, that similar cushioning factors will reduce the impact that is felt from this rise. However, it will still be a substantial rise in money being diverted from a worker's take-home pay and so it will be important to use learnings from this rise to prepare for the next one.

Where the research study comes in

Nest Insight is working to understand people's experience of auto enrolment over time. This means not just understanding people's pension saving behaviours, but exploring more widely how saving in a workplace pension is impacting their financial lives. As a result, as well as looking at Nest's own data, we also need to gather new data through surveys and other sources.

This project is a central part of building up this longitudinal understanding of the impact of auto enrolment. Its immediate aim was to understand what impact, if any, the first phased contribution rise had on people. In addition to the primary objective, this research is also our first detailed understanding of how Nest members' financial circumstances are developing over time.

As well as helping us understand what impact the first phasing increase may have had, this study enables us to identify any risk factors we should continue to monitor as the second increase takes hold from April 2019.

[9] Royal London Policy Paper 20: **Will Britain take the next pension contribution increase in its stride?** Royal London, London

Research questions

The specific research questions for the *Before* and *After* research were:

1. How do Nest members' attitudes and behaviours change over time?
    a. Do members become more or less likely to cease contributing or opt-out?
    b. Is confidence in retirement saving increasing or decreasing?
2. What relationship is there, if any, between retirement saving and other financial behaviours?
    a. Does saving in a pension through auto enrolment stimulate or suppress the use of other savings products?
    b. Do overall levels of individual and household savings and debt increase or decrease, or are they unaffected?
3. How is a member's overall financial wellbeing impacted by auto enrolment?
4. Are some people who are not actively opting out, experiencing pressures elsewhere in their financial lives?

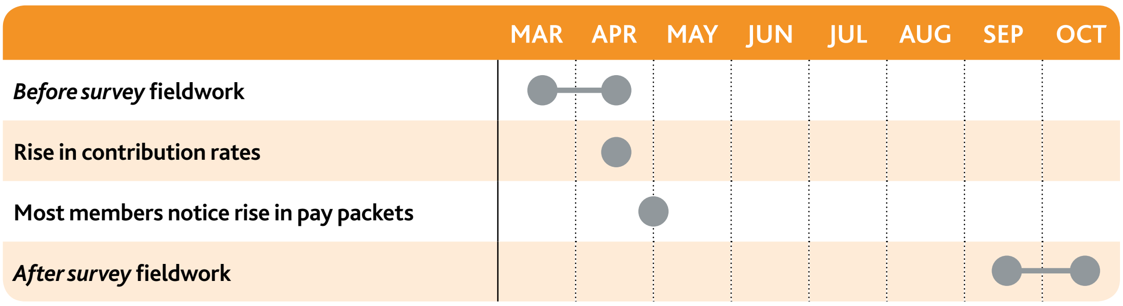
Research approach

To enable a longitudinal view of the impact of automatic pension contribution increases, a representative sample of actively contributing Nest members were sent an initial survey in March 2018 about their financial attitudes and behaviours in respect to retirement and savings planning. In the results, we refer to this as the *Before survey*.

Six months later, in September, after any impact should have taken effect, those members who participated in the *Before survey*, who gave permission to be re-contacted, were then sent a follow-up survey. In the results, we refer this as the *After survey*.

The fieldwork dates for the *Before* and *After* surveys were:

- *Before survey* (16 March – 17 April 2018)
- *After survey* (18 September – 18 October 2018)



The results presented in the following sections compare the results from the members participating in the *Before* and *After* surveys. We recognise that the findings in this report may relate to factors other than the automatic contribution increase itself.

Overview of our analysis

In this report we explore the changes that have happened between the two survey points (*Before* and *After*) to infer what impact the automatic contribution rate rise might have had. To do this we report two types of statistic:

1. **Overall change:** The total responses from the *Before survey* and the *After survey* to indicate how response has changed.
2. **Member level change:** For comparable questions we have calculated how, if at all, members have changed their response and report on the numbers making these movements. For example, how many responded 'yes' in the *Before survey* and 'no' in the *After survey*.

Some questions were only asked at the *After survey*, so no tracking is available.

Note: If a chart or table of a single response question does not add up to 100 per cent, then this is because of rounding conventions used on the data. All data points shown in tables and charts are rounded to the nearest whole number. Rounding may also affect the net differences or member level changes that may not sum exactly to the totals.

A detailed explanation of the analysis conducted is given in the **technical appendix** to this report.

Pension affordability

Context

In this section we explore the extent to which members can afford their pension contributions. Affordability is a relative concept. Whether or not something is affordable is not only about actually having the money available, but also how you prioritise spending it and how you manage your finances accordingly. Therefore, an understanding of affordability should take into account an individual's mindset and the extent to which pension contributions are considered important. This section explores four different measures to provide a gauge of how affordable members[10] find their pension contributions:

- resilience against an unexpected bill
- sense of financial wellbeing
- consideration of changing pension contributions
- attitude to pension contribution amount.

Difficulty in affording pension contributions could also be manifested in changes in saving behaviour and taking on or not paying off debts. These behaviours are explored in later chapters of this report.

Hypotheses explored

- Increased pension contributions could reduce resilience to pay an unexpected bill.
- Members could feel 'less well off' following the automatic contribution rises.
- Higher contribution rates could drive more members to seek to cease contributions and more of those recently automatically enrolled to opt out.

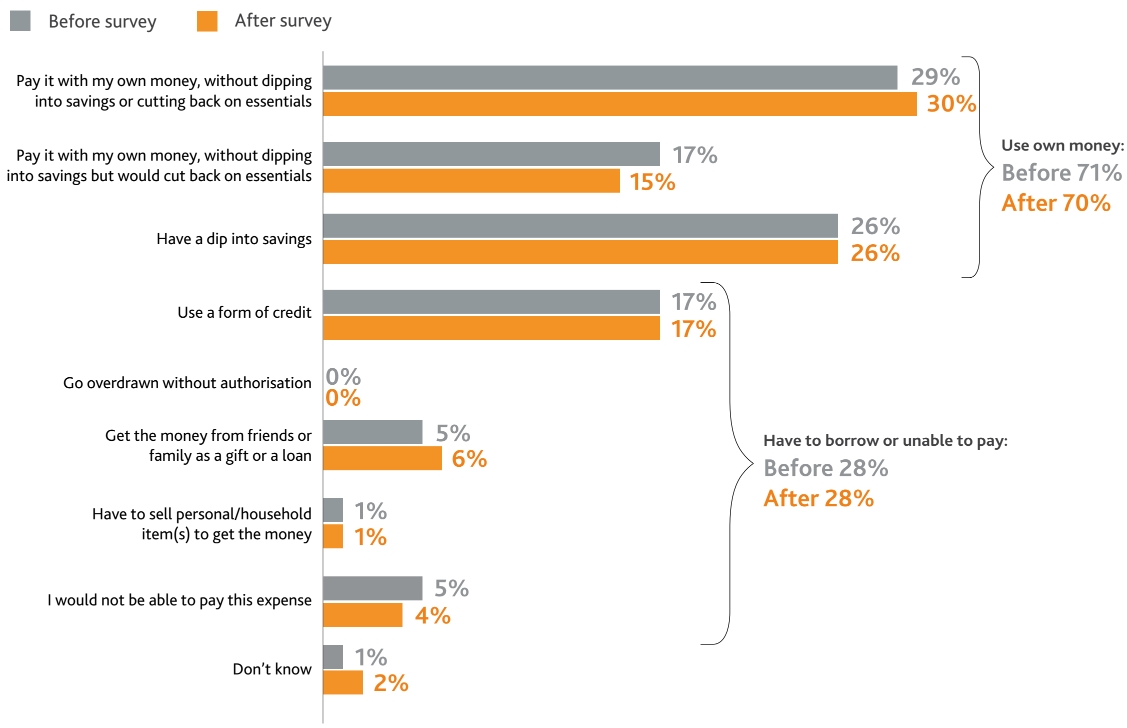
Key findings

Resilience against an unexpected bill

Overall there has been no change in members' ability to pay an unexpected £300 bill within one week. The proportion stating they would either use their own money or need to borrow has not changed significantly.

[10]We have excluded the small number of members who ceased contributions from this analysis because we did not have a big enough sample of this group to allow us to look at them robustly. Therefore, our exploration of affordability is amongst those members who have had an automatic contribution rise and have not acted on it. Further details are in the technical appendix.

What would you do with an unexpected bill you have to pay within seven days?



Question: Thinking about an unexpected bill of £300 that you have to pay within seven days from today, which of the following would you do?
Base: All responding (n=1,170).

The table below shows how many members have moved, or not, between these categories. There has been some movement between these groups but which overall produces no net effect. The largest proportion of members have continued to feel they could use their own money (62 per cent) There is no difference between different age groups or income bands in the proportions changing from being able to use their own money to having to borrow money. A difference is seen for those who are over-indebted, 16 per cent of whom have changed from using their own money to borrowing money, compared to 8 per cent who are not over-indebted.

Whilst there is no difference in the overall changes between the *Before* and *After* surveys by age and income groups, younger and lower income members are still more likely to state that they would need to borrow money.

Change in ability to pay an unexpected bill

	Total	Currently over-indebted	Currently not over-indebted
Moved from using own money to having to borrow money	9%	16%	8%
Moved from borrowing money to using own money	8%	6%	8%
Remain having to borrow money	19%	50%	14%
Remain using own money	62%	22%	68%
Base: All respondents	(n=1,170)	(n=153)	(n=1017)

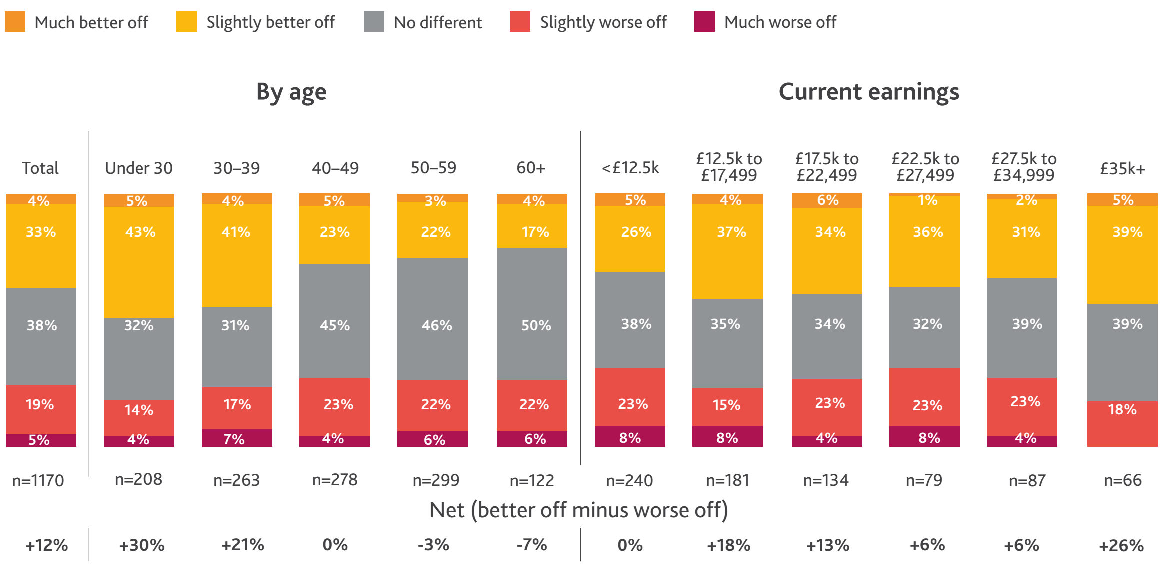
Increased pension contributions have therefore not made a difference to members' ability to pay an unexpected bill. Overall the majority of people are in the same position after the automatic contribution rise as they were beforehand. On this measure there do not appear to be any concerns with affordability.

Sense of financial wellbeing

In the *After survey*, members were asked whether they 'feel financially better or worse off now, than 6 months ago'. Overall there are a greater number of members who feel they are better off than feel they are worse off. This is very much influenced by age with members under 40 being especially positive about their financial circumstances having improved. For those 50 and over, slightly more feel they are worse off than better.

Comparing these results by income shows that across all income bands there are members who feel better and worse off financially. Except for the very lowest earners, there are more people who feel better off than feel worse off across all income bands.

Members feeling better or worse off in *After survey* compared with six months earlier



Question: Overall do you feel financially better or worse off now, than six months ago?
Base: All responding (n=1,170). Earning chart: all where earnings data is available (n=782)
Note: This question was asked directly in *After survey*.

Feeling better or worse off is a broad concept which could be impacted by numerous external factors over the study period. When members are reflecting on whether they feel financially better or worse off over the previous six months, they could be taking into account their take-home pay, of which pension contributions play a small role, as well as their immediate financial commitments.

Consideration of changing contributions

Even if the first automatic contribution rise has had no impact on actual cessations, there could be a risk that the increase prompted some people to think about stopping contributions, even if the power of inertia held them back from acting. Further automatic contribution rises could be the tipping point into action for those people. Of those who have not noticed a change in their contributions, or do not attribute that to an automatic increase, just 4 per cent state they have considered stopping or decreasing their pension contributions, whilst 28 per cent have considered increasing their contributions. This is highest amongst males in their thirties (35 per cent)[11].

Consideration of decreasing contributions appears to be low currently. This is something that should be monitored following the next automatic rise.

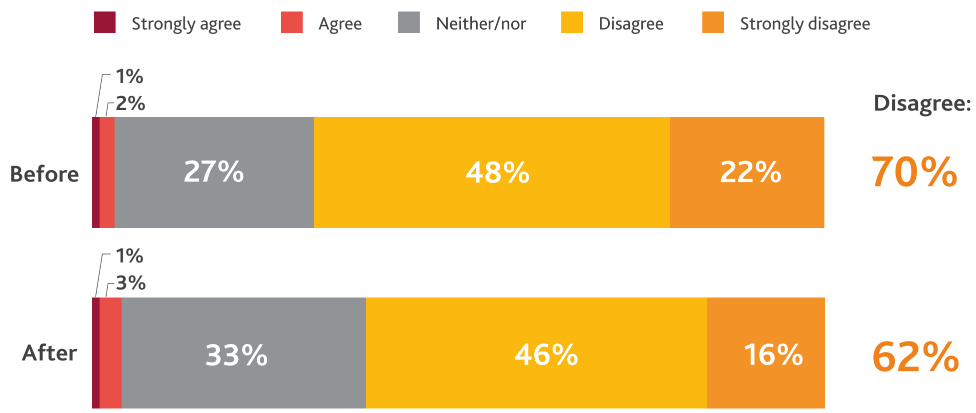
Attitude towards pension contribution amount

The final measure to assess affordability is whether members think they are paying too much into their pension. If there were issues with the affordability of pension contributions, we might expect members to believe they are paying too much.

Members were asked to what extent they agree or disagree that "too much of my income goes into my pension". Just one in twenty members agree that too much of their income does go into their pension, and three in five disagree with it.

Agreement has not increased (4 per cent to 5 per cent) after the automatic contribution rise. However disagreement did decrease, falling from 70 per cent to 62 per cent, this was particularly driven by the proportion strongly disagreeing.

Members agreeing and disagreeing they pay too much into their pension



Question: How much do you agree or disagree with the following statement? Too much of my income goes into my pension
Base: All responding (n=1,170).

This shift is seen across sub-groups and is highest among females in their 50s and males in their 40s, with females in their 30s and 40s also seeing a noteworthy shift. There is no relationship between income or indebtedness and either disagreement with this statement or change in disagreement.

[11] This question was only asked of members who did not/would not have noticed the change in contribution level.

Change in disagreement that 'Too much of my income goes into my pension'				
Male by age				
Under 30	30 to 39	40 to 49	50 to 59	60 and over
73% → 67%	68% → 63%	**72% → 57%**	66% → 60%	70% → 66%
Female by age				
Under 30	30 to 39	40 to 49	50 to 59	60 and over
73% → 70%	76% → 66%	62% → 52%	**69% → 53%**	60% → 64%
Bases from top to bottom, left to right: (95,115,159,145,64,112,148,119,154,58)				

Whilst not an immediate worry, the decrease in disagreement could be a risk indicator for the future. It is important to monitor perceptions of the cost of contributions as an early warning indicator for potential future cessation and opt-out.

Summary and considerations for the future

- Many Nest members are showing an appetite to pay more. Automatic contribution rises have started to do for these members what they have not got around to doing for themselves. But the inertia that got these people saving may also work against their preference for saving beyond default levels. Many people who appreciate being enrolled, and are willing to increase their pension contributions, may not get around to doing so if left to actively make a change themselves. We know from Nest member information data that below 1.25 per cent of the active Nest member population actually make additional/ad-hoc contributions.
- Moving forward, it will be important to monitor how much better or worse off members feel and if there is any increase in those believing that too much of their income goes into their pension. Also, it will be important to monitor consideration of changing pension contributions: both to increase and to decrease.
- As auto enrolment in the UK evolves, focus is shifting from coverage – how to ensure that enough people are saving for their pensions, to outcomes – how to ensure people are saving enough. Consideration should be given to behavioural interventions that could help people save an adequate amount for their expectations and lifestyle, rather than just the default minimum.

Awareness of and engagement with pensions

Context

Workers were not necessarily directly notified about the automatic contribution increase. Employers were not required to communicate this beyond it being mentioned when workers were first enrolled. Media coverage at the time of the increase, informal channels as well as noticing an increased deduction on pay slips, are other ways members may have become aware.

Hypotheses explored

- Members would become more aware of the amount of their pension contributions following the automatic rise.
- Higher, and potentially more meaningful, contributions might pave the way for greater engagement with pensions.

Key findings

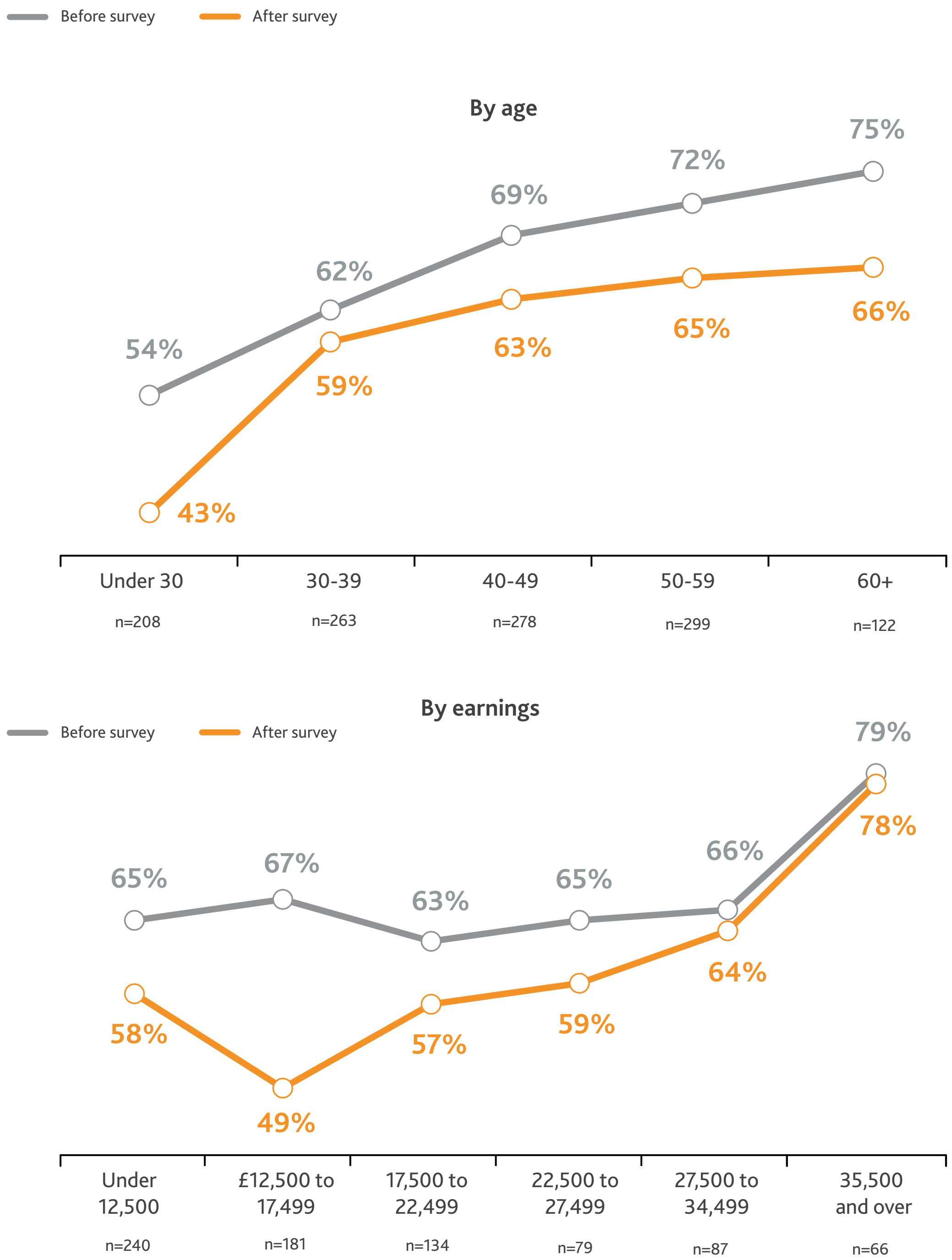
Awareness of pension contributions

Awareness amongst members of how much members personally contribute into their pension actually fell from 64 per cent to 57 per cent.

The lowest awareness of personal contributions, and the largest drop in awareness, is seen among the under 30s, particularly men. The large drop between survey waves for males under 30 brought awareness for males and females under 30 to exactly the same level at the *After survey*, at 43 per cent.

A difference is also seen across income levels. Those with lower earnings were the least likely to be aware of their pension contribution and saw the greatest drop in awareness.

Members stating 'yes' they are aware of how much they pay into their pension every week or month



Question: Do you know how much you pay into your Nest pension every week/month?
Base: Age chart: all responding (n=1,170), Earning chart: all where earnings data is available (n=800 *Before* and 787 *After*). NB: Individual bases are noted in chart
Note: Earnings based on those where earnings data could be calculated. Earnings amounts reflect earnings at the time of survey so each band for *Before* and *After* does not represent exactly the same people.

Overall, almost half of members (47 per cent) said they were aware of the amount they pay into their pension at both the *Before* and *After* surveys while one quarter (26 per cent) remained unaware of their personal contributions at both waves. A notable proportion, 17 per cent, became unaware of their pension contribution between survey waves.

Change in knowing amount paying into Nest pension	
Remained aware of contribution	47%
Remained unaware of contribution	26%
Have become aware of contribution	10%
Have become unaware of contribution	17%
Base: All responding (n=1170)	

We also observed significantly higher rates of those becoming unaware of contributions amongst:

- Members who changed employer and/or had been in their role for less than six months at the time of surveying; and
- Members who had fallen behind on or missed bills in the six months prior.

Proportions of subgroups who became unaware of their personal contributions	
Total	17%
Under 30s	21%
Changed employer in last 6 months	26%
Been in current job role less than 6 months	27%
Have fallen behind on bills in past 6 months	26%
Base: All responding (n=1170)	

Awareness of contributions and payslips

This fall in awareness of contributions occurred even though the majority of members say they pay attention to their weekly or monthly payslips. This has not moved over the period studied (76 per cent to 77 per cent agreeing). This perhaps suggests that members are looking at the 'take-home' pay on their payslip rather than the breakdown of detail, such as contribution amounts.

No significant differences in this are seen by age, although there is a difference by gender, with females (81 per cent) significantly more likely to agree that they pay attention to their payslips than males (73 per cent).

There is a link between paying attention to payslips and people knowing how much they are contributing: significantly more members who know how much they contribute also agree they pay attention to their payslip (82 per cent, compared to 73 per cent of those who don't know how much they contribute).

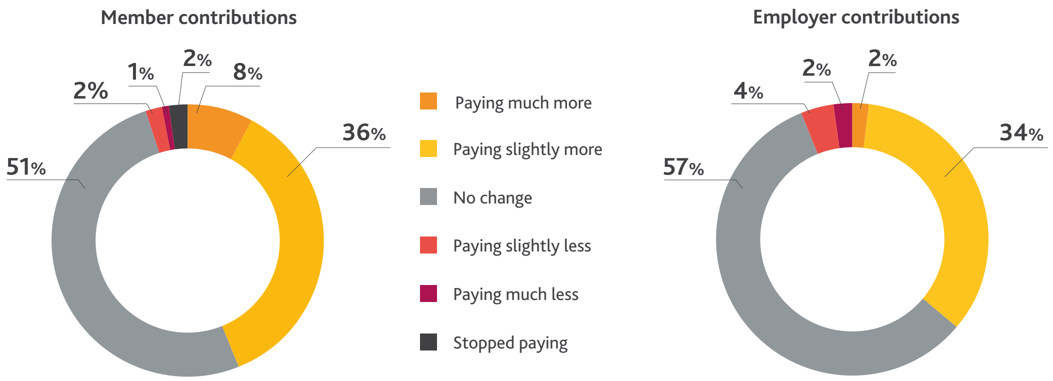
Awareness of employer contributions

Awareness of employer contributions was only asked in the *After survey* so we cannot see how this changed, only its current position. There is even lower awareness of the employer's contributions (38 per cent) than of the worker's. This follows the same age trend as seen with the member's contribution, with awareness lower among younger members. Significantly more members earning £35,000 and over are aware of their employer's contributions than those in all lower income bands.

Awareness of changes in pension contributions

We also looked at whether members sensed that their pension contributions had increased. Over half of members did not feel that the amount they are contributing to their Nest pension had changed. Slightly more (57 per cent) did not think that their employer contributions had risen. 44 per cent stated that they themselves were paying more, of which only 8 per cent felt they were 'paying much more'.

Member perceived change in personal and employer pension contributions



Questions: How, if at all, has the amount you are paying into your Nest pension actually changed in the last six months? How, if at all, has the amount your current employer pays into your Nest pension actually changed in the last six months?
Base: All responding (n=1,170).

Of the members who noticed an increase, only two thirds attributed it to an automatic increase. That left one third of members that did not see automatic increases as a factor in their pension contributions rising and associated it with other factors such as pay increases (27 per cent) and choosing to increase contribution rates (12 per cent).

Reasons for amount being paid increasing	
My contributions have been increased automatically	66%
My pay has increased	27%
I have chosen to increase my contributions	12%
I am working more hours	7%
Base: Pension contributions have increased (n=524)	

The idea that as you pay more, your employer is also paying more has not been universally acknowledged. Around a third of members felt both their personal and their employer's contributions increased. A further 12 per cent felt that their personal contributions had increased but their employer's had not.

Number of members perceiving changes in both employer and member contributions

		Employer contributions:		
		Increased	Unchanged	Decreased
Member contributions:	Increased	32%	10%	2%
	Unchanged	4%	46%	2%
	Decreased	<1%	2%	3%
Base: All respondents (n=1,170)				

Summary and considerations for the future

- Most members say they check their payslips, but about half didn't notice a change in their contribution amount after it was automatically increased. This suggests that, in general, people are much more focused on the nominal 'take-home' pay amount than on the detail of contribution levels or on their wages in real terms. This behavioural context has likely reinforced the cushioning effects of rises in the Living Wage and income tax thresholds. Consideration could be given in future to harnessing the potential of the April start of tax year period for timing interventions designed to prompt individuals to consider increasing their pension contributions.
- There was higher awareness of the increase in personal contributions than employer contributions. Employers may therefore want to consider communicating that they are contributing more on behalf of their workers at the next contribution rise. This would continue to reinforce the value of employer contributions and tax relief.
- There was an increase in the number of members who are not clear on how much they are contributing into their pension. The contribution rise did not, as was hypothesised, drive up awareness of contribution amounts. This might show that whilst there is some awareness that there has been a change, this may have led to some confusion about the actual amount going into the pension pot. Whilst it is clearly important that members have a good understanding of how much they are putting away for the future, it is unclear the extent to which a reduced awareness of pension contributions might have suppressed contribution cessation. Awareness and engagement with contributions might be expected to rise as the value of pension pots increases, this is something that should be monitored on an ongoing basis.
- Given these findings, employers and payroll providers should consider looking at the ways information is presented on payslips and online portals to ensure more workers recognise the value of the total contributions to their pension pot. Whilst workers' deductions need to be included, employer contributions don't, and often aren't.
- With low knowledge of the amounts being contributed, it is unlikely that people are questioning whether the default contribution levels are right for them to achieve the retirement outcomes they hope for. Key to the success of auto enrolment so far has been harnessing the power of inertia by resetting the default from opting into pension saving, to having to act to be opted-out. Over the two years of automatic contribution increases, members will have their contributions increased for them and they do not need to do anything to start moving towards a more comfortable retirement. Nest's latest Consumer Tracker survey found that 40 per cent of those enrolled in a workplace pension feel 'more comfortable with their retirement pension now'. This figure has grown over the years since 2012. Whilst it is positive that confidence is building, there is a danger of false confidence here. Thinking about the longer-term, many individuals will need to increase contributions further to ensure sufficient pension savings. If individuals need to act to do this themselves, awareness is an important first step. As auto enrolment evolves, greater consideration should be given to helping people contribute at a level that will help them to meet their retirement outcome needs and expectations.

Attitudes to pensions and finances

Context

How people feel about their pension and their retirement is important in maintaining contributions and to continuing the success of auto enrolment. Members must feel positively towards their contributions and crucially that these are going to be worthwhile and lead them towards a comfortable retirement.

We also consider how members are planning to provide for their retirement beyond their Nest pension, and what other savings activities they are doing towards this. This is pertinent as it is important to understand how increased contributions into the pension fund have impacted confidence in it. For example, as members' pension pots get larger do they consider their own pension savings more, and regard other options, such as property, less?

Hypotheses explored

- The automatic contribution rise would make members feel more confident about their ability to provide for their retirement
- Members would become more likely to feel their pension savings are going to be able to support them in retirement.

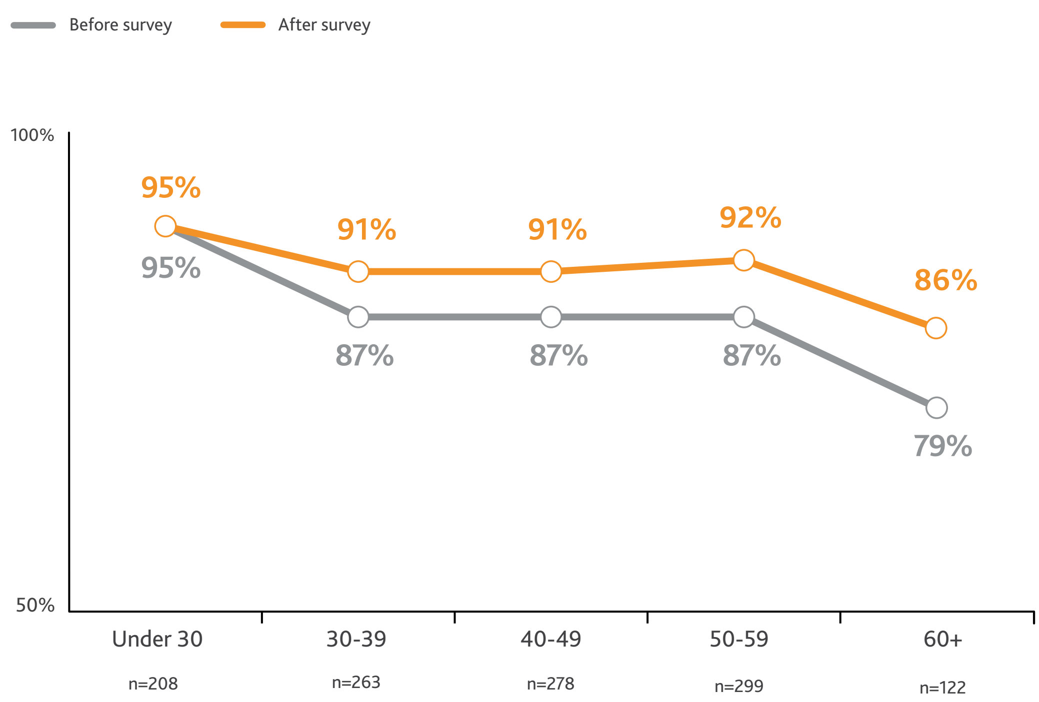
Key findings

Funding retirement

The top anticipated sources of retirement income are: members' own pension savings (92 per cent), the State Pension (91 per cent), main property (69 per cent) and other savings and investments (51 per cent). This differs somewhat with age, with younger members more likely to anticipate funding their retirement with other savings and investments (aside from pension) and property whilst older members are more likely to anticipate funding their retirement with the State Pension.

There has been little change in expected sources of funding for retirement, except for members' own pension savings which has especially increased among older members. Members, and especially older members, are now more likely to feel they will fund their retirement with their own pension savings.

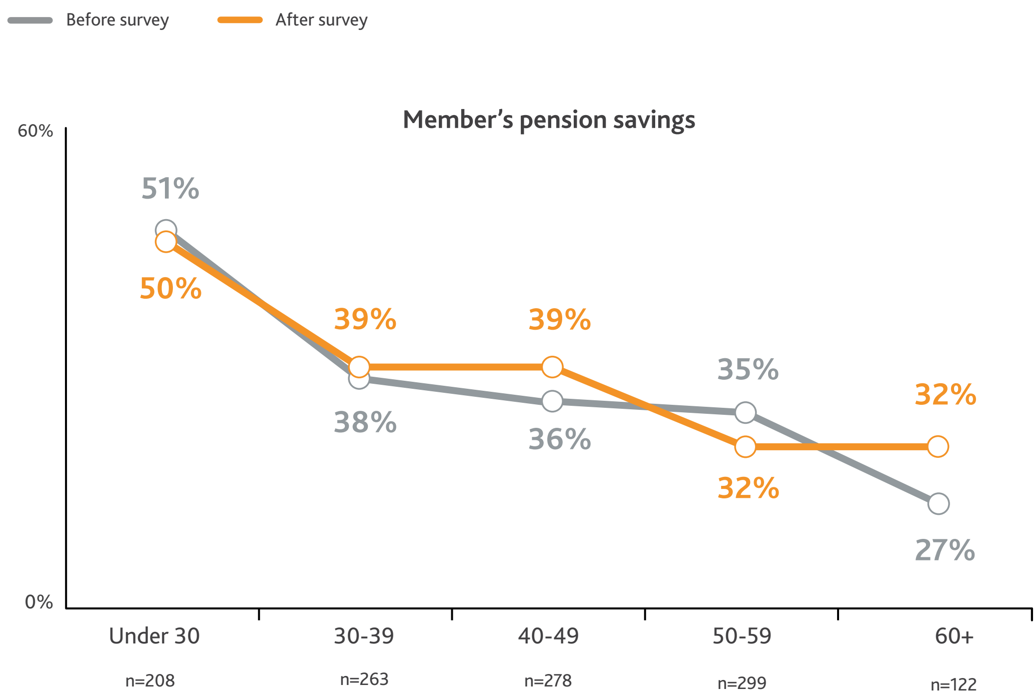
Member's pension savings as an anticipated source of retirement income by age

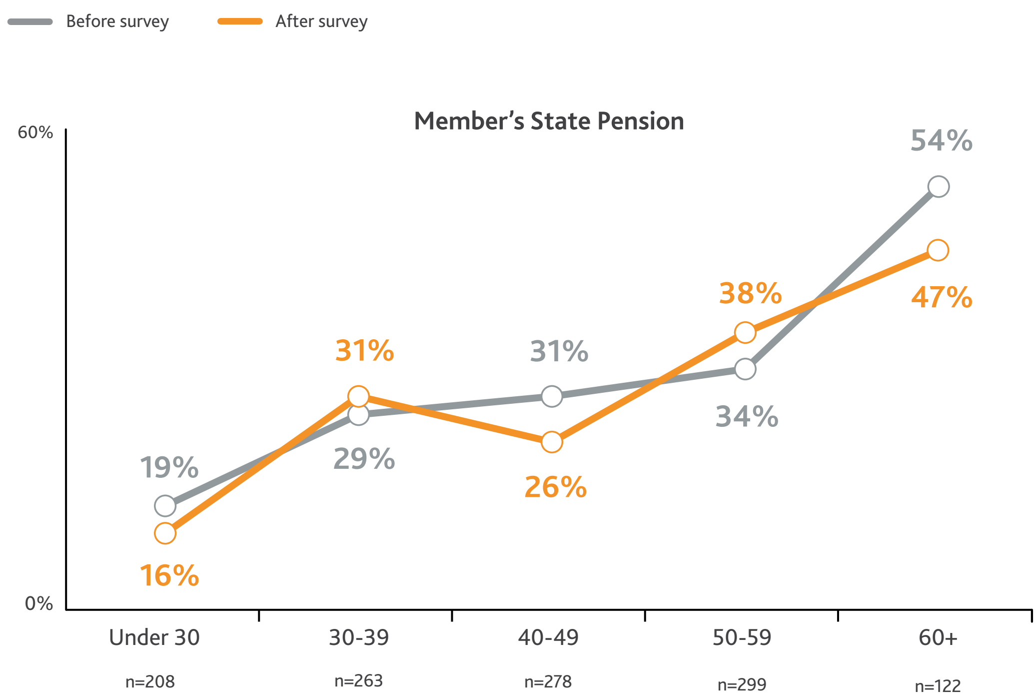


Question: Which of the following are you planning to use to fund your retirement?
Base: All responding (n=1,170).
Note: Figures show proportion who currently have this for retirement or expect to have it

Looking at what members expect to be their *main* source of income in retirement, the majority say either their own pension savings (40 per cent) or the State Pension (28 per cent). Main property (8 per cent) and partner's pension (7 per cent) make up the top four. A clear trend across ages is seen between pension savings and State Pension.

Anticipated main source of retirement income





Question: And which of these do you expect to be main source of income in retirement?
Base: Members who currently have or expect to have aspects to fund retirement (n=1,159).

Younger members are most likely to feel their own pension savings (50 per cent of under 30s) will be their primary source of income in retirement and relatively few feel the State Pension will be (16 per cent of under 30s). Pension savings as the main source decreases with age while the State Pension increases as the main source for those aged 60+ (47 per cent of 60+ compared with 32 per cent saying pension savings).

This sentiment is also reflected in the open comments members provided about why they feel confident, or not, in providing for their retirement: younger members are cynical about how generous the State Pension will be when they reach retirement age, or indeed whether the State Pension will exist at all.

This is important because higher anticipated reliance on pension savings shouldn't necessarily be interpreted as meaning those members feel their savings will be enough. For many members, and particularly younger members, there may be a feeling that they will have to rely on their own savings rather than be able to.

"I'm not sure what the pension age will be by the time I'm 70, in 40 years a lot will change and I doubt there will be much State Pension or that the money I can save will cover it."
Male under 30

"I think retirement age will be so high by the time I retire I probably won't be able to retire! Also I don't think there will be State Pension by then to help either."
Female under 30

"By the time I would be of an age considered appropriate for retirement I don't believe State Pensions will be offered and I will not have enough saved."
Male under 30

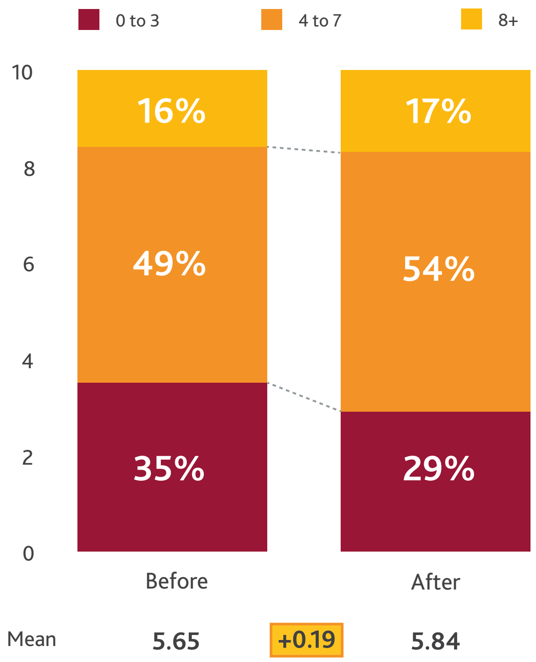
The automatic contribution rise has not had a clear impact on the anticipated main source of retirement income. Whilst 'own pension savings' appears to have increased as an anticipated source of income among older members, it has not increased as the main source overall.

Clearly for younger members these results are likely to reflect how they feel rather than a concrete retirement plan; whilst we would expect that those in their 60s have a clearer and more realistic idea about where their retirement income will come from.

Confidence in providing for retirement

Overall there has been a slight, but not statistically significant, increase in confidence in being able to provide for retirement, the mean (out of ten) has increased by +0.19 from 5.65 to 5.84. The proportion feeling very confident (eight or more out of ten) has not changed. The proportion with a low confidence (three or less out of ten) has decreased: from 35 per cent to 29 per cent.

Confidence in being able to provide for retirement (out of 10)



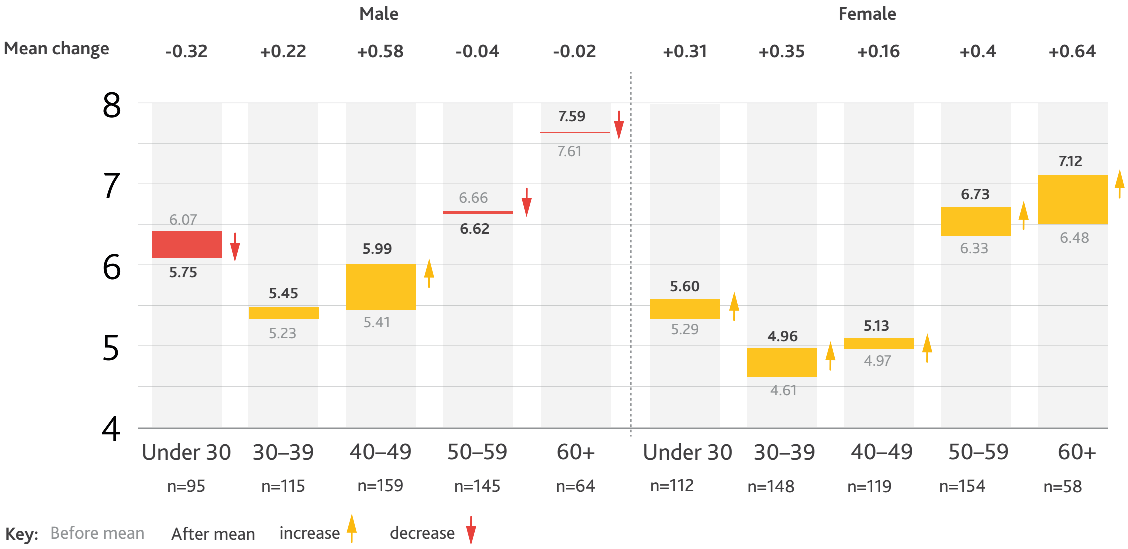
Question: How confident are you that you will be able to financially provide for yourself in retirement, considering what you have put in place so far, and plan to in the future? Please rate on a scale of 0 to 10 where 0 means 'not at all confident' and 10 means that you are 'Very confident'.
Base: All responding (n=1,170).

Looking at the scores from the *After survey*, confidence in providing for retirement is lowest for members in their 30s (5.24 out of 10) and then tends to increase with age with members approaching retirement, in their 60s, giving the highest confidence score (7.38).

Overall there is no significant difference between males and females. The biggest increase in mean confidence is seen for males in their 40s (5.41 to 5.99) and females in their 50s (6.33 to 6.73). A larger increase is seen for females in their 60s however caution should be taken as this group only consists of 58 individuals so the magnitude of the change could be exaggerated.

A larger drop has been seen for males under 30 (6.07 to 5.75), which was also seen to be the most significant sub-group driving a fall in confidence in the regression modelling. Since there is now no significant difference between males and females under 30 this change could be interpreted as a correction from an unusually high confidence for younger males in the *Before survey*.

Change in mean confidence in being able to provide for retirement (out of ten) by age and gender



Question: How confident are you that you will be able to financially provide for yourself in retirement, considering what you have put in place so far, and plan to in the future? Please rate on a scale of 0 to 10 where 0 means 'not at all confident' and 10 means that you are 'Very confident'.
Base: All responding (n=1,170).
Note: Low bases for 60+ (males n=64 and females n=58)

Overall this single snapshot of changes in confidence shows a very positive small change in confidence since the automatic contribution rise.

Members earning £35,000 and over have significantly higher confidence in providing for their retirement than those at other income levels. Amongst those in income bands below £35,000 there is no difference. However, the £35,000 and over income band is the only one to decrease in confidence (6.61 to 6.42), while confidence increased overall for all other income bands.

Change in mean confidence score by income

	Under £12,500	£12,500 to £17,499	£17,500 to £22,499	£22,500 to £27,499	£27,500 to £34,999	£35,000 and over
Before	5.44	5.40	5.68	5.53	5.65	6.61
After	5.53	5.62	5.83	5.61	5.82	6.43
Change	+0.09	+0.22	+0.15	+0.08	+0.17	-0.18

After **bases from left to right: (240,181,134,79,87,66)**

Members defined as being over-indebted have a significantly lower mean confidence (4.21 at the *After survey*) in providing for retirement than those who are not over-indebted (6.10). There has been a particularly large increase in confidence among over-indebted members[13] : increasing by +0.43 compared to +0.14 who are not.

[13] Figures refer to those who were defined as over-indebted or having fallen behind on bills at each survey. Therefore they are not necessarily the same individuals.

Factors impacting confidence in providing for retirement

The table below shows the top coded responses to the follow-up question asking why members gave that confidence score. Unsurprisingly, the youngest members state they feel too far away from retirement to feel too confident or not about it, and that they have other financial priorities in the meantime. Those in their 30s however, who gave the lowest confidence score, most frequently state concerns about only having a small pension or that they have saved too little too late. Increased certainty and knowledge about what retirement has in store may explain higher confidence scores for older members.

Top coded reasons for why confidence score was given (*After survey*)

Under 30	30 to 39	40 to 49
Have no retirement plan/I am too young **17%**	I only have a small pension **15%**	I only have a low income **15%**
Don't know what the future holds **13%**	I have little saved **13%**	I only have a small pension **15%**
Only have a small pension **10%**	I only have a low income **12%**	Not sure of reliable income in retirement **12%**

50 to 59	60 and over
Not sure of reliable income in retirement **10%**	I will be financially secure **15%**
I have several pensions in place **10%**	Not sure of reliable income in retirement **11%**
I only have a small pension **9%**	Feeling confident **11%**

Question: Why have you given that score?
Base: from left to right: 208,263,278,299,122
Note: This is an open question. Responses have been grouped into similar themes (coded) and the frequency of those is mentioned here.

Increased positivity about becoming better off among younger people is not reflected in increased positivity about saving for retirement. For them, retirement is too far away to think about and they have other, more immediate financial priorities. The youngest (under 30) members are not the least confident which may be because it is so far away for them, they are not yet sure whether they should be concerned or not. Those in their thirties have the lowest average confidence, and their explanation of their scores indicates it is something they are starting to think about. For these, they are concerned about not already having enough savings and not being able to build up enough savings in the time they have.

Selected comments from members about their confidence in being able to provide for their retirement:

Note: The member's confidence score at the *After survey* (out of ten), are shown in brackets and the confidence score at the *Before survey* is without brackets.

0 to (0)

"I honestly haven't thought about saving for retirement. We can barely afford to save for enough money for a deposit on a property, let alone for retiring."

Female under 30

3 to (1)

"At the moment I can't afford much and debt has a lot to do with it."

Female 30-39

6 to (2)

"Because I am still young and not a lot of my wage has entered my pension."

Female under 30

3 to (3)

"Unsure of what the future holds regarding pension. Have left it a bit late in my life to save. My husband has no pension."

Female, 50-54

4 to (4)

"I am dependent on the State Pension and fear this may not be enough."

Male in 40s

2 to (5)

"I don't really understand my pension or how to invest for my retirement. But I know I have a pension with work."

Female under 30

5 to (6)

"Given that I'm early into my professional career (after a few years of not keeping a job) I feel that my current salary is only just suitable to my financial situation, however, I do expect this to increase over the next five."

Male in 30s

2 to (7)

"Because of the current situation regarding pensions. I currently pay a respectable amount each month into my Nest pension, however, as a member of generation rent, a vast amount of my saving will be wiped out if I ever buy a home and would need to rely on the State Pension which is quickly disappearing."

Male under 30

10 to (8)

"I put money in savings account each month and will be making investments to provide a good return throughout retirement."

Female under 30

10 to (9)

"I have planned ahead fairly well, with an income from private pension and savings. I have no mortgage."

Male, 55-59

Drivers of change in confidence

A regression and correlation analysis was conducted to identify the drivers of change in confidence for providing for retirement, further details are available in the **Technical Appendix**. The predictor variable(s) that had the greatest correlation with members' confidence that they will be able to financially provide for themselves in retirement, are:

1. Males under 29
2. Remained over-indebted (over-indebted status between the *Before* and *After* surveys)
3. Became aware of pension contribution into Nest pension scheme
4. No longer saving (a change in saving behaviour between the *Before* and *After* surveys)

It can be concluded from the correlation analysis that males under 30 have the strongest correlation relationship with confidence in being able to financially provide for themselves in retirement. However, they have a negative correlation, which means that they actually saw a drop in confidence in being able to financially provide for themselves in retirement between the *Before* and *After* surveys.

Summary and considerations for the future

- We have seen that younger members expect their pension savings to be their main source of retirement income, but this does not mean they think it will be enough. For younger members currently, feeling better-off and feeling more confident about retirement are not linked.

  Those in their 30s have the lowest confidence and are worried they not only have not saved enough in their pension, but do not earn enough to be able to. The top mentioned concern is having too little saved. People in their 30s could be reassured about how they can build up reasonable pension savings – that it's still helpful to take small steps and to look to build up contribution levels over time.

- Higher default contribution rates, with more money flowing into members' pensions and with pension pots building up more rapidly, could help improve confidence in providing for retirement; although this will take time. Other interventions may be necessary if people's awareness is to grow in the shorter-term.

Debt

Context

Levels of debt can be used as an indicator of any adverse impacts from the automatic contribution rise. If someone is only just about managing to balance their expenses with their income they may struggle to pay bills or existing debts, which could be compounded by any loss in take-home pay arising from automatic contribution rises.

This report looks at debt in two different ways: the proportion who are over-indebted (see glossary for definition) and changes in the amount of debt held.

Hypotheses explored

- Increased contributions would push more members into debt or see an increased burden on their bills and credit commitments.

Key findings

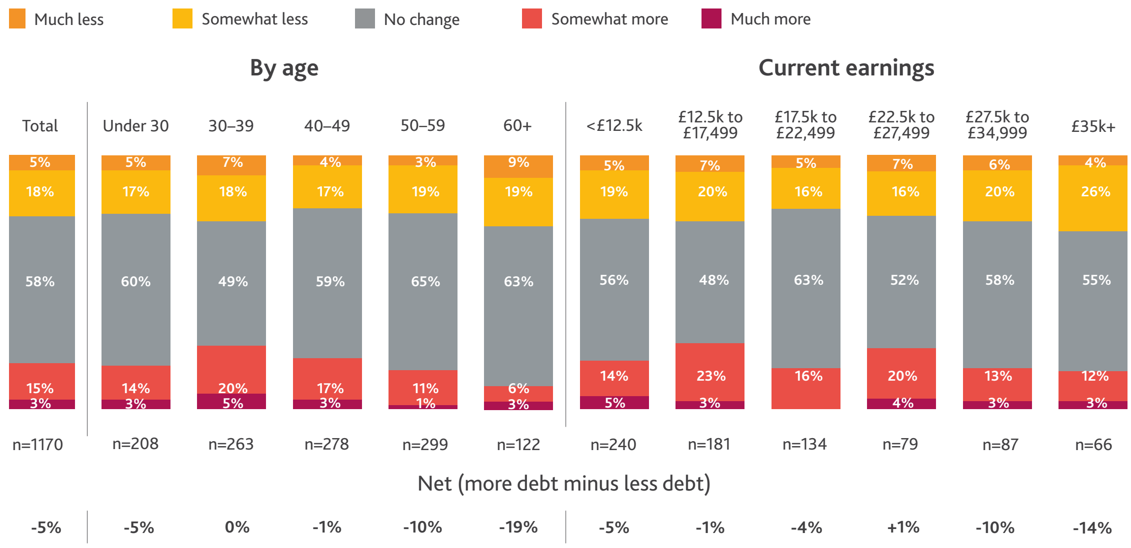
Perceived changes in level of debt

Overall there are more members who felt their level of debt had decreased in the previous six months than felt it had increased (23 per cent decreased and 19 per cent increased, giving a net of -5 per cent decreasing). The largest proportion (58 per cent) felt their level of debt had not changed.

- No age group has more people who feel their debt has increased than decreased although those in their 30s and 40s have an equal proportion.
- Those in their 30s are noteworthy as they have the largest proportion who feel their debt has increased (and hence the smallest stating no change).

Amongst the lowest earners there are slightly more people who feel they have less debt than more, and amongst the highest earners there is clearly a net perceived decrease in debt.

Perceived change in level of debt over the previous six months



Question: How, if at all, do you feel your level of debt has changed in the last six months?
Base: All responding (n=1,172). NB: Individual bases are noted in chart
Note: This question was asked directly in *After survey*. Negatives denote a net decrease in debt and positives an increase

Significantly more members who have changed employer feel their debt level has increased (36 per cent) than decreased (22 per cent), giving a net of -15 per cent.

On balance, contribution rises do not appear to have increased debt levels overall, as there are slightly more members who feel they have decreased than increased. However, members in their 30s and with lower incomes should continue to be monitored on a longer-term basis.

Over-indebtedness

A member is defined as being over-indebted if they:

1. find meeting their monthly bills/commitments a heavy burden; or
2. have missed bill payments in three or more months out of the last six.

Overall there has been very little change in the proportion of members who are defined as over-indebted: changing from 15 per cent at the *Before survey* to 14 per cent at the *After survey*. Therefore, at the overall level, the automatic contribution rise does not appear to have pushed more members into over-indebtedness.

Proportion of members over-indebted Before and After by age, gender and income					
Male by age					
Under 30	30 to 39	40 to 49	50 to 59	60 and over	
19% → 18%	18% → 16%	**21% → 14%**	10% → 6%	3% → 6%	
Female by age					
Under 30	30 to 39	40 to 49	50 to 59	60 and over	
9% → 11%	21% → 22%	12% → 13%	9% → 12%	10% → 7%	
By earnings					
Under £12,500	£12,500 to £17,499	£17,500 to £22,499	£22,500 to £27,499	£27,500 to £34,999	£35,000 and over
21% → 19%	20% → 19%	11% → 9%	15% → 18%	11% → 13%	6% → 4%
Bases from left to right, top to bottom: 95,115,159,145,64,112,148,119,154,58, *After* bases for earnings: 240,181,134,79,87,66					

There is no difference in over-indebtedness between males and females (both 14 per cent); while those who are in their 30s are most likely to be over-indebted (19 per cent) and 60+ the least (7 per cent). Breaking this down further by age and gender we see that it is females in their 30s who are the most likely to be over-indebted. The difference between males and females in their 30s has diverged between the survey waves.

Over-indebtedness has reduced among males in their 40s who have become less over-indebted (reducing from 21 per cent to 14 per cent) and are now no different to females in their 40s (13 per cent). To investigate this deeper we tracked how members' status has changed over the six months, that is whether they have changed from being over-indebted to not and vice versa, or remained the same. This shows considerable fluctuation in status, as around one third of those defined as being over-indebted at the *After survey*, had only recently become so between survey waves. However, more members moved from being over-indebted at the *Before survey* to no longer being over-indebted at the *After survey*. Given this data, it is unlikely there is any causal link between indebtedness and contribution rises in any direction.

Change in over-indebted status	
Have become over-indebted	5%
No longer over-indebted	6%
Remained over-indebted	8%
Remained not over-indebted	80%
Base: All responding (n=1170)	

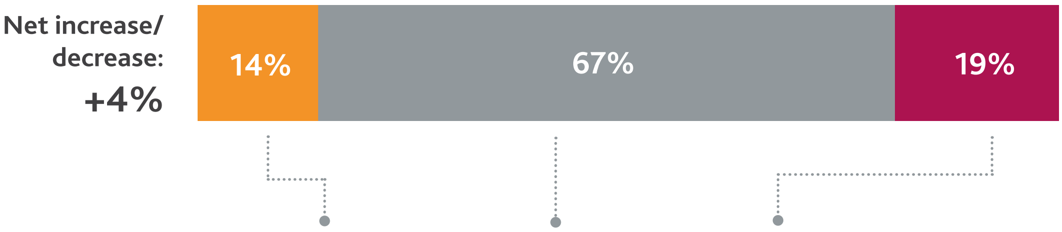
No significant differences are seen between members' over-indebtedness status by their current earnings.

26 per cent of members who changed employer between the *Before* and *After* surveys are over-indebted, increasing by 4 per cent from 22 per cent - so their levels of over-indebtedness were already relatively high to begin with. This compares to 16 per cent of people who changed jobs in the six months prior to the *Before survey* being over-indebted. Whilst over-indebtedness has increased amongst people who changed employer between the *Before* and *After* surveys it does not fully account for the much higher levels observed in this group; therefore, it is not clear that changing employer alone during the automatic contribution rise has impacted over-indebtedness.

Changes in level of debt

Two thirds of members have seen no change in the amount of unsecured debt they have. A further 19 per cent have seen an increase and 14 per cent a decrease, giving a net of +4 per cent increasing their amount of debt.

Proportion of members experiencing change in level of debt



	Decrease	No change	Increase	Net
Under 30 (n=208)	11%	74%	15%	+5%
30–39 (n=263)	17%	61%	22%	+5%
40–49 (n=278)	17%	62%	21%	+5%
50–59 (n=299)	14%	70%	16%	+3%
60+ (n=122)	13%	75%	12%	-1%

Question: Please approximate your total level of unsecured borrowing
Base: All responding (n=1,170). NB: Individual bases are noted in table
Note: Increase or decrease is based on changes in bandings, not actual amount of debt. Bandings used are: £0-£500, £501 to £1000, £1001 to £2499, £2500 to £4999, £5000 to £9999, £10000 to 19999, £20000+)

A small difference is observed across age groups with the biggest net increase (5 per cent) among the under 50s whereas those aged 60+ had a slight net reduction.

It should be noted that these figures are based on bandings so will restrict the extent to which any changes can be observed, as members' amount of debt might have changed within the band. We can consider this alongside members' own estimations of how their debt has changed over the same period which shows a net decrease of -5 per cent. Taken together we would conclude that levels of debt have changed little between the *Before* and *After* surveys.

Summary and consideration for the future

- Overall there is a small net perceived decrease in debt, a small increase in stated amount of unsecured debt and no overall change in the proportion who are over-indebted. There is therefore no evidence to indicate the automatic contribution rise has impacted members' levels of debt overall.
- By paying into a pension, members are making a more immediate sacrifice so that they can benefit in the future, and potentially not for decades. Regarding debt there are two potential risks:
    1. Increased contributions may push members into a more difficult financial situation and reduce further their ability to clear their debts. In this six month snapshot we have seen considerable fluctuation between being over-indebted or not. 8 per cent of the sample has remained over-indebted; that is to say they were struggling with debts and bills, have had their pension contributions increased automatically, and are still struggling. Depending on the particular context and nature of the debt, it is possible that these people could potentially benefit from temporarily reducing their contributions to get bills and debts under control. Further research is needed here to understand the inter-relationship between different kinds of saving and debt.
    2. On the other hand, the risk is that members might reduce or stop their contributions to help them with more immediate costs, but then never resume or increase contributions to a level suitable to support them in their retirement. Whilst this contribution rise has not caused people to cease or opt out significantly, further thought could be given to ways to help people to come back into retirement saving after a break. Auto re-enrolment after three years goes some way to addressing this. Other behavioural interventions could also be explored.

Savings

Context

In this section we explore the impact of the automatic contribution rise on non-pension savings and the ability for members to make additional savings beyond that which is being contributed to a pension.

Hypotheses explored

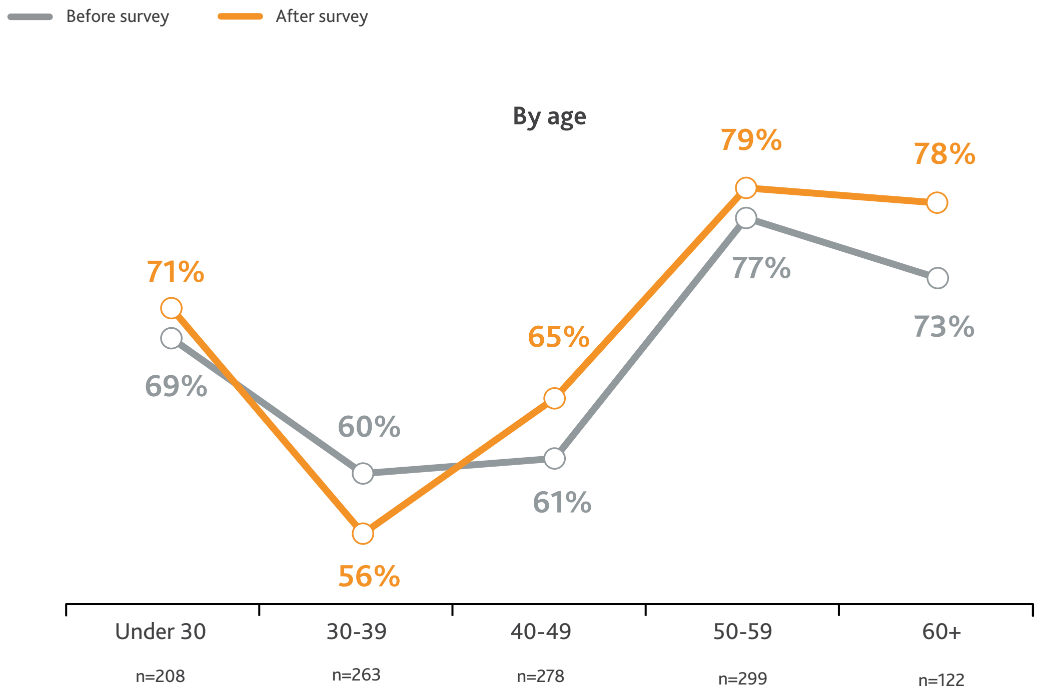
- Increased contributions might replace more immediate and liquid savings.

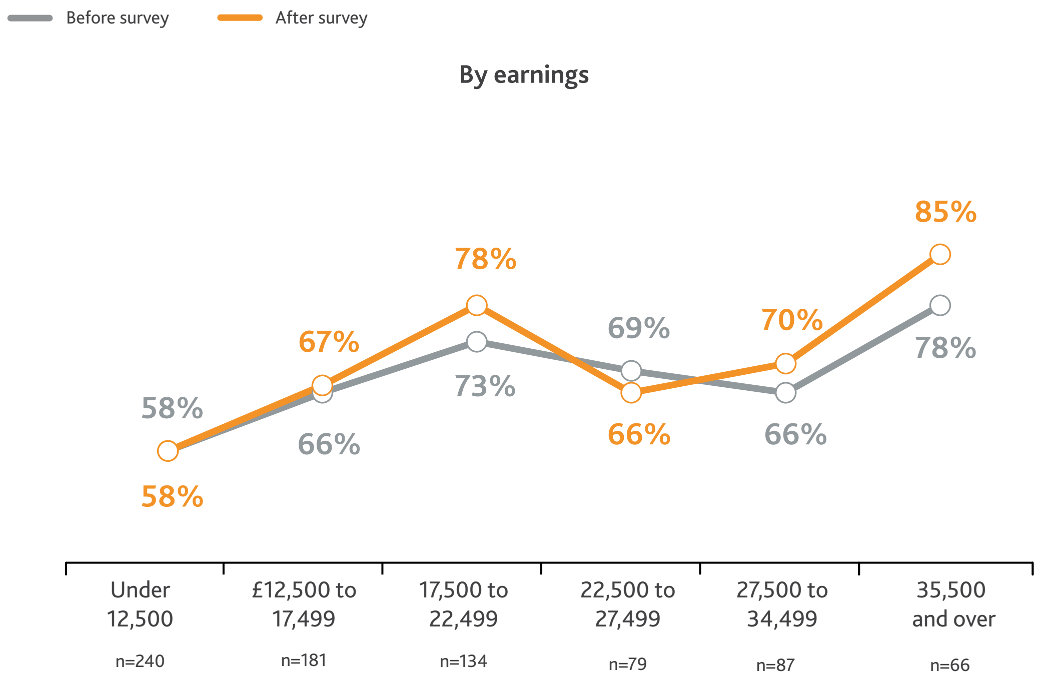
Key findings

Presence of savings

As well as formal savings, such as savings accounts, it is also important to take into account any money that is considered to be savings. 68 per cent of members say their household has money, other than pensions, set aside that they consider to be savings. There has been no overall change in this proportion (67 per cent in the *Before survey*).

Presence of household savings by age and earnings





Question: Does your household have any money set aside that you consider savings?
Please exclude any money saved in a pension.
Base: Age chart: all responding (n=1,170). Earning chart: all where earnings data is available (n=796 *Before* and 782 *After*) NB: Individual bases are noted in chart
Note: Earnings based on those where earnings data could be calculated. Earnings amounts reflect earnings at the time of survey so each band for *Before* and *After* does not represent exactly the same people.

Savings are less present among members in their 30s and those with lower incomes. Savings tend to become more prevalent with increasing income and among older members, with the same trend seen in the *Before* and *After* findings. There are no significant differences between males and females overall nor in any age group. Whilst not statistically significant, there is a notable difference in the presence of household savings between males under 30 (66 per cent) and females under 30 (78 per cent).

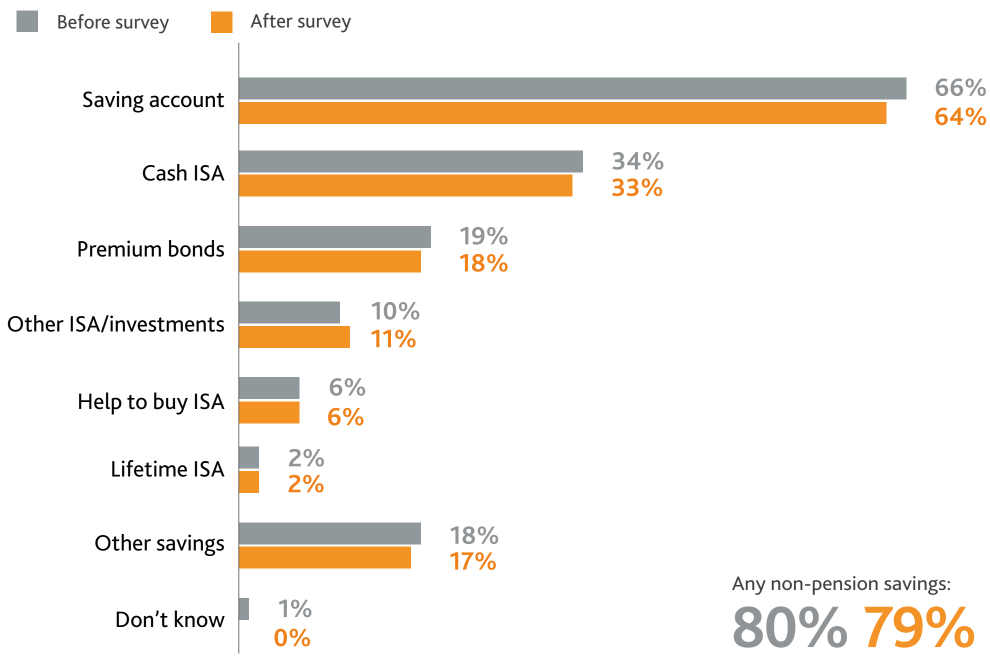
The prevalence of household savings has increased very slightly for all age groups, except for those in their 30s. Whilst this is only a small change, it is notable as it pushes this group to have the lowest prevalence of savings.

Between waves, there has been minimal switching between people having savings or not, with 7 per cent no longer having savings and 9 per cent starting to save. This is often driven by life events, for example those who no longer had savings rises to 19 per cent among people who have bought a house in that time.

Change in having savings	
Stopped having savings	7%
Started having savings	9%
Remained having savings	59%
Remained having no savings	25%
Base: All responding (n=1170)	

Holding of different savings products has not changed between the *Before* and *After* surveys and overall there has been no change in the proportion of members with non-pension savings (80 per cent to 79 per cent).

Savings products held, *before* and *after*



Question: Which of the following savings and investment products do you have in place at the moment?
Base: All responding (n=1,170).
Note: 'Current workplace pension' and 'Previous workplace or private pension' was also included in the list but is not shown in this chart

These findings indicate that the automatic contribution increase has not had an impact on the presence of savings or savings products. Indeed, other life events, such as having bought a home, appear to have greater impact.

Frequency of saving

Two in five (40 per cent) members state that they save every month and a further 14 per cent most months, therefore over half (54 per cent) save every or most months; this has not changed (54 per cent at the *Before survey*). Overall there has been no change in the frequency that members are saving.

As with the presence of savings, there is no significant difference between males and females overall in the frequency of saving. Those in their 30s are saving the least frequently. Frequent saving has dropped among males under 30 (64 per cent to 55 per cent) but not for females in this age group (63 per cent to 65 per cent). A difference in frequent saving seen between males and females in their 30s at the *Before survey* has dissipated.

Members with higher earnings tend to save more frequently and there has been no change in the saving frequency of members earning the least.

Proportion of members saving every or most months before and after by age, gender and income					
Male by age					
Under 30	30 to 39	40 to 49	50 to 59	60 and over	
64% → 55%	54% → 50%	52% → 58%	57% → 63%	53% → 58%	
Female by age					
Under 30	30 to 39	40 to 49	50 to 59	60 and over	
63% → 65%	46% → 47%	43% → 43%	53% → 53%	59% → 60%	
By earnings					
Under £12,500	£12,500 to £17,499	£17,500 to £22,499	£22,500 to £27,499	£27,500 to £34,999	£35,000 and over
45% → 46%	56% → 55%	56% → 60%	62% → 53%	56% → 56%	66% → 72%
Bases from left to right, top to bottom: 95,115,159,145,64,112,148,119,154,58 ***After* bases for earnings: 240,181,134,79,87,66**					

Summary and considerations for the future

- There is no evidence to suggest increased pension contributions have led to any change in non-pension savings behaviours. Members in their 50s are most likely to have money set aside and those in their 30s are the least likely.

At risk groups

There are three main groups of members, whose financial behaviours shown in this survey highlight that they are potentially more at risk from the next contribution rise. These groups are not mutually exclusive and some members could appear in all three groups. The 'at risk' groups identified in this research are:

- 30-39 year-olds
- job changers
- those with debts to pay.

30 – 39 year olds	Job changers	Those with debts to pay
23% of Nest members are in their 30s. They are more likely to be struggling with debt and to be using credit although there has been no overall change in over-indebtedness: • 26% of 30-39 year old Nest members perceived their debt levels had increased (compared with 19% for the Nest average). They find it difficult to save with other demands competing on their savings: • 30-39 year olds are the least likely to save, outside of their pension saving (56% compared with the Nest average of 68%). They have the lowest confidence about providing for their retirement and managing money: • 36% have the lowest confidence in being able to provide for retirement, compared with 29%.	7% of Nest members changed jobs in the past six months. They have an increased use of credit and are significantly more likely to be over-indebted: • 26% of job changers are over-indebted compared with the Nest average of 14%. They are less likely to be saving in general and also into a pension. They are also more likely to have stopped saving, outside of their pension saving (15% compared with 7%). They are less sure about what contributions are being made into their pension: • Personal contribution (42% aware compared with 57%). • Employer contribution (25% aware compared with 38%).	8% of Nest members were over-indebted across both surveys. Those struggling with debt are less focused on saving for retirement: • 5% have saved for retirement in the past 2 years, compared with 19%. They are less likely to be aware what they and their employer are paying into their pension on a weekly or monthly basis: • Members who are over-indebted are most likely to have become unaware of what they are paying into their Nest pension pot (22% compared with Nest average of 17%).

Summary and considerations for the future

- We believe that the financial wellbeing and resilience of these groups should be monitored over the next contribution rise.

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