Gearing up for retirement

How can better language and framing help people set the right pace for their retirement conversations and choices, and support them as they piece together their options?

This research is a collaboration between Invesco, maslansky+partners and Nest Insight

Research conducted by
Gary DeMoss, David Saylor and Scott West, Invesco Global Consulting; Joe Hrano, Stephen Messenger and Paul Unsworth, Invesco; Ryan Cuddy, Jaime Hodges, Will Howard, Amanda Li, Michael Maslansky, Angelica Monsanto, Abigail Thompson, maslansky + partners; Matthew Blakstad, Annick Kuipers and Jo Phillips, Nest Insight.

Report authored by
Matthew Blakstad, Annick Kuipers and Jo Phillips, Nest Insight, London

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nest insight

About Nest Insight
Nest Insight is a public-benefit research and innovation centre. Our mission is to find ways to support people to be financially secure, both today and into retirement. We conduct rigorous, cutting-edge research, working collaboratively with industry and academic partners to understand the financial challenges facing low- and moderate-income households. We use these data-driven insights to identify and test practical, real-world solutions. Our findings are shared widely and freely so that people around the world can benefit from our work.

Nest Insight's research programme is made possible through the generous support of funding partners, including its strategic partners BlackRock and Invesco.

For more information visit nestinsight.org.uk

Invesco

About Nest Insight's strategic partner
Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Building on its strong track record in defined contribution research, and its existing partnership with the University of Cambridge Judge Business School, Invesco partnered with Nest Insight to support its ambitious programme of research, publications and events.

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This report is the third in a series looking at how language and framing can support engagement in retirement saving for UK pension savers.

The first report, **Beyond the Defaults**, considers the role language can play in helping pension scheme members contribute the right amount for them.

Download here

The second report, **Small steps to a better future**, looks at how language and framing can help people in their mid-working life understand what their pension saving means for their retirement income.

Download here

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Stephen Messenger
Head of UK Strategic Institutions, Invesco

Foreword

It gives me great pleasure to introduce our third piece of Defined Contribution pensions research in partnership with Nest Insight.

Over the last three years, we've put scheme member engagement in the spotlight to consider the role of language and messaging in motivating individuals to engage with their savings.

In our first report, "Beyond the defaults", we looked at ways to positively engage scheme members to help them understand their contributions, how and why saving the right amount could help them to retire comfortably, and the importance of doing so from an early stage in their working lives.

In our second report "Small steps to a better future", we took a leap forward to those members midway through their working life – in their late 30s, 40s and early 50s – to focus on how best to communicate what pensions savings means for retirement income, and the choices that can make a difference.

Now, in our new report "Gearing up for retirement", we take yet another generational leap forward to those members in their 50s and 60s that are coming to the end of their working life, and focusing on the next step in the journey for retirement planning.

In these pages you'll find full detail of the barriers that get in the way of their preparations for retirement, and the steps you can take to help them feel like they're on the right track.

Again, due to global restrictions and the shift to new ways of working post-pandemic, we've continued to take a fully virtual approach to our research.

This means that we have had the privilege of speaking to people from a wide array of backgrounds in the comfort of their own homes and, as a result, we've garnered some uniquely personal perspectives on this pivotal stage of retirement planning that comes to life in this report.

I would like to thank our colleagues at Nest Insight once again for their partnership. I hope that our joint findings help in your day-to-day work supporting your members.

Executive summary

This report presents findings from a major new study carried out by Invesco, Nest Insight and maslansky+partners. This is the third in a series of reports, exploring ways to improve messaging and framing of information to help people better plan and prepare for retirement.

In some ways, this report forms the conclusion of a retirement savings journey that's been mapped out across the report series:

- The first report, Beyond the defaults, looked at ways to encourage people to contribute more to their workplace pensions, where appropriate
- The second report, Small steps to a better future, moved forward on the pensions journey, presenting messages encouraging people in their 30s and 40s to take action
- This report, Gearing up for retirement, turns the clock forward once again. It asks whether well-designed messages can help people in their 50s and 60s start taking the right steps to a well-planned retirement.

As in the previous reports, our focus is on finding practical, simple interventions that can make a difference to the widest possible range of people in later working life. We recognise that messaging cannot make the difference on its own, but we believe we've found compelling evidence that the messaging principles and examples presented here can make a tangible difference to people's readiness and ability to seek out the guidance and information they need, and start taking simple but important steps towards the outcomes they want.

The research questions we set out to answer were:

- **How do people approaching retirement understand and talk about the retirement options they have and what are the awareness and comprehension barriers to engagement, action and confidence?**
- **How can language and message framing help people to understand their options at key thresholds in the run up to retirement, supporting them to take meaningful actions that lay the groundwork for good decision making and optimisation of retirement savings?**

We combined four different research methods, applying innovative methodologies including the use of Emotional Response dial technology. Our iterative approach included:

Expert interviews

Qualitative interviews with Nest members

Qualitative discussion groups

Quantitative research

Key themes and findings

We began by exploring the wealth of existing evidence on the barriers and complexities that can get in the way of preparing for retirement. We also looked at the reasons why many people are not currently taking advantage of a range of free guidance that's already available to them. We used the qualitative stages of our research to dig more deeply into these barriers, identifying a number of reasons why people are confused or put off by the retirement process. Many of these were consistent with the barriers we'd already found among younger age groups:

Affordability

Being overwhelmed

Not knowing the steps to take

Feeling it's too late to make a difference

However, these barriers presented themselves in very different ways for this age group. Also, it was striking to see significant increases in engagement, knowledge and intention to act as people approached retirement age. We conclude that the challenge at this stage is to harness this 'potential energy' into considered, rather than knee-jerk, actions that combine into a gradual series of planning steps that can happen over time.

To this end, we developed a set of message themes that we found had significant impact on people in their 50s and early 60s, and which we believe will help to stimulate action, build confidence and encourage people to take up sources of guidance:

- **You're in control**
- **Think forward to an income**
- **Start simple**
- **Take gradual steps**
- **Talk to someone else**

We then developed, tested and refined a range of expressions of these themes, using innovative language testing methods to explore in fine detail which elements and expressions of the themes had the most impact on people's readiness to take positive next steps. By making granular comparisons between different words and sentences, we were able to see big differences in people's emotional and rational responses. We were also able to improve the messages for this target audience and, as a result, see a meaningful lift in two measures of impact:

- How positive people were about taking steps to improve their retirement incomes
- How likely they said they were to take action towards this goal.

The types of actions people were encouraged to take included seeking guidance from peers and professionals, planning key dates in the retirement process, checking what to expect from workplace and State pensions, and planning how work might change in the run-up to retirement.

Towards the end of this report, we present examples of messages that were most effective at conveying these themes, along with a set of principles for effective messaging.

Quick read

How we did it

11

industry expert interviews to identify perceived barriers to engagement, best practices and desirable outcomes

8

exploratory interviews with Nest members to understand how people talk and think about retirement options

29

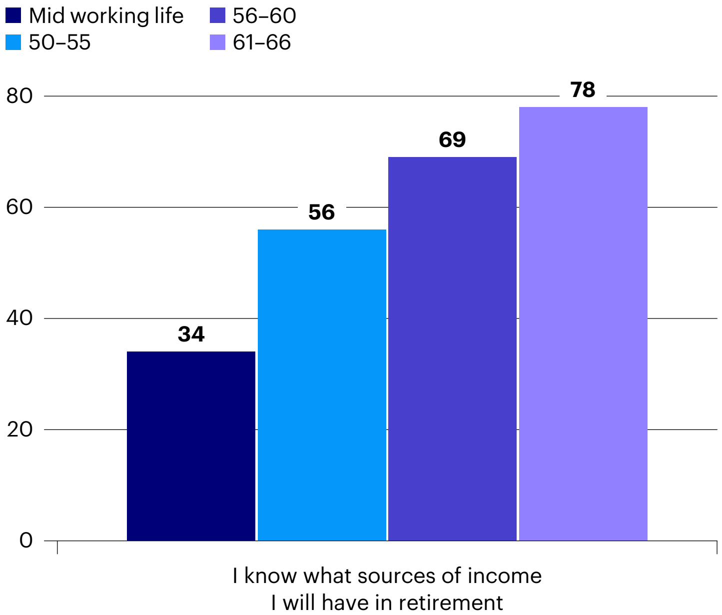
UK pension savers in four focus groups, to gauge responses to barriers and evolve the language that helps to overcome them

1,500

more UK pension savers surveyed to validate and quantify our learnings

Harnessing potential energy

Engagement and motivation to act increase as people approach retirement but this 'potential energy doesn't always translate into action:



Only

6 in 100

People in their 50s and early 60s have used the free PensionWise guidance service

Fewer than

1 in 5

Have used an online calculator to work out what income they can get in retirement

The barriers

Among people in their early 50s:

Nearly

1 in 2

people in their early 50s believe they can't afford to contribute more

1 in 3

believe it's overwhelming and there's too much to think about

Nearly

3 in 10

don't know what steps they can take to better prepare for retirement

Nearly

1 in 5

think it's too late to make a difference

Messages for change

> No matter what you choose to do now, know you always control the money that you leave in your pension.

You're in control

> It's helpful to think less about that total number and more about how much income those savings could provide you month-to-month.

Think forward to an income

> One of the best things you can do to prepare your retirement plan today is to think about when you may want to take each of these three steps.

Start simple and take gradual steps

> The more conversations you have, the more you'll know about what to expect when you retire.

Talk to someone else

Introduction

1

Context

Our two previous reports looked at how better language and framing can help encourage planning and engagement among people at different stages in their retirement savings journeys. [Beyond the defaults](#) focussed on those who are just getting started with saving, while [Small steps to a better future](#) looked at those in the middle of their working lives.

This report turns the clock forward, to explore the experience of those in later working life – people in their 50s and 60s – as they approach retirement. Workers in this age group are facing a very different set of retirement income challenges to those encountered by their parents' generation. The defined benefit (DB) pension arrangements that were common currency a few decades ago – at least for salaried employees at large corporations[1] – have largely been closed. Instead, they're increasingly finding themselves automatically enrolled into defined contribution (DC) schemes, thanks to automatic enrolment rules that apply right up to their state retirement ages. And these schemes come with a far more complex set of choices over how to take your money. The simplicity of the old settlement, where DC savers had to use an annuity to generate an income from their retirement pot, has been replaced with a system[2] where they have more or less complete flexibility about how they access their lifetime savings – provided they have access to suitable financial products.

There is an implicit tension between automatic enrolment rules that assume most people will start saving by following the default settings that are imposed on them, and pension freedoms that assume they will become active consumers at retirement. As the Pensions and Lifetime Savings Association recently pointed out, "With most people having accumulated a pension through inertia, i.e. a lack of engagement, few are therefore equipped to make such important and complex decisions."[3] Because of the freedoms, people have to cherry-pick their own retirement products from a complex and evolving marketplace. Those who enter the final years of their working lives having happily complied with default options up to that point will need to accelerate their planning, moving up the gears from 0 to 60 in a very short period. Unless, that is, they have started to prepare well in advance for the choices that lie ahead – ideally, in their early 50s.

'You have a bunch of people who have a pension because of a policy that was about not doing anything, leaving them alone on the basis that they are not interested; and then suddenly they need to do something that will sort them out for the next 30–40 years of their life, which involves complicated financial decision making. I just think that's going to be very difficult to crack'

– Expert interviewee

Added to this, we're seeing a steady increase in the number of pension pots any individual worker saves into through their working life,[4] thanks to both automatic enrolment and changes in the labour market. This is making it ever more difficult for them to assess their overall pension wealth, let alone make a clear decision over what to do with this diverse collection of relatively small pots.

1 For trends in DB provision, see the Office for National Statistics report series *Employee workplace pensions in the UK*, at https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/workplacepensions

2 These 'pension freedoms' came into effect in April 2015 and are legislated for in the Taxation of Pensions Act 2014 and the Pension Schemes Act 2015.

3 *Building on the Pension Freedoms: Guided Retirement Income Choices*, at https://www.plsa.co.uk/Policy-and-Research/Document-library/Building-on-the-Pension-Freedoms-Guided-Retirement-Income-Choices

4 For an analysis of the growing issue with 'small pots', see https://www.pensionspolicyinstitute.org.uk/media/3545/20200723-deferred-members-final-report-for-the-website.pdf

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This is a constantly evolving picture, not least because of the impact of the Covid pandemic and the cost-of-living crisis on older workers’ employments, and on their financial needs at retirement.

Researchers continue to explore the full impact of these changes on people’s choices and outcomes at retirement. This is a constantly evolving picture, not least because of the impact of the Covid pandemic and the cost-of-living crisis on older workers’ employments, and on their financial needs at retirement. An initial rapid drop-off of annuity purchases, following the reforms, has shown signs of levelling off. What is clear, though, is that far fewer people are now converting their DC lump sums into annuities.[5] Those retirees who avoid annuities can choose the rate at which they access their pots, and there are concerns that many are taking an unsustainable level of lump sum or income early in retirement. This might mean they run out of income later in retirement and, in the short term, that they miss out on opportunities for growth or tax reliefs.

At the extreme, many people[6] are withdrawing 100% of their DC assets – something they can now do at any point from their 55th birthday. This might well be the right choice for many people. Many households have one-off costs at the point of retirement, which might reasonably be met by a small sum held in a DC pension, especially if they have other sources of retirement income, such as DB pensions. But there is also evidence[7] that many people are simply disinvesting their money and, for instance, letting it sit in a bank account on a rate of interest that is, at least currently, low. And they may also face additional tax penalties if their income in the year of withdrawal is over the minimum threshold.

In this context, policy makers and industry have rightly focussed on the role that information and guidance service can play in helping people make effective retirement decisions. The purpose of the pension freedoms was to enable people to make their own choices about how to draw on their retirement wealth. For this policy to succeed, people either need to have access to professional advice, or they themselves need to become informed consumers of retirement income products. Many pension providers are working to reduce the overwhelming number of choices on offer to the retiree, down to a simple set of well-structured choices or even a flexible default that will suit most people. But these simplified approaches are not yet the norm, and savers with multiple retirement pots still need to make choices between the options on offer from multiple providers. In this context, professional guidance and advice are key.

Yet not everyone believes they need the services of an advisor, and some don’t have the wealth to pay for these services, or high enough pot values to justify the cost.[8] This is why the government introduced the free PensionWise guidance service in 2015, alongside the freedoms. This service now sits among a rich diversity of free tools and services provided by employers, consumer groups and financial firms. Yet the evidence shows that most people don’t take advantage of any of these services.[9]

Many hope that the imminent arrival of Pensions Dashboards will change this picture, by making it far easier for people to consider their multiple pension pots in one go, but until dashboards are up and running it is difficult to know how far this will change the situation.

5 See for instance pensionspolicyinstitute.org.uk/media/4079/20220526-ppi-bn130-set-for-life-a-guaranteed-income.pdf

6 The FCA’s Retirement income market data 2020/21 shows a steady rate of between 50% and 60% of pots being fully withdrawn. This compares to about a third being partially withdrawn, and around 10% being used to purchase an annuity. See fca.org.uk/data/retirement-income-market-data-2020-21

7 Lane Clarke & Peacock calculate that between April 2015 and March 2020, just over 1.7m people took their full pension pot out in cash, leading to an estimated aggregate loss of £2bn in additional returns. See *Have pension freedoms cost savers £2bn in lost returns?* (2022) at https://www.lcp.uk.com/media-centre/2021/07/have-pension-freedoms-cost-savers-2bn-in-lost-returns/

8 For consumers’ reasons for not seeking advice, see for instance Ignition House, Evaluation of the Retail Distribution Review and the Financial Advice Market Review (2020) p58ff, at https://www.fca.org.uk/publications/calls-input/evaluation-rdr-famr

9 According to the MaPS review of Pension Wise in 2019/20, around 200,000 people accessed the service in that year, out of a population of around 3 million people in the 60-64 age range. See https://maps.org.uk/2020/10/05/pension-wise-service-evaluation-2019-2020/

Barriers to action

Given this complexity, it is perhaps not surprising that many DC savers are shying away from decisions about how to use their retirement money. Previous studies have highlighted a wide range of challenges and barriers people face at this stage of life, including:

- **The power of defaults**
  As we've already seen in this report series,[10] a range of behavioural biases, including inertia and anchor effects, act on people who have been automatically enrolled into a retirement savings arrangement. The consequence is that they tend not to take any further action. There is a particular challenge getting people to start planning for their retirement at a sufficiently early stage, such as their early 50s.[11]
- **Short-term bias**
  This behavioural bias[12] is much discussed as a reason why young people don't save for retirement. At this stage in life, retirement feels impossibly far away and hard to prioritise – a major reason why auto-enrolment is so important among younger workers. Yet people in their 50s and 60s can also exhibit short-term thinking. In the run-up to retirement, it's much easier to focus on the household's immediate financial needs over the next few months and years, and perhaps on the early, active years of retirement, than to consider how to portion out an income over a retirement that could run into decades – with who-knows-what unexpected shocks and shifting priorities coming to light as the retiree ages?
- **Sense of disconnection**
  As we saw in our previous report, many people lack a sense of ownership of their pension asset. So it is perhaps natural that, when a saver is given the opportunity to access their DC pot, they might want to take it out of the pension wrapper, and into a product where they feel they have control of it. Unfortunately, this is often a bank account – a location where it will attract little or no growth or inflation protection. Unless the individual has some immediate use for this lump sum, they will probably be worse off in the long run if they take this kind of step. Industry commentators have as a result stressed the importance of giving pension savers a greater sense of ownership and control over their retirement savings – the hope being that this will make people less likely to draw money out until there's a specific reason for doing so.
- **Liquidity motive**
  One reason why people feel a lack of control over their pension asset is that, for most of their working life, they can't access it. This is a key example of short-term bias – people prefer payoffs that come soon, to payoffs that come in the future.[13] One of the unique features of a DC pension pot in the UK system is that it is almost completely illiquid until the saver's 55th birthday – at which point it becomes fully liquid. There are concerns that this 'moment of liquidity' might lead to 'knee jerk withdrawals' of lump sums – especially of the 25% element of the pot that is free of tax – which might not be in the saver's best interest. Given this, it could be seen as unhelpful that many online calculators steer the users towards taking a 25% cash-free lump sum on their retirement date – a holdover, perhaps, from the old regime where this was the only way of extracting any cash from larger DC pots. Since the introduction of the pension freedoms, there's no particular reason why anyone should take this sum in one go, unless they need it immediately.

'It's a strong anchor to take tax free cash out. If they know nothing else, they often know there is some tax-free money coming. I wish we could anchor onto taking some of it out and not all of it out. Even if you can't change behaviours fully, at least they have a better chance of a better outcome'
– Expert interviewee

- **All-or-nothing withdrawals**
  The behavioural evidence on 'mental accounting' and 'apportioning' shows that when people dip into a savings pot for any purpose, there's a tendency to withdraw the whole sum at once, even if only a fraction of it is needed to cover the immediate need.[14] This is another reason for concern about excessive withdrawals at or after the 'moment of liquidity'.
- **Accumulation mindset**
  People can find it hard to move from the accumulation mindset that's applied throughout their working life, to start thinking about their retirement pot as a source of income.[15] A focus on the lump sum, which may for many people be among their top one or two assets by value, means they can struggle to see how little it might bring them when drip-fed as income across the remainder of their lives.

10 Available at https://www.nestinsight.org.uk/research-projects/engagement-in-pensions/language-and-messaging/ and https://www.invesco.com/uk/en/nest-insight-research/small-steps.html

11 According to research by Research Without Borders for the Money and Pensions Service (MaPS), over a third (37%) of over 50s are leaving their retirement financial plans until their final two years before retirement or won't prepare at all. See 3 million over-50s will leave planning retirement finances to final two years before stopping work | The Money and Pensions Service

12 See for instance Benartzi & Thaler, *Heuristics and Biases in Retirement Savings Behavior*, Journal of Economic Perspectives (2007).

13 See for instance Laibson, *Golden Eggs and Hyperbolic Discounting*, Quarterly Journal of Economics (1997).

14 See for instance Dilip Soman & Amar Cheema, *Earmarking and Partitioning: Increasing Saving by Low-Income Households* (2011).

15 See for instance Shlomo Benartzi, *Save More Tomorrow* (2012) on the differing effects of lump sums and projected incomes when used in DC pension communications.

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This study looks at ways to help people move through the gears steadily as they advance through their 50s and 60s, avoiding the knee-jerk and encouraging a more deliberate progression through their choices.

- **Head in the sand**
When facing a major life change, especially where the future is unknowable, people can be driven into a head-in-the-sand mentality. This seems to be exacerbated by the complexity created by multiple pots and complex product choices.[16] For many people, this goes hand-in-hand with under-confidence about their situation, or about their own expertise in making financial choices.[17]

- **Preferences vs products**
Research[18] suggests that the available retirement income products don't align with many people's preferences. People are looking for a range of features – including long-term stability, predictability, and flexibility during the early years of retirement, not all of which are necessarily available from a traditional drawdown or annuity product.

- **Avoiding loss and regret**
The same studies show that annuities in particular can conflict with people's preferences in a number of ways. The need to surrender most of their DC pot to an insurance company in one go triggers a strong sense of **loss aversion**. And **regret avoidance** can mean they shy away from such an irreversible decision.

So how can we help people prepare for this time of change and choice, and make better use of the existing tools and services available? Messaging alone can't overcome such a wide range of barriers. Perhaps, though, it can help people start taking the right steps, at an appropriate pace, and to seek the specific, expert guidance they need. This study doesn't look to replicate the wealth of research into product choices, etc – it asks instead how messaging can help encourage people to prepare, and seek the right information at the right time. It looks at ways to help people move through the gears steadily as they advance through their 50s and 60s, avoiding the knee-jerk and encouraging a more deliberate progression through their choices.

Compared to our two previous studies, we spend less time in this report on how to simplify the language we use. We've applied the lessons from our previous studies to develop and test simpler, more coherent messages from the start. Instead, we look at which messages are most effective at different stages, and how to combine them for the greatest possible impact.

16 See for instance NatCen Social Research, *Pension Freedoms: a qualitative research study of individuals' decumulation journeys* (2020) at https://www.gov.uk/government/publications/pension-freedoms-a-qualitative-research-study-of-individuals-decumulation-journeys/pension-freedoms-a-qualitative-research-study-of-individuals-decumulation-journeys

17 For evidence of overconfidence, see Social Market Foundation *A Guiding Hand: Improving access to pensions advice and guidance* at https://www.smf.co.uk/publications/a-guiding-hand/

18 Ignition House for Nest, *Flexible, Lifelong Retirement Income: The Consumer Perspective* (2016).

'Later working life'

This report looks at the retirement preferences, challenges and opportunities of people currently in their 50s and early-to-mid 60s. It can be tempting to call this group 'pre-retirees'; but while that title might suit people in their 60s, it fails to reflect the experience of those who are a decade younger. At this age, retirement still feels, and is, a long way off. Many 50-somethings have not even begun to start thinking about their retirement choices when they hit 55, and discover they suddenly have access to their DC savings. The term 'pre-retirees' also fails to reflect the fact that many people in this group will never fully 'retire' in the traditional sense. For these reasons, we avoid the term 'pre-retiree' in this report. We talk instead about people in 'later working life'. This follows on from the group we explored in our previous report, who are in 'mid working life'.

Compared to that younger group – the so-called 'squeezed generation' – many people in their 50s and early 60s are in a strong position. Overall, they are more likely to own their homes.[19] Many of them benefit from legacy DB benefits built up by at least one member of their household, along with a higher share of other assets that might support their retirement planning.[20]

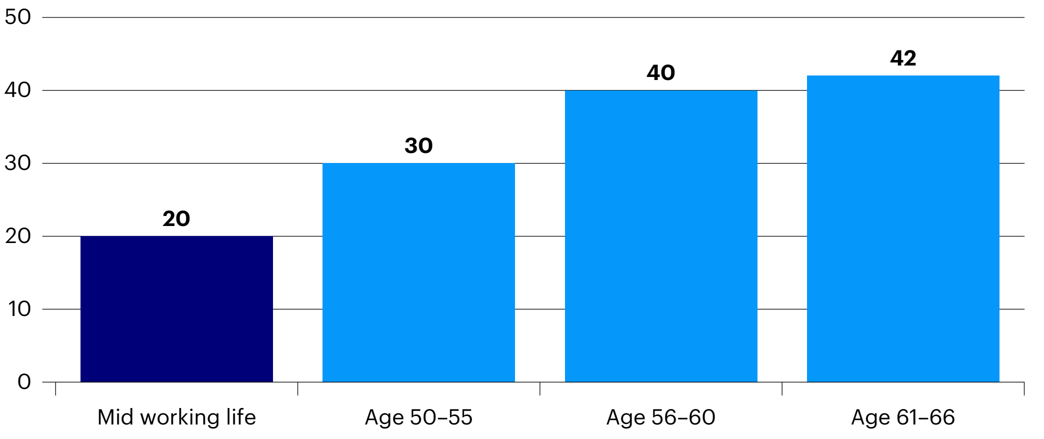
But this is not to say that this generation has it all easy. Compared to the position their parents were in when they retired, they are facing shortfalls. Their working patterns are very different, and more diverse, than previous generations, with some stepping down from work earlier than their state retirement age, and others working for longer, perhaps phasing down their working hours, rather than stopping work outright on a fixed 'retirement date'.[21] Many continue to have significant commitments to children and grandchildren as they enter retirement.

We see the effects of this in the extensive use of DC lump sums to buy property for the next generation and to support younger family members – a phenomenon that appears to be rising during the present cost of living crisis.[22]

Also, as we've seen, they've faced a number of potentially confusing changes to the pension system – including the start of auto enrolment, revised tax rules and, of course, the introduction of the pension freedoms.

In spite of these challenges, our research shows growing confidence in this group about their retirement planning, as compared to younger workers.

Figure 1
I feel on track when it comes to planning for retirement (%)



Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).[23]

It's hard to unpick whether this rising confidence is a factor of aging, and proximity to retirement – or whether the different life experiences of this cohort have given them a different outlook. Almost certainly, it's a combination of the two. Nevertheless, we've found among this age group a significant pent-up appetite for information and planning. The question we address in this report is how to galvanise this energy to encourage them to start taking action, step-by-step.

This does not mean trying to stop everyone from making lump-sum withdrawals. As we've said, many people may benefit from taking a large lump sum at some point following their 55th birthday.

"What you often find is that people might want to get a new kitchen. They might get a new bathroom or get the windows done because it's like the last hurrah before your income drops off and so there's kind of a capital spend."

– Expert interviewee

"We have to respect the fact that some people need to use this money over a short period of time, and that's not a bad decision. We shouldn't berate them for it. If you haven't got much left and you're not getting another job, and State Pension's not kicking in until 67, drawing down is really not that bad."

– Expert interviewee

So, our aim is not to stop them withdrawing. Rather, we want to help ensure that nobody does this without first taking a breath, considering their long-term needs, and making a deliberate decision.

19 See for instance https://ipropertymanagement.com/research/homeownership-rate-by-age

20 ONS data on active and preserved DB pensions can be found at https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/pensionwealthwealthingreatbritain. For data on other assets by age group see for instance https://www.resolutionfoundation.org/publications/an-intergenerational-audit-for-the-uk-2021/ In our quantitative study, a third of people in the later working life age group said a DB pension would be a meaningful source of retirement income, compared with about 20% who mentioned their hosing wealth, 20% investments, and around half citing other forms of saving. Nearly three quarters mentioned a DC pension.

21 See for instance Institute for Fiscal Studies, *The rise in economic inactivity among people in their 50s and 60s* https://ifs.org.uk/publications/16087

22 See for instance https://www.lv.com/about-us/press/4m-retirees-help-out-in-cost-of-living-crisis

23 Some sections of this year's quantitative questionnaire followed last year's survey closely, enabling us to compare this year's survey data with that of last year. For more information on the methodology, see Chapter 2 and the Technical Report.

Objectives and approach

2

This research seeks to understand what role language can play in helping pension scheme members in the last decade-and-a-half of working life start informing themselves and planning the process of retirement. As with the previous studies in this series, we used a variety of research methods to gain a richer understanding of the challenge, and to develop and test effective message frames.

Research questions

The first year of our research, captured in our report **Beyond the defaults**, provided us with a better understanding of how to communicate with people in the UK about pension contributions. In our second year, as reported in **Small steps to a better future**, we focused on how to help people think about and plan for a retirement income, with an emphasis on the experience of people who are mid-way through their working life, in their late 30s, 40s and early 50s. In this third year, our research question explores the experience of those in their later working life, those in their 50s and 60s. Specifically, the research questions we set out to answer are:

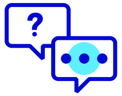
- **How do people approaching retirement understand and talk about the retirement options they have and what are the awareness and comprehension barriers to engagement, action and confidence?**
- **How can language and message framing help people to understand their options at key thresholds in the run up to retirement, supporting them to take meaningful actions that lay the groundwork for good decision making and optimisation of retirement savings?**

Research team

As with the previous two years, this research is a collaboration between Invesco, Invesco Global Consulting, maslansky+partners and Nest Insight. The different skills and expertise of the teams involved enabled a multi-method research approach, helping us explore responses to the language commonly used today around pension contributions, and develop and test alternative words and phrases.

Methodology

In line with previous two years, we used a mixed research methodology approach to address the research questions, bringing together data from expert interviews, qualitative research, a Nest member panel and quantitative research in our analysis.



1. Expert interviews

We conducted interviews with eleven experts including scheme trustees, pension providers, retirement solutions providers, employee benefits consultants, employers and academic researchers. Question areas covered included:

- Triggers and barriers to as well as drivers of engagement with retirement planning and options amongst the later working life target audience
- Views on more, and less, effective ways of helping this cohort take appropriate action with regards to planning their retirement, including tone; fundamental concepts this cohort needs to understand; words and phrases; and rules of thumb
- Examples of approaches to member engagement around those key moments of liquidity and pre-retirement that have worked well or less well

Following the expert interviews, we developed a set of different words, message frames and questions to take forward into research with workplace pension scheme members.

2. Qualitative research with Nest member panel

In this third year of the research programme, we added in an exploratory phase of qualitative research with the Nest member panel to help us draft the different words, message frames and questions to take forward into the next research stages. Key objectives included getting a better understanding of how people naturally talk about retirement options within the context of the barriers and circumstances they experience, as well as get an understanding of their information needs and experiences of information sources. The results enabled us to enrich and contextualise the insights of the other research stages.

In April 2022, eight interviews were conducted with Nest members. Prior to the interview, members were asked to complete some pre-work to get them pre-sensitised for the session as well as gain an understanding on the information sources people use and their views on phrasing and messaging within these. This pre-work involved exploring various information sources that would help them with retirement planning.

Question areas for the interview included:

- Attitudes and expectations around retirement
- Triggers, attitudes and behaviours around the 'moment of liquidity' at age 55 within their personal and financial contexts
- Triggers, attitudes, behaviours and needs around retirement planning, including expectations and attitudes to sources for retirement income
- Usage and experience of accessing retirement planning information sources.

The sample included a mix of pension scheme members who were just before or just after the moment of liquidity, as well as pre-retirement pension scheme members. For detailed sample criteria please see the technical report.

3. Qualitative research groups

The next stage was to explore how workplace pension scheme members would respond to the stimulus materials we'd developed, and to evolve the language we used. In May 2022, we conducted qualitative research. 29 participants took part in individual online pre-work sessions lasting around 15 minutes. 27 of these participants then went on to take part in one of four online discussion groups. Each discussion group lasted two hours and involved 6–8 participants. All participants were on individual income levels between £20K and £40K per year.

Half the discussion groups focused on those aged 52 to 55 years and half focused on those aged 60 to 66 years.

Step 1: the online prework

Participants were shown 14 message frames, voiced by an actor. These were seen in the same order in the online prework, but rotated during discussion groups. Each message spoke about retirement planning in a distinct way. Message stimuli were rotated during the pre-work period to ensure participants were exposed to the stimuli in different orderings.

There was a slider tool directly below the film with a scale ranging from 0–100. Participants were asked to use their mouse to tell us whether they had a positive or negative response to each phrase they were hearing. At each video, the slider started at 50, which participants were told was neutral. If what they heard made them feel more positive, they were instructed to move the slider up toward 100. If what they heard made them feel less positive, they were asked to drag the slider down toward 0. They were asked to use the entire range of the slider and keep reacting second by second, every word, for the entire message. After watching all videos, participants were asked to answer a short open-ended question identifying the most interesting and most surprising thing they had heard during the pre-work.

Step 2: discussion groups

In line with the previous two years, discussion groups were conducted remotely by video rather than in person. A benefit of this approach was that it allowed participants from a broad spread of UK locations to take part. During the video call, participants were asked at certain points in the discussion to give their individual feedback on questions via a chat function. Throughout the sessions, participants re-watched the messages they reacted to in the pre-work and discussed the messages as a group. The discussions:

- Enabled us to better define the later working life stage
- Helped participants understand their options from age 55, including choices around DC pots, state pension and retirement income
- Prompted participants to consider what steps they might take, and when, to achieve their goals for retirement

4. Quantitative research

Following the qualitative and Nest member panel research, we validated and quantified the learnings in a 15-minute online survey conducted with 1,500 participants.

The participants were all:

- Living and working in the UK
- Covered by auto enrolment and working for an employer offering a defined contribution scheme
- With individual income between £10,000 and £59,999 per year

The questionnaire covered:

- Demographics and household financial context
- Key psychographics, behaviours and knowledge attributes as identified in the qualitative and Nest panel research phases
- Assessment of the impact of different narratives by tracking before-and-after responses to actions participants reported themselves as likely to take – in this report we refer to improvements in these scores as the 'lift' generated by the messages used in the testing
- Language preferences around retirement and retirement planning

Survey respondents were screened on a number of criteria to allow us to identify and concentrate our analysis on a target population: pensions savers in their late working lives with low to moderate levels of engagement with their pension. This group comprises the 59% of UK pension savers who check their pension balance once a year or less. We included three five-year cohorts in the sample as follows:

- Those aged 50–55 (n=621)
- Those aged 56–60 (n=481)
- Those aged 61–66 (n=398)

Some sections of the questionnaire followed last year's survey closely, enabling us to compare this year's survey data with that of last year. With this year's sample following the same key selection criteria as last year, this enabled us to understand how certain attitudes and behaviours change as people move from their mid-working years to their later-working years. Last year's research surveyed people aged 35 to 55.[24]

[24] Last year's sample was split as follows: those aged 35-39 (n=300), those aged 40-49 (n=600), those aged 50–55 (n=300). The fieldwork for this study took place in the spring and summer of 2022, so the impacts of inflation and the cost of living crisis need to be factored in to the responses of the under-55 and over-50 groups. Some of the differences we see between the two groups are likely to be because of the timing of the two studies. However, the age-related differences we cover in this report can be seen not just between the two research populations, but also within the 50–66 age group surveyed this year. This provides a level of confidence that the attitudinal and behavioural differences covered in this report are at least in part a product of age and/or proximity to retirement, not just of economic climate.

3

Across the stages of this research, we gained a richer understanding of the stumbling blocks older workers face in preparing for retirement. Based on this understanding, we went on to explore the concepts and message frames that can help them overcome some of these barriers. In this section, we start by exploring the mindsets of this age group in relation to planning and preparing for retirement. We then present some key themes that appear to have a significant impact on their intentions and choices. In the following section, we show how these findings can be used to improve communications in later working life.

Shifting barriers

In the introduction, we set out a wide range of practical and psychological barriers, identified in other studies, that often prevent people in later working life from actively planning how to use their DC pots. The qualitative stages of our research confirmed the presence of many of these barriers, and helped us understand how they materialise across the age group. It was especially striking to see how much people in their 50s and 60s are affected by the same four key barriers we already found among people in mid working life:

- Affordability
- Being overwhelmed
- Not knowing what steps to take
- Feeling it's too late to make a difference

With one exception, though, these barriers were felt less intensively the closer people got to retirement age. They also played out quite differently with this age group, compared to the younger workers we talked to previously.

Affordability

People approaching retirement are often intensely focussed on sorting out their finances, in preparation for their lives after they leave the workplace. However, the focus of these affordability questions is shifting from 'Can I afford to contribute more?' to 'Can I meet my costs in retirement?'

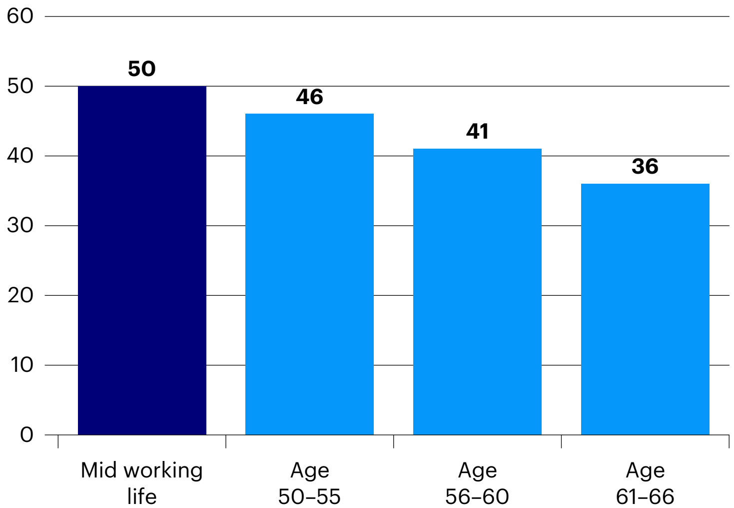
"What I do now is to try and maximise my income into pensions savings and minimise my expenditure in the future, trying not to get stuck with any major costs."

– Community member interview (61–65)

Compared to those in mid working life, this group are more likely to have checked what they're paying into their pension pots – 49%, compared to 32% of younger workers – but the affordability of these contributions is becoming less and less of an issue:

Figure 2

I can't afford to contribute more to my pension right now (%)



Source: Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).

It just drives my plans into complete turmoil. I just don't know what I've got, what it's projected to be. I am 55, this should be a real priority for me to try to understand now. It's almost like the elephant in the room. You're scared to open it up and find there's nothing there.

– Group discussions (52–55)

A number of people on lower incomes, who will be relying more on the State Pension, expressed concerns about whether they could afford to retire. They were worried they may have to continue working until a very old age.

In this context, it's unsurprising that many of the over-55 group had already withdrawn a sum from their pots. But far from the 'knee-jerk' withdrawals that many commentators have warned about, people often had well-thought-through reasons for withdrawing early.

"It was much more beneficial to have that cash and start paying my mortgage off because paying off £25 per week off my mortgage wasn't going to do anything. I worked on it with my financial advisor so I knew the implications of overpaying my mortgage and how much quicker you can get it paid off."
– Community member interview (56–60)

We found that these reasons can be both positive and negative, in the eyes of the saver:

Figure 3
Why did you decide to draw money from your pension(s)?

"To finance a new kitchen" **Age 61–66**	*"I was desperate"* **Age 60–66**
"To pay for Christmas" **Age 61–66**	*"I got divorced and needed money"* **Age 60–66**
"To go on holiday" **Age 61–66**	*"I had an unexpected illness"* **Age 60–66**

So, while many people still feel that affordability is a significant barrier to putting together their retirement plan, this is often in the context of a focused and deliberate planning mindset.

Being overwhelmed

As with younger pension savers, many people in this age group find retirement planning a minefield, with so many options and considerations that it can appear too difficult to engage with. And this can naturally lead to inaction.

"It is mind-blowing, there are so many options now. It makes you think I'll do it another time, there is too much to think about."
– Group discussion (52–55)

"One of the reasons I don't go to an advisor is because I'm worried about not understanding the jargon. If someone could explain it in simpler terms, I wouldn't be as frightened."
– Group discussion (60–66)

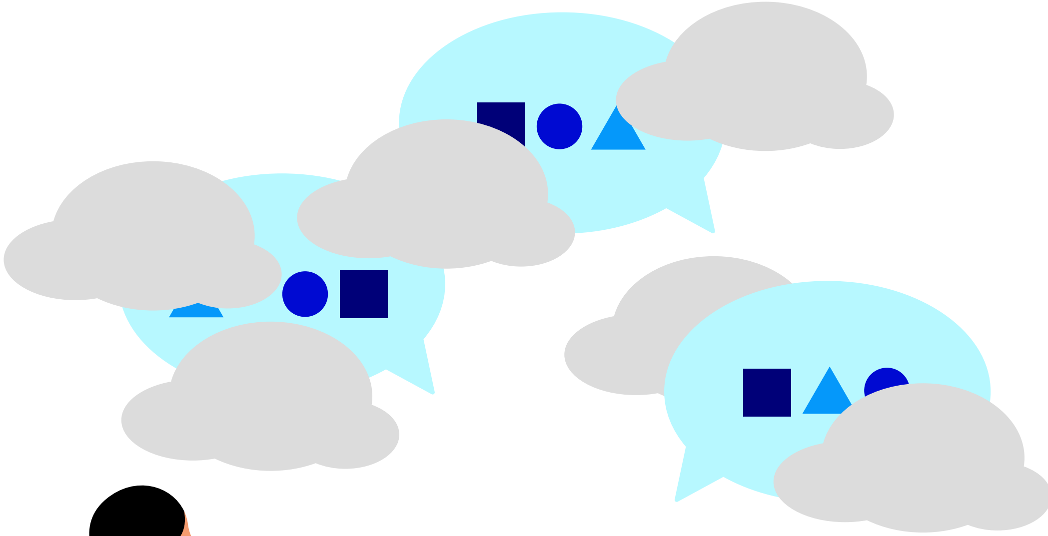
Yet it's striking to see that, as with affordability, the perceived importance of this barrier drops off rapidly by age.

Again, though, the focus of this barrier is shifting. As savers approach retirement age, they become increasingly aware of the many uncertainties about their lives in retirement, and about how they will fund this stage of life. Even though they are more established financially, aspects of their lifestyle are still very much subject to change. They're aware that their health may worsen as they age, and they're concerned about the effects of rising costs.[25] All in all, they recognise that it's hard to project themselves into an uncertain future. This can result in indecisiveness or, at the extreme, paralysis.

"One moment I think I will retire at 66, and sometimes I will change that. Now I think I don't want to sell the house. You want a crystal ball to help you make those decisions."
– Group discussion (60–66)

"It's about knowing how much you need to fulfil whatever you want to do. It's so different than the treadmill to what you earn each month. You have so many unknowns."
– Group discussion (52–55)

[25] As noted, the fieldwork for this study took place in the spring and summer of 2022, so the impacts of inflation and the cost-of-living crisis need to be factored into the responses.



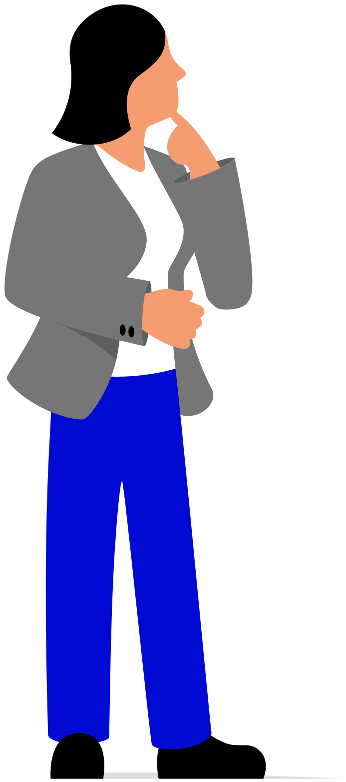
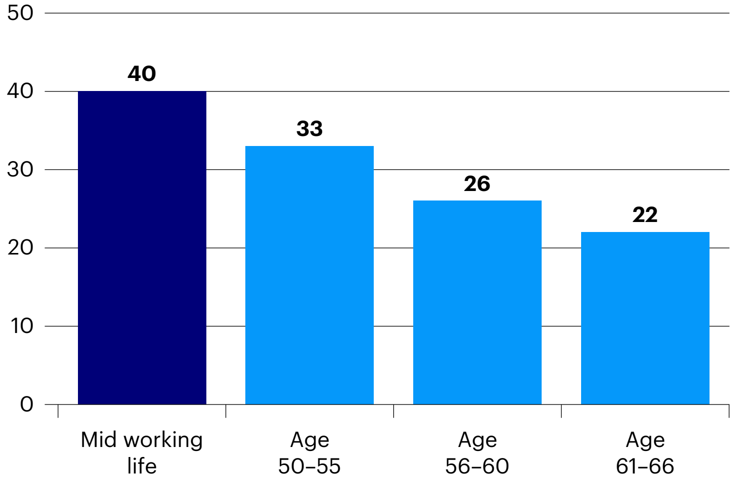


Figure 4
It's overwhelming – there's too much to think about (%)

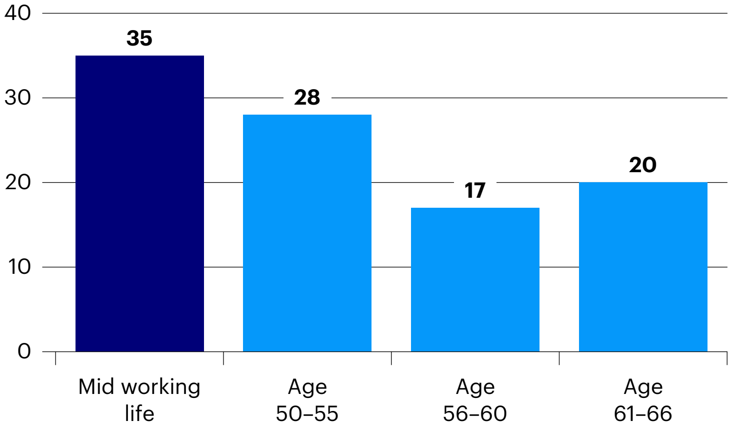


Source: Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).

Not knowing the steps to take

In our research into people in mid working life, we found that many people hadn't taken the first step towards planning for later life because they didn't know what steps they could take. This is still one of the most prevalent barriers in the older age group, but once again, the impact of it tails off with age.

Figure 5
I don't know what steps I could take to better prepare for retirement (%)



Source: Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).

As might be expected of an older group of savers, these questions about "What steps to take" are increasingly focussed on questions about what "retiring" will actually mean. Among the people we spoke to in our research, many had started to realise that retirement today is a gradual process. There's no longer a simple binary switch they can flip to take themselves from 'working' to 'retired'. Instead, there's a multitude of routes and steps they might take – whether this is deferring State Pension age, drawing on pension pots at different times, or slowing down their working hours. For others, though, this realisation has not yet arrived.

"Our State Pension is being pushed back and back. Many people are thinking they have to work until State Pension. I don't plan to work until our State Pension age. It's completely different now."
– Group discussion (52–55)

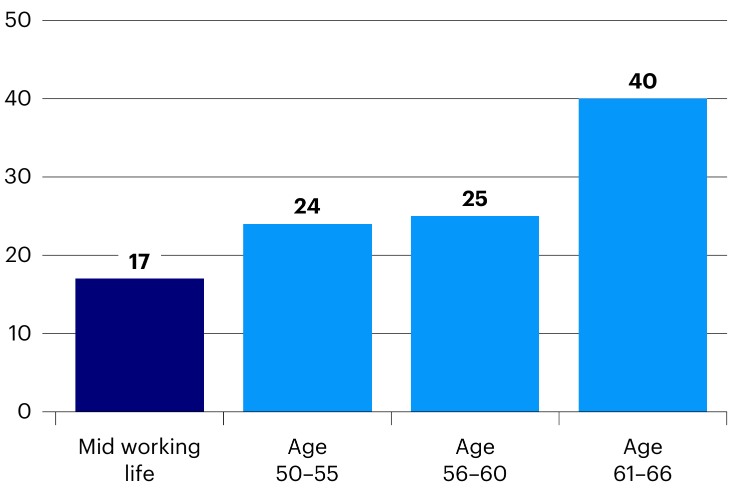
"I started to take final salary income. Does that mean I'm 'retired'?"
– Group discussion (52–55)

Feeling it's too late to make a difference

Understandably, the one key barrier that increases with age is a saver's perception that it's too late to make a difference to their retirement outcome.

Many people believe that there's less potential for their pension pot to grow at this stage – perhaps failing to recognise that it's possible that a large proportion of the pot might remain invested well into retirement.[26]

Figure 6
I feel that it's too late to make a difference (%)



Source: Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).

"The growth potential of a pension when you're at my age is quite small. [...] So I don't look much at the growth potential now."
– Community interview (61–65)

Others, by contrast, are confident that they can rebuild their pot values after having made a withdrawal.

At the time when this research was carried out, concerns about growth were further heightened by a fear that pension pot values would actually fall, due to the current economic climate. People also showed a strong aversion to being told they've not saved enough.

"At my age, I don't want someone telling me if I have not been saving enough."
– Community interview (56–60)

[26] It's also worth noting that, in Nest at least, the opt-out rate for people aged 55+ is considerably higher than that of younger age groups. This is in spite of the fact that, at this age, the saver can receive employer contributions and tax relief, and withdraw their money at any time. And of those who give a reason for optioning out of Nest, people in this age group are most likely to say 'it's too late to make a difference'. See the annual *Retirement Saving in the UK* report for details – https://www.nestinsight.org.uk/research-projects/retirement-saving-in-the-uk/

Withdrawing and planning – real-world behaviours

To illustrate the real-world experiences of people who are taking lump sums from their DC pots, the following case studies are drawn from our community interviews.

01

Bonnie, 62, explains what moved her to withdraw £30,000 of retirement savings

At 62, Bonnie has started to reduce her hours, taking every other Friday off to help her to slow down in preparation for retirement. She's planning to talk to her employer next year to start taking every Friday off. She's currently set her retirement age at 66. Her husband, more than 10 years her junior, will continue to work. Even without his income, she is confident she will be able to live on her retirement savings.

When the option of drawing down my money came round, I was expecting it to be two or three grand, but when the letter said it was £30,000 I changed my mind.

Bonnie always knew about the possibility of withdrawing cash, but was never actively considering it. She assumed she could withdraw perhaps £2,000 or £3,000. Then she received a letter from her pension provider.

"When the option of drawing down my money came round, I was expecting it to be two or three grand, but when the letter said it was £30,000 I changed my mind."

Advised by a financial advisor, she decided to take the full allowance and use her savings to pay off a large part of her mortgage. Working out a forecast, the financial advisor showed her the implications of her drawdown. She weighed off the benefits of paying off her mortgage against a lower retirement income.

"I thought it would do me much more good now, than an extra fifty quid or something each month when I do eventually retire. My mortgage was interest only, so I wanted to pay this off."

Along with financial considerations, her health and perceived life expectancy also played a role.

"Also, because I'm very overweight and smoked for many years, I always thought that I won't live until I'm 100. I'm not going to be here for another 40 years, so I thought I'd better get the most out of it while I'm still here."

She's feeling doubtful that she'll get a full State Pension by the time she retires. She expects a future government to change regulations so that those who hold private pension savings will get less State Pension.

"The way government always changes regulations, perhaps by the time I'm due my State Pension I might not get as much as other people because I have a private pension, so I thought I might as well take my savings now."

02 Frank, 55, explains his surprise and considerations for drawing down some of his retirement savings

Frank is self-employed. He works for a local delivery company, four nights a week. He has pension savings from previous employments. Retirement feels like a long way off. Living on his own and having no children, he thinks carefully about where his money will need to go and the support services he may need in future.

It was compelling financially; I was able to clear some of the outstanding finances. Once I've done that I will be in a much better financial position. Rather than furnishing the debts, I can clear these now.

Despite feeling knowledgeable about pensions and finance matters, the letter Frank received from his pension provider came as a big, and welcome, surprise. He was not aware of the possibility to draw down retirement savings at 55.

"55 crept up on me. I wasn't thinking about anything or planning my retirement savings. I didn't know about the drawdown, that this was available. Something like this suddenly springs up that you can do these things."

As part of his information-gathering and decision-making, he consulted his provider's website and spoke to someone at PensionWise. Understanding the various options available to him, the decision was fairly quickly made. Using a part of his drawdown to settle some of his financial debts, he aims to set aside the remainder of the money and use this wisely, potentially using this to partly fund his long-term retirement goal of buying a house in France and start a B&B there.

"It was compelling financially; I was able to clear some of the outstanding finances. Once I've done that I will be in a much better financial position. Rather than furnishing the debts, I can clear these now."

"I was fairly clear what I wanted to do with that money. I'm not putting it into an annuity, but as a boost to what I'm going to be getting from my other pensions – maybe a savings account, an ISA or an investment. I wasn't going to use if for a nice holiday."

Since he decided to withdraw the full allowance, the run-up to his 55^{th} birthday felt like a countdown to accessing that money. He is confident and clear in his plans that he can rebuild his pension pot over the next 12 years, having done that.

He feels somewhat rushed in his decision making following the surprise letter from his pension provider, wished they had sent a letter earlier and he now informs all his younger friends to be better prepared for the possibility to draw down their pension savings at 55.

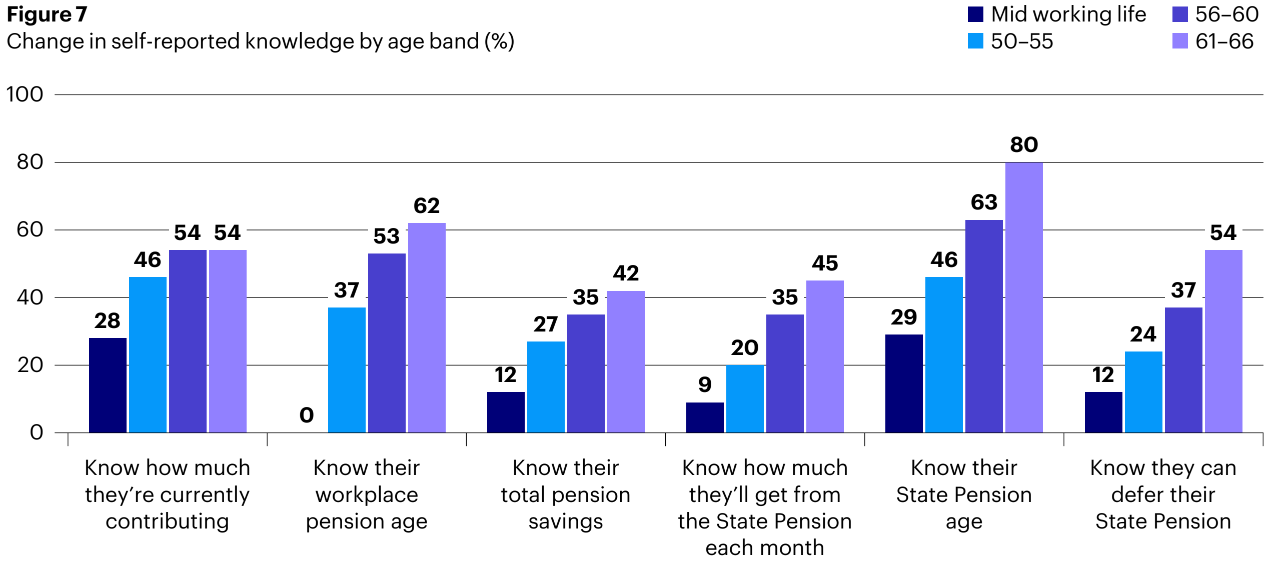
"I'm now telling my friends who are approaching 55 about this and tell them to combine their pots. They are facing this choice. Don't leave it to the last minute like I did."

Harnessing 'potential energy'

We've seen how the perceived importance of several key barriers drops away as people pass through their 50s and early 60s. This reflects a wider trend. Across a range of measures, we saw a similar steady increase in people's expressed willingness to plan for retirement and inform themselves about their options – along with a growing sense that they understood more about both workplace and State pensions.

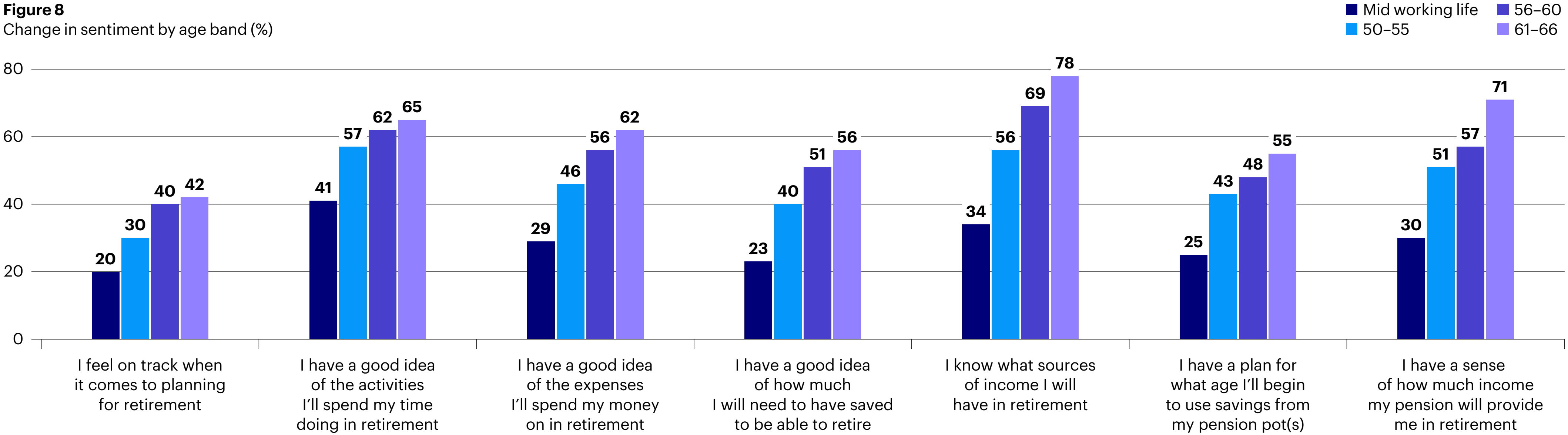
People also get more positive about their retirement prospects. This will in part be because people in this age group have higher levels of asset wealth, and in particular legacy DB pensions, than younger groups. But whatever the cause, this is a striking shift in attitudes.

Figure 7
Change in self-reported knowledge by age band (%)



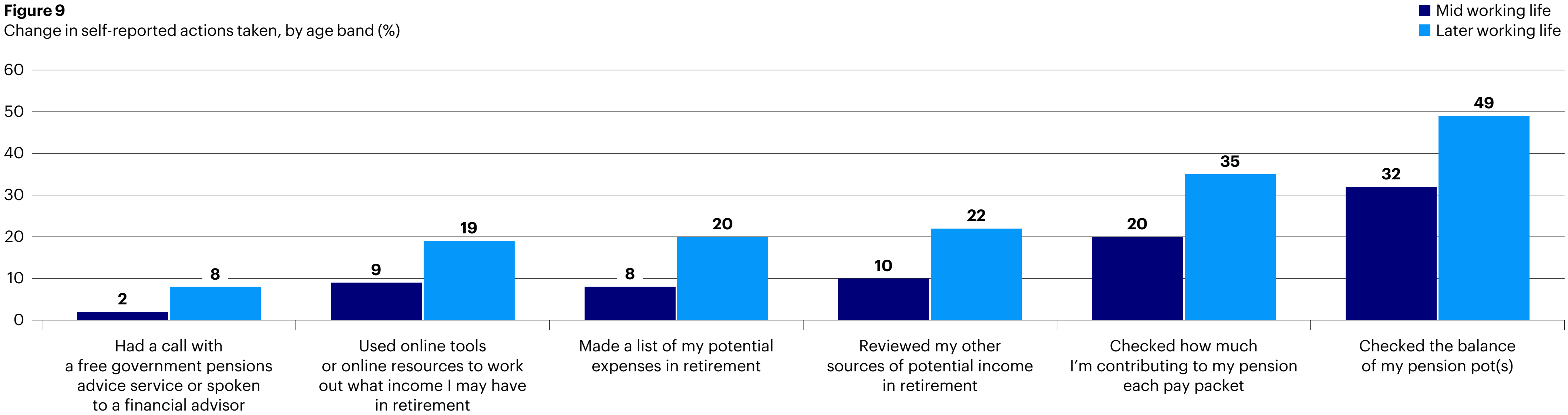
Source: Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).

Figure 8
Change in sentiment by age band (%)



Source: Mid working life (Survey 2021, n=1,200), Age 50–55 (Survey 2022, n=621), Age 56–60 (Survey 2022, n=481), Age 61–66 (Survey 2022, n=398).

Figure 9
Change in self-reported actions taken, by age band (%)



Furthermore, as people approach retirement, they say they are doing more to engage with guidance and tools. All of this is perhaps unsurprising given that people are approaching retirement and, as a result, becoming aware that they need to start taking action.

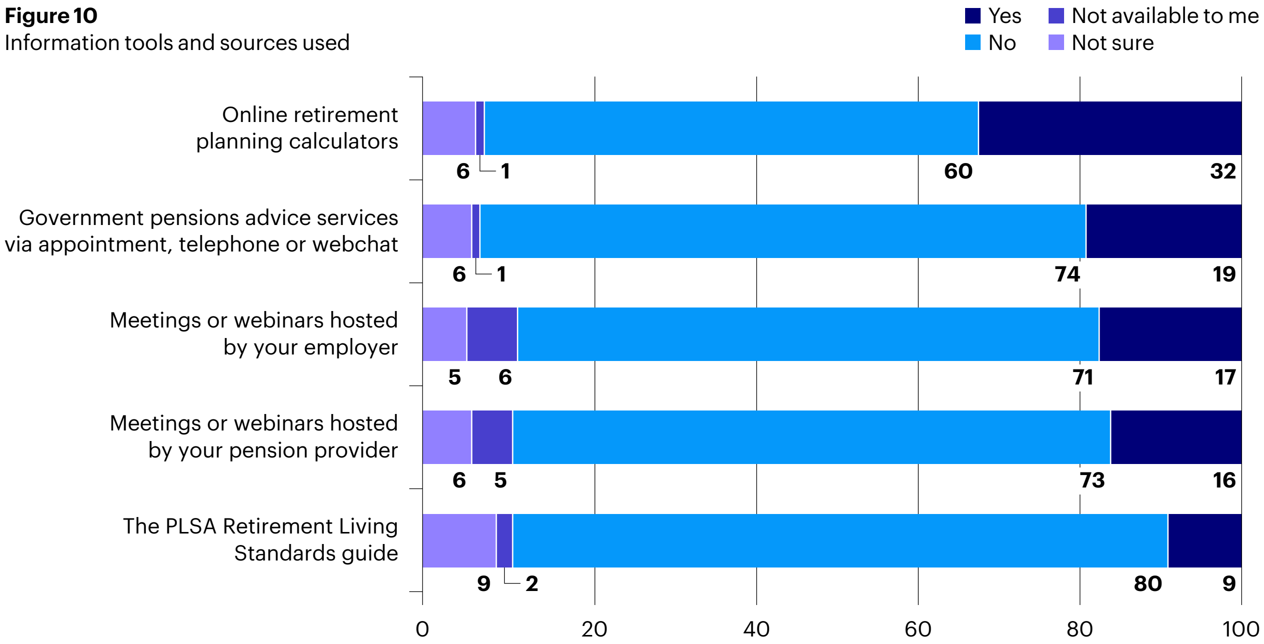
"Suddenly I am 55 and now this is the biggest priority life decision I've got in front of me, and if I fail to plan, I plan to fail."
– Group discussion (52–55)

While these increases are significant, though, the absolute levels of engagement remain low overall. For instance, the number of those having a free call with a government guidance service increases by 400% between the mid working life group, and the later life group. But this increase, from 2% to 8%, leaves 92% of people approaching retirement who haven't done this.

This is why we call this overall positive trend a rise in **potential energy**. We chose this language because, while there's a clear increase in the readiness to take action, this often comes without an actual change in behaviour. In other words, we are seeing a high degree of untapped potential to take action.

We know that there's already a wide range of tools and services to help people work through their retirement choices, but few people are currently taking advantage of this.

Figure 10
Information tools and sources used



Please note data labels may not sum to 100% due to data being subject to rounding.

As we've seen, many people find it difficult to plan. It's seen as challenging and time-consuming.

"Martin Lewis says: if you are working, take 1 or 2 days out of work to work out your finances. The thought of having to give up a week's holiday, it feels a bit strange. Having done this exercise, I would probably need to sit down and do it that way. Same way you would do a family budget, I should be able to do that for my retirement and I can't."
– Community member interview (56–60)

And so, in the face of uncertainties and complexity, many follow the path of inertia.

"None of us know how long we will live so we don't know how long our pots will last, this is very difficult. How do I pace myself financially?"
– Group discussion (60–66)

"I'm not thinking of retiring next month but to work a year or two longer; but I didn't think into account I need to start planning. I'm probably going to start planning. Set myself a date."
– Group discussion (60–66)

For people in their early 50s especially, this creates a risk that, as they reach the moment of liquidity, this energy could encourage them to start withdrawing funds without first having thought through their longer-term needs and options. Potential energy, though, is already rising rapidly in this age group.

Our aim, therefore, was to test messaging that might harness the potential energy in this age group, as well as in those who are already aged over 55. We hoped to capitalise on this pent-up demand for information, encouraging people to seek out guidance and support, and translating their growing levels of motivation into more tangible actions. As we've said, messaging alone can't overcome every challenge they face, but we were aiming to develop messaging that could help them consider their choices in a deliberate way, and avoid the knee-jerk.

In doing this, we also recognised the need to consider people's very different circumstances, and not make assumptions about which choices were right or wrong for them personally.

You're in control

Our expert interviews and qualitative research confirmed a key finding of past research: people don't feel a sense of connection with their accumulated DC savings. In particular, they don't feel in control of them. For people in later working life, this seems to be driven in part by a sense that the future is unknown. It is also reinforced by the current climate.

"All the unknowns, we are going through a time of uncertainty. That little money I have put aside, it's not really in my grasp anymore. All you can do is control your own little world."
– Group discussion (60–66)

Our experts cited this as a key reason why people elect to withdraw pension assets before they need them, and move them to alternative vehicles, such as current accounts, where they feel they have more control over their money. Clearly, this might lead to poor financial decisions for many. It raises the question, does a feeling of not being in control of their pensions encourage people to make irrevocable pension decisions before they think through their longer-term plans?

We therefore tested messages designed to encourage a sense of having control over the DC pot. We wanted to see whether these would be effective in getting people to take stock and work through their options, before taking snap decisions to access their pots. There was a concern that these kinds of messages might alarm people and put them off, if they don't feel ready to be in control of a complex financial product. Messages focussed on the kinds of control that felt manageable – for instance, setting a suitable retirement date, setting an amount that you'll initially withdraw to meet your needs, or keeping your account information up to date.

Some messages[27] focussed on the importance of moving from default savings behaviour, to personalised decision-making at the point of retirement:

There are no defaults for those decisions because they're based on your own priorities, needs, and preferences. But no matter what you choose to do now, know you always control the money that you leave in your pension.

As well as more direct messages about being in control:

From age 55 you can take money out if you need to, and you can also feel confident that whatever you leave in for the future will be available to you any time you need it.

These 'you control it' messages were persuasive in their own right, and we did not see any negative effects if the message was framed to avoid overwhelming people with the challenge. They raised people's beliefs that they are in control of their DC pension (an increase of 57% in this belief compared to their responses before hearing the message) and that they should contact free government guidance services (an increase of 55%).

On a less positive note, many interpreted 'taking control' as accessing their savings as soon as they could. This suggests that these messages might not have the desired effect of discouraging snap withdrawal decisions – at least not on their own. As we'll see, other messages can achieve the same positive impacts as the 'you're in control' messages, while also being more effective in discouraging people from taking their pension as soon as they can. Given this, it may be that 'you're in control' messages work best if they're conveyed implicitly, through messages that help people see what kinds of positive steps they can actually take. As in so many types of communication, showing seems to be more persuasive than telling.

27 Full versions of messages tested at each stage of the research can be found in the technical report.

Think forward to an income

A key challenge for people planning how to use their DC pot is the sheer amount of money it may contain. Although the DC sector is still relatively immature in the UK, a DC pot will often be the biggest liquid asset in a household. It can be hard for the saver to hear that this apparently huge sum of money will only pay out a modest amount when they spread it out across a retirement that could span several decades. One of the biggest conceptual challenges that people face at this point is understanding that this pot of money will need to be transformed into something quite different – an annuity or drawdown solution – If their savings are to be portioned out as an income across the rest of their lives. This is especially true if all the information they've received to date from pension providers relates to the size of their pension pot, rather than to the level of income that this might generate in retirement.

"It's the conversion of the pot of money into income that is the killer. To people who have never had a pot of money – £50k or £100k – It sounds like a fortune."

– Expert interviewee

This speaks to the importance of helping people in later working life develop an income mindset. This involves thinking about the pension as something similar to the income they've received in working life, apportioned out each month in a predictable way, around which they can manage their financial lives. Even if they ultimately decide that their DC pot will not be best used as a contribution towards this income, this decision will be more solidly grounded if they have considered what kind of income they could get from their savings. A number of people we spoke to in the research had already made the leap to thinking in this way.

"For me, that's the whole idea. I want to know I get paid a monthly, regular income because my bills will still come in on a monthly basis."

– Group discussion (60–66)

"It's good to plan and be sure of what sort of income you will be getting – your planning is based on what you get. It makes you think it replaces your salary."

– Group discussion (52–55)

Yet many people were not thinking forward to an income in this way. We therefore developed messages designed to move peoples' thinking from an asset frame to an income frame. By reframing the pension pot in this way, we hoped to discourage snap choices to access the whole pot.

As you get closer to retirement, it's helpful to think less about that total number and more about how much income those savings could provide you month-to-month.

People saw this as a relevant way of thinking about their DC pot. Describing the pension as income presented a clear and constructive picture. Messages about the importance of making your money last were seen as helpful reminders, among those for whom long-term planning was not top of mind.

"When you think about taking retirement, you don't really think about the long-term. I'm thinking do I have enough money for the duration of my retirement?"

– Group discussion (60–66)

However, some who were more informed about the options felt this might also 'scare people' into taking a guaranteed product like an annuity rather than looking at the alternatives.

The income message was persuasive, helping give people a sense of what they'll use their pension savings for (a lift of 23%) and encouraging them to seek out government guidance services and financial advisers (a lift of 62%). Also, crucially, this was the only message among those tested that was shown to **discourage** people from thinking that their pension savings are there for them to access as soon as they can (a fall of 19% – the opposite effect to the 'you're in control' message).

Because of this, the income message appears to be an essential part of any early communications, especially to those in the pre-liquidity age group (age 50–54). With this message placed early in the messaging journey, there is much less need to tell people that they are in control of their pensions – this and the other message concepts below can achieve desirable outcomes without leaning too heavily on the control message.

Start simple

When it comes to planning out a retirement, our experts and research respondents alike recognised that there's no silver bullet solution. Everyone's circumstances and choices are unique, and most are complicated. Many people's levels of retirement savings will be insufficient to their retirement hopes or expectations. Also, they tend to have challenges that they need to address right now, before they start dealing with the long-term. This is especially true at the point in time when we carried out this research, in the midst of a cost-of living crisis, when basic needs like food and utilities were already overwhelming many household budgets. Even at the best of times, though, many people's DC savings, combined with state benefits, will not cover much more than the basics.

So it's perhaps no surprise that in our study, many people responded well to a realistic, down-to-earth approach that began by looking at how their pension savings would cover their basic needs, rather than talking about more aspirational goals like hobbies and dream holidays. Our quantitative research also showed a slight preference for messaging about day-to-day needs, compared with income replacement.

This approach is in stark contrast to many of the more aspirational marketing messages that people see about pensions. In our message testing, people responded positively to suggestions that they start to draw down only what they needed to deal with immediate, vital expenses, and then to consider over time how much they might need for other purposes. This seems to reflect a hierarchy in people's preferences, as they start to consider what they need from their DC income. The basics come first, after which they can be more open to thinking about life's luxuries – both small and large.

Figure 11
Which of the following is a better description of the role your pension plays in retirement? (%)

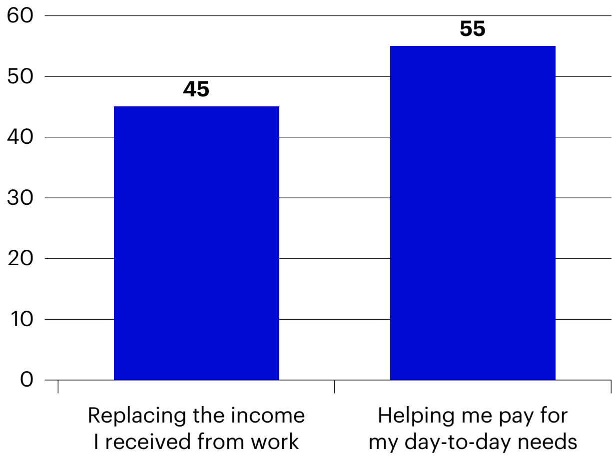
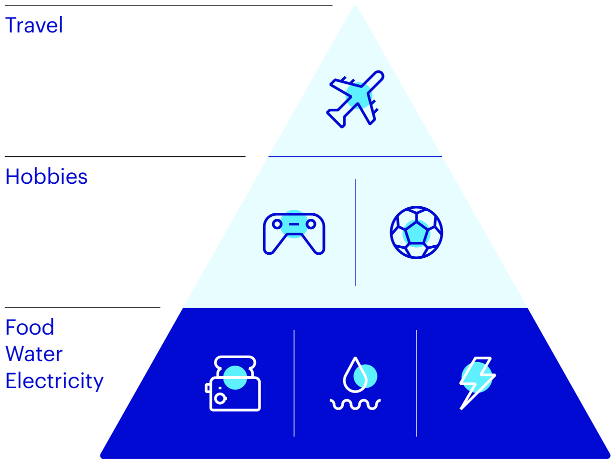


Figure 12
Hierarchy of retirement priorities



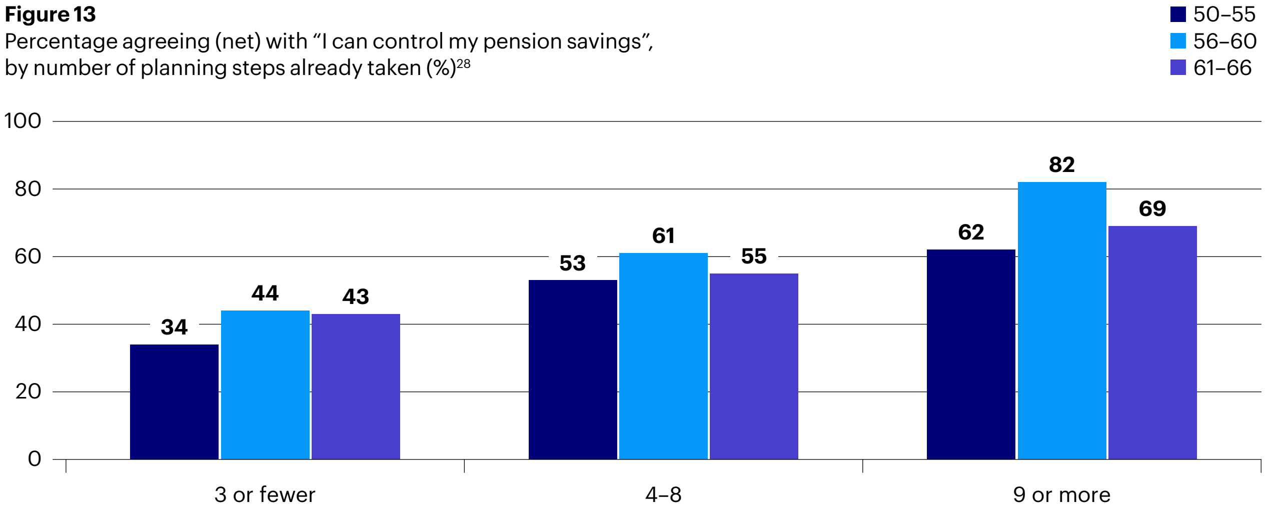
> **I'm trying to think about outcome as well as income and work out how much you want to thrive, not survive in your retirement. So it's a question about 'have you got enough for the necessities of life and do you then have enough money for the enjoyment in life'.**

– Community member interview (61–66)

It's important to note, though, that in our qualitative research we also encountered a group who were focussed on using their retirement income for the pleasant things in life. This sentiment may have been limited to those with more capacity to fund these aspirations, but this is an important reminder that messages about retirement first steps should be tailored as much as possible to the circumstances of the individual.

Simplicity also extends to entry-level messages about retirement options. In providing pre-retirement guidance to DC members, the pensions industry has tended to focus on explaining all the diverse and complex products that are available. Much positive work has been done towards simplifying information on annuities, drawdown products, and so on. However, we saw evidence that too much information up-front about specific product options can be more than people are ready or able to bite off at the early stages of their planning journeys. People seem to prefer messages to start with simple choices and then ramp up to cover their options in detail. This tallies with the fact that people's sense of being in control builds up progressively as they start to take steps towards a planned retirement.

Figure 13
Percentage agreeing (net) with "I can control my pension savings", by number of planning steps already taken (%)[28]



Investment messages, in particular, should be treated with caution, to avoid information overload. We tested messages explaining that pensions savings are invested to grow for the future, and encouraging people to withdraw only what they need. But as we've seen in previous research, learning about savings being invested only resonated with those who were already more knowledgeable. This topic requires a lot of explanation for those who are at an early stage in gathering information about their pensions. The current economic climate also makes DC savers nervous about the value of investments falling. We also tested messages looking back at how the saver had built up their current pot value, through longer term investment returns and contributions, but these got in the way of the key information about what to do now – reinforcing the point that too much information about this topic can be overkill.

Another layer of complexity around investment messages relates to sustainable investments. People in this age group can find it unhelpful that they keep coming across sustainability information on provider websites, when they are looking for information on their own pre-retirement investments, which might be geared towards different types of assets. The topic was seen as important, but mostly relevant to younger savers planning future asset allocations.

"There is so much discussion on websites about sustainability nowadays which is quite overwhelming. I'm a big supporter, but I don't see sustainability as part of pension discussions I need to see. I'm looking for information that matches for when I need my pension pot."
– Community interview (56-60)

Given all these potential complicating factors, and the risk they might put people off getting started, we tested messages reminding them that their retirement is a **gradual process**. These messages resonated, and encouraged them to start planning sooner rather than later, to make sure they had time to work through all their options in good time for their retirement.

"It's made me think retirement's not that far away, I need to sit down now and make some sort of plan, it's made me stop and think."
– Group discussion (52–55)

People welcomed messages framing the retirement process as something to be taken 'one step at a time'. This helped them feel they didn't need to race into a binding decision that they couldn't adapt later, as their circumstances evolved. These messages seemed to appeal to a behavioural bias known as **regret aversion** – our tendency to actively avoid the future pain that might come if we make a bad decision.

[28] The data have been broken down by age group to demonstrate that this relationship between confidence and the number of steps taken is not simply a by-product of confidence increasing with age. As can be seen, the relationship holds true across all three age groups.

Take gradual steps

All the findings we've set out so far speak to the need to construct **information journeys** for savers, starting with messages that help them consider what they currently have and what they immediately need. We therefore tested messages that explicitly encouraged the saver to break their retirement choices into discrete steps, and to think about how, and how quickly, to take these individual steps.

"It's good to have an overall picture of the overall scenario. [The message is] taking a step back to talk about taking the first step. The first step is probably the most important step you need to take, but you need to know the following steps too."
– Group discussion (52–55)

Importantly, though, general references to a 'first step' or 'small step' did not resonate as strongly as setting out some clear, specific steps that people can take. We therefore tested messages setting out a list of initial steps:

1. Think about changes to work – in terms of your hours and the type of work you do
2. Decide when it's time to start drawing from your pension
3. Decide when to start getting your State Pension

These steps aren't the only ones that might be used in this kind of message. We chose them because they had all created interest during our qualitative research, and because they were relevant to everyone in the age group. All of them proved valuable, though, when included in this message about taking the right steps. Step 1, which encouraged people to consider what changes they might make to their future working patterns, encouraged them to think through their options.

"That was interesting. I might not retire with the job I now do, I might do a less stressful job. I might do student support to just help people, do something different and meaningful. Retirement isn't a big shebang, it could be at different stages."
– Group discussion (52–55)

Steps 2 and 3 were seen as especially useful. Only a few people we spoke to in our qualitative research had a clear sense of when they'd retire – even those in the older age groups. More knowledgeable savers might have thought about this, as had people who'd sought financial advice, but others tended to anchor on either State Pension age or age 65.

However, this was not because they'd ever thought through their priorities. In their final reflections about what they would do differently based on the series of messages they had heard in the group discussions, many people mentioned that planning a retirement date was going to be their first step.[29] They clearly saw the benefits of having a timeline in mind, even if they knew that, in reality, they might not stick to it.

We also tested the idea that retirement age could be determined by related milestones in life – for instance health needs, family events such as children leaving the nest, a retiring partner, or financial factors such as mortgage commitments. Some people had started doing this organically, as life events came up, but those who didn't know where to start with their retirement planning found this suggestion novel and helpful. Life events provided helpful prompts to think about the wider context of retirement. However, life events are also highly specific to the individual, and the examples chosen could be seen as unhelpful or prescriptive.

Alongside these messages about **when** to start drawing on State and workplace pensions, people also found it helpful to be encouraged to learn more about how **much** they would get from the State Pension, and what they currently had in their DC pots. A significant number said they had already started informing themselves about this, but the majority had not.

"I was quite surprised to hear how much pension savings I had, I encourage people to look and get the valuation from the pension companies."
– Group discussion (52–55)

Thinking about these three steps led many to assess their financial priorities and the decisions to get things in order. Based on this positive response, we tested a refined message, setting out the steps and encouraging people to start their retirement planning by focussing on them:

Figure 14
Percentage of people in our quantitative survey agreeing with statements

Know what will get from State Pension	**42%** have a firm idea
Know they can defer State Pension age to increase payments	**36%** are very familiar with this
Checked the balance of their pension pots	**49%** have done this
Used online tools to work out what income they might get	**19%** have done this

One of the best things you can do to prepare your retirement plan today is to think about when you may want to take each of these three steps.

This message was strongly persuasive. It encouraged savers to think about the timing of any pension withdrawals. The three simple, standardised steps provided a helpful roadmap to all and encouraged a more deliberative attitude to how and when to access DC pots. It was also the strongest message for creating a sense of control over the pot (a lift of 61%) The message about the State Pension in particular encouraged people to consider this universal benefit as an anchor to their planning.[30]

[29] The other most common step was to seek guidance or advice.

[30] In our previous report, we similarly found that considering income from the State Pension was a useful jumping-off point for starting to plan for retirement.

Talk to someone else

For many people in this age group, money is something they've always dealt with on their own. They haven't ever discussed their finances, even with those closest to them. This can make the prospect of working out a retirement plan daunting, even frightening. Which might explain why suggestions about which sources of information they can turn to often proved as important as the information itself. People are naturally interested in hearing the experiences of those close to them, and messages encouraging them to reach out and speak to friends or family members about the process of retirement can make the challenges ahead start to seem more manageable.

"The one thing I remember from the messages is that you should talk to people who are already retired. I had not thought about that at all."
– Group discussion (60–66)

We also heard from expert interviewees that many people find the planning process more positive if they are able to join group sessions, such as retirement seminars in the workplace. Encouraging conversations, whether this is with friends and family, or with colleagues in a guidance session, may in itself help people overcome their initial barriers to engaging with retirement planning.

There is of course an important distinction to be drawn between the anecdotal wisdom of a retired friend, and more specific kinds of financial guidance or advice that require an expert advisor. People do appear to be interested in getting advice from professionals, as well as from peers. They're often not sure, though, which of these is preferable. Ordinary people are seen as having valuable real-world experience, but also a lack of expertise.

"They say experience is the best teacher, sometimes you learn from other people's mistakes. It's not that I would rely on that completely. I would also go to a professional to get advice, any areas I need to improve."
– Group discussion (52–55)

However, when people consider getting advice from a professional, they are concerned that this will prove an expensive option.

"The costs of a financial advisor is prohibitive. It's hard to find someone of quality that you trust. For example if you look at consolidating your pots, I might lose all my pension savings to pay for a financial advisor."
– Community member interview (56–60)

Some people who felt this way had not taken into account the fact that they could use some of their retirement pot value to pay for advice. For them, this was a pleasant surprise.

There was also a perception that pension providers often push their members to speak to a financial advisor, even when all they wanted to do was find one specific piece of information, quickly and free of charge. This emphasis on advice left some savers concerned that if they tried to make decisions on their own, they would go wrong.

By contrast, when we tested messages encouraging people to seek out some of the many free sources of guidance, they responded very positively. They said they hadn't taken advantage of these because they didn't know they existed, or they weren't sure how to access free services.

People had a range of preferences around how they might receive guidance and information:

- Many had already formed positive initial impressions about the government's **PensionWise** service in particular, though as we've already seen, most had not yet contacted it. Some in their early 50s had assumed the service was aimed at people closer to retirement. Others had less positive expectations about a service provided from a government website, though those with first hand experience of the service had more positive impressions.
- **Online** sources of guidance are in general not seen as particularly accessible, and people's expectations of them are low. Many feel that a lot of the information available is aimed at younger people who are earlier in their pension saving journeys.

  "They don't direct people at my age. They aim at people who are quite a bit younger. There is nothing that makes it easy to navigate where you are at an age in retirement journey."
  – Community member interview (56–60)

- **Pension statements** are seen as useful, but people prefer to see forward projections in them, rather than retrospective commentary on how their investments have performed.

  "You get a lot of commentary on the stock market, but that's irrelevant. There is no point in telling me to saying what happened in the last 12 month 3 months later. Pension is about the future. Everything is retrospective."
  – Community member interview (56–60)

4

In the previous section, we've seen the power of well-framed messages covering some key themes:

You're in control

Think forward to an income

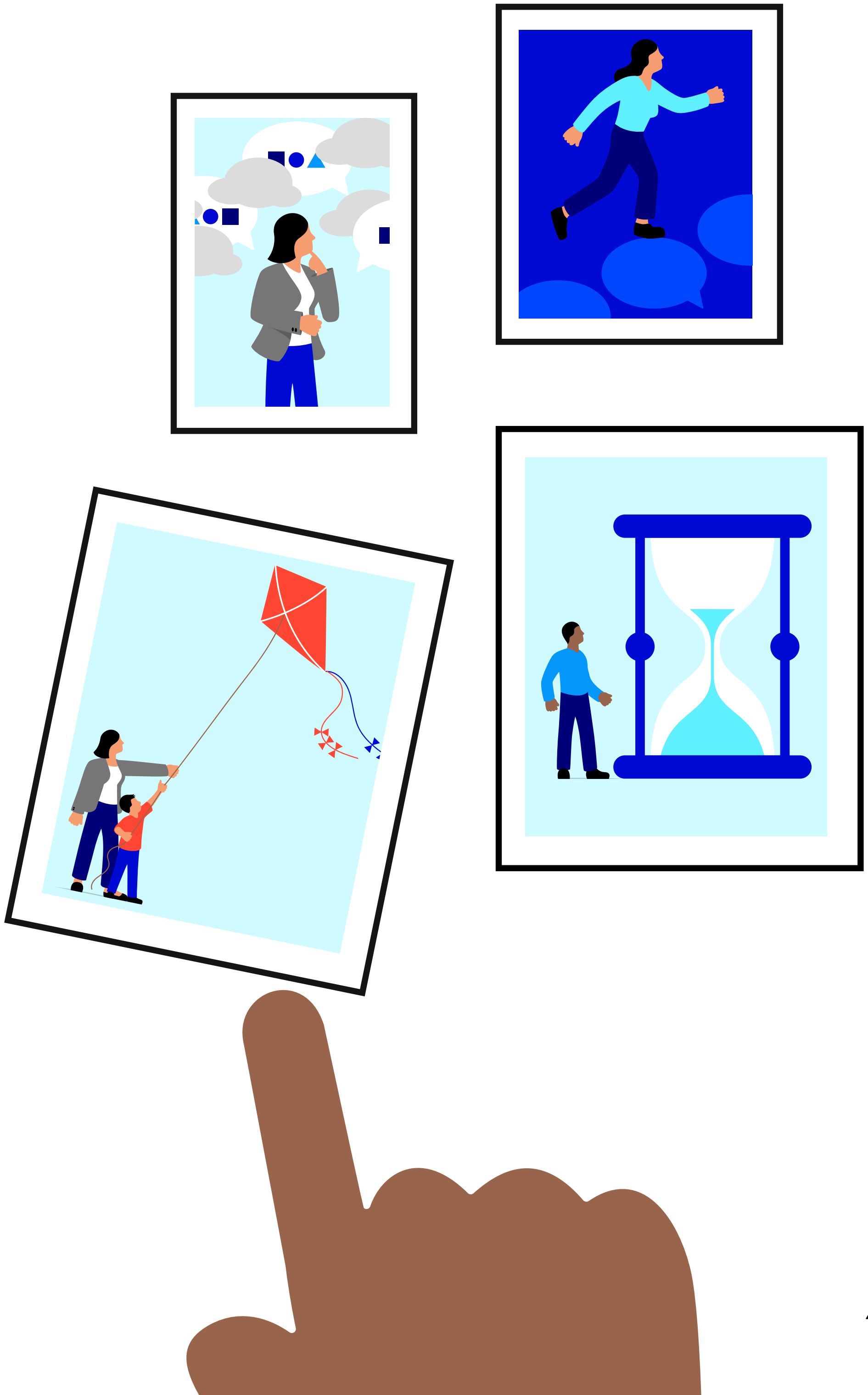
Start simple

Take the right steps

You're not alone

We also saw that some elements of these messages can be more powerful than others, especially at the early stages of someone's retirement planning journey.

In this section, we build on these insights to provide specific guidelines for shaping pre-retirement messages. At the end of the section, we apply these principles to share examples of optimised messages conveying each of the key themes.



Accentuate the positives of a pension income

We have seen the positive impact of framing the pension in terms of the income it can provide, rather than as a lump sum. When doing this, though, it's important to articulate income in a positive light. When we tested messages about having enough income to cover life's most basic expenses, we encountered mixed reactions. Some people appreciated the reality check, but many found the approach unduly negative.

"Before we saw the messages, I thought it would be great, I'll have some me time – and now this has burst my bubble. Cost of fuel, cost of energy. Is it worth trying to retire early or should I just try to hold onto that job for as long as I can?"
– Group discussion (60–66)

"This is keeping it real; about the costs you are going to have after retirement, it makes me want to look or check how I am going to manage."
– Group discussion (60–66)

For many people, "expenses" is a negative articulation of a positive idea. By contrast, messages that spoke positively about what pension savings can provide were more effective across the board. However, it's worth noting that this cohort is somewhat more open to more negatively framed messages than the previous ones, and can better tolerate the occasional home truth.

Translating this into messages about the practical steps that people can take, this means starting with what someone's current DC pot will pay, and working from there – rather than starting by setting out all the expenses that they will face in retirement, and working out the gap.[32]

Figure 15
Dial responses to statements[31]

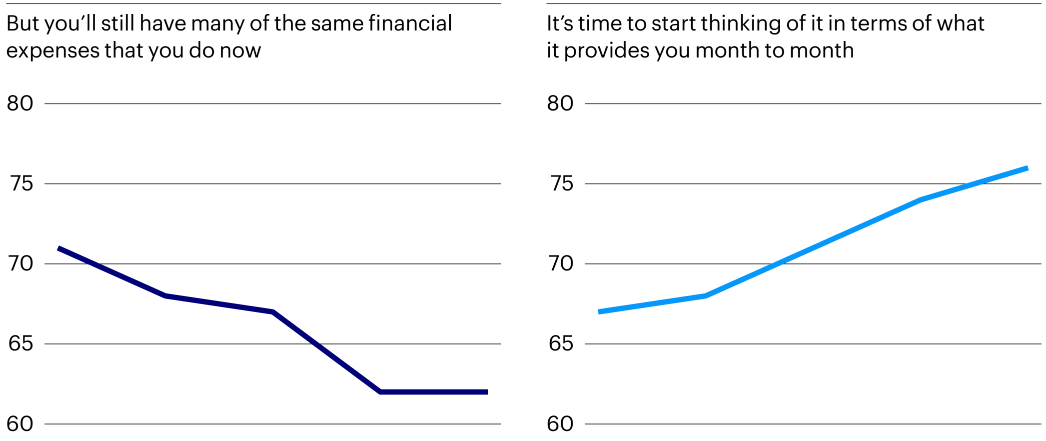
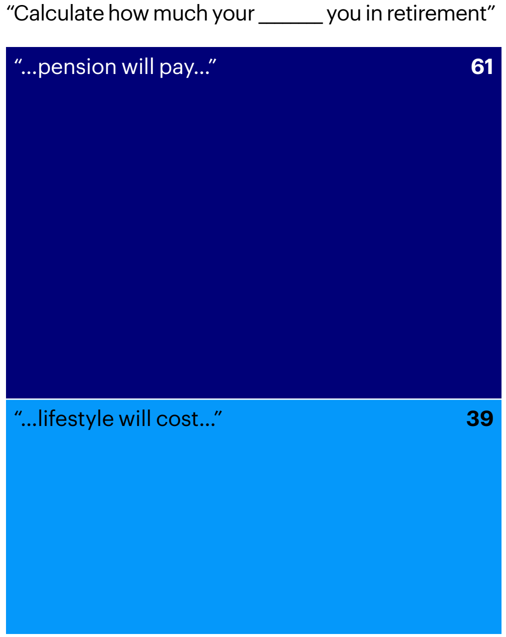


Figure 16
Which of the following feels like more helpful financial advice? (%)



"At 57, I don't want anyone to tell me I don't have enough, I want someone to tell me what I can do for the remainder of my working life."
Community interview (56–60)

The very words we use to talk about a pension income are also important – including the word "income" itself. This is the correct concept, but for some people the word has the wrong connotations. An "income" from employment is a familiar concept, and it feels open-ended: it is something that will keep coming in as long as they are working. In contrast, a pension pot feels finite. Describing it as an "income" feels implausible, because it's easier to visualize the pot running dry. Talking instead about what a pension will "pay" resonates well.

31 We measure participants' word-by-word reactions to messages based on how they move their mouse in an online slider tool while listening. These real-time reactions – or 'dial responses' – help isolate the words and phrases that resonate – and those that don't.

32 We found a similar effect among mid working life savers in our last report.

Frame retirement as a gradual series of decisions

We've seen that if people are presented with too much information, about too many complex choices, in one go, there's a risk they will be so overwhelmed, they are frozen into inaction. In contrast, messages that frame retirement as a gradual, evolving process were seen as positive and enabling.

"Not everybody knows exactly when they'll retire. I might retire from my current job, and get a less stressful, part-time job. I think that retirement isn't a big shebang on a single date. It could be little stages that I go through, where I've got some financial stability that gives me choices about what I may or may not have to do."
– Group discussion (50–55)

"I think now I'm not quite as scared by the whole thing. That last point about gradually retiring is not as scary. Yeah, I need to plan it, but to do it gradually means it's not just a case of giving up work, retiring, pension, that's it, job done. I can get my head around that part."
– Group discussion (50–55)

Spelling out people's options in this step-by-step fashion helps them understand what they can do to tailor their pension to their own needs. This in turn builds a sense of control.

Messages about planning and personalisation do need to be framed carefully, though. Many people feel that if they had to make a decision right away, without any additional support, it wouldn't be the best one. For this group, messages need to keep pointing to relevant guidance and advice.[33] It's also important that messages aren't seen as forcing them to make precise, binding decisions all at once. This is seen as unrealistic and off-putting, and it goes against the idea that retirement decisions can happen gradually over time. We refined and tested a range of message frames to get this articulation right.

[33] For more on advice and guidance messages, see the section on the right on encouraging the right conversations.

Figure 17
Dial responses to statements (%)

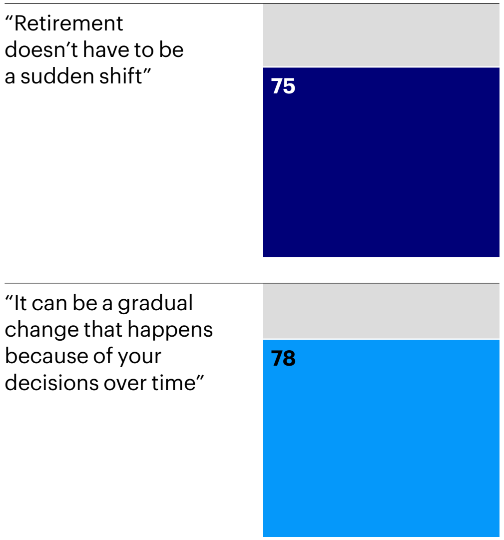
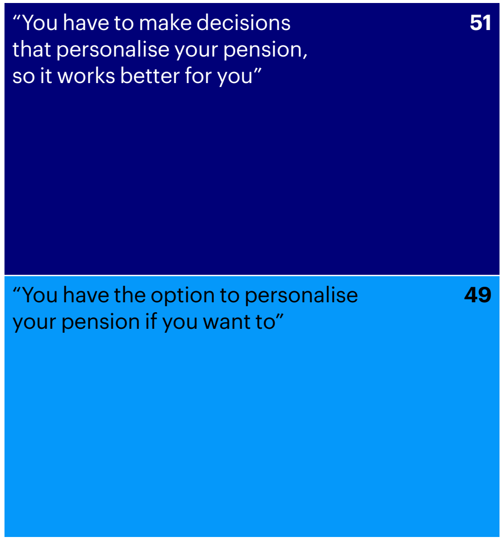


Figure 18
Which of the following feels like more helpful information about retirement planning? (%)



If you say...	They react...	Instead say...
So if you need to withdraw from your pension, figure out the exact amount you need, withdraw that, and let the rest keep growing	*"It's going to be difficult for me to come up with an exact amount to withdraw."* **– Group discussion (60–66)**	Set the initial amount that you'll withdraw based on what you need
Set a date to start withdrawing based on when you stop working	*"I just started thinking about retiring. It would be very difficult for me to put it on a timescale, and say, 'Well, on that day, that's when I'm going to totally retire.' That's looking too far in the future."* **– Group discussion (60–66)**	Even if you don't have a definite retirement date, you can write down any of these related dates that you do know

Keep it relevant

As we've seen in both previous reports, it's important to make messages relevant and relatable to the individual's own circumstances. Clearly, when talking to such a wide group of people, at very different stages in their journeys, it's hard to recommend steps, or present examples, that are relevant to all. Yet there are some principles that can help make even generic information feel more relevant.

For instance, talking about the average ages of retirement-related milestones does not feel relevant and can even make people feel disheartened if they feel they're not measuring up against what a 'normal' person is doing, and when. On the other hand, standard ages that are objectively relevant to a whole group of people provide helpful benchmarks for decision-making.

"That unnerved me slightly, because I'm certainly thinking of [retiring] quite a long time before then. So that made me think, 'Am I doing the wrong thing?'"
– Group discussions (60–66)

Another effective alternative is to describe key milestones, in terms of events or steps that are relevant to everybody.

"It's so individual. You've got to make sure that you do what's right for you and not think, 'That worked for them, I'll just go do what they've done.' Because their circumstances will be different to yours."
– Group discussions (52–55)

For messages to be seen as relevant, it's also important to avoid, on the one hand being overly negative, and on the other making unrealistic claims. We saw in the section above on 'starting simple' that messages need to start by focussing on the essentials of everyday life – utilities and food – before moving onto less essential expenses and life's small pleasures. But in focussing on these basic needs, they need to avoid painting too gloomy a picture of life in retirement. At the opposite extreme, if they're seen as making inflated claims about how much income a pension will provide, or about the quality of life it will pay for, they can stretch the bounds of plausibility. An improved articulation finds the middle ground between negativity and implausibility.

Figure 19
Which of these facts is more helpful to know? (%)

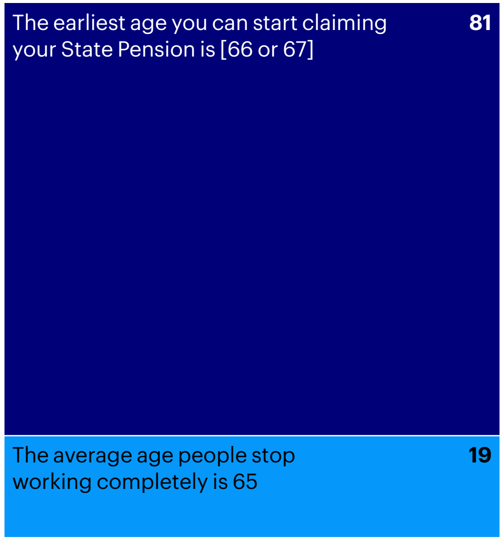
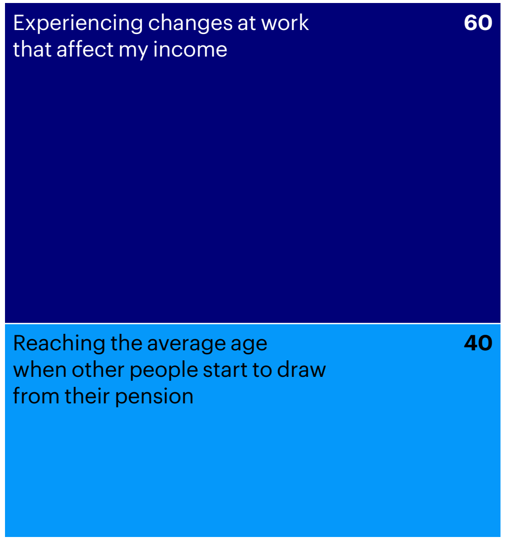


Figure 20
Which of the following is a better reason to consider starting to draw from your pension? (%)



Not positive	Most effective	Not plausible
In retirement, you'll have many of the same expenses you do now. That's why your pension is designed to help cover these same expenses.	Your pension is designed to help cover the everyday needs like food shopping, utilities, or activities in retirement that your income does now.	Your pension is designed to replace your regular income once you've stopped working.

"Obviously, we're going to need to go shopping. We're going to be doing things. We're not just going to stay in the house. Put more of a positive spin on it or sell it more like you'll have more free time to do more activities rather than spending it on things that you have to, to survive anyways."
– Group discussions (52–55)

Encourage the right conversations with the right people

“

People are better directed to professionals when they have specific questions about dates and financial amounts.

As set out in the section **You're not alone**, messages about seeking guidance from peers or professionals can make the retirement planning process seem significantly more manageable. As that section showed, different types of questions are more or less suited to friends and family on the one hand, and professional advisors on the other.

“There are questions I wouldn't ask a financial expert but would ask a friend, so the conversation makes more sense.”

– Group discussions (60–66)

To clarify which types of information are more welcome from each group, we asked people to express a preference about a range of topics in our quantitative research. Unsurprisingly, people are better directed to professionals when they have specific questions about dates and financial amounts; whereas questions about lifestyle and the lived experience of retirement are better suited to one's peers.

Figure 21
Which of the following aspects of your retirement would you be most interested in hearing advice about from...? (Respondents selected 1–2 items for each audience, %)

Topic	Professional	Peer
When to withdraw from my pension(s)	51	29
How much to withdraw from my pension(s)	43	21
When to slow down or stop work	19	19
My living situation	26	18
How to spend my time	8	29
What might surprise me about retirement	25	49

Be plainspoken

In both our previous reports, we saw how important it can be for messages to take a plainspoken approach and avoid industry jargon. For this reason, all the messages that we tested with the older age group for this report were written with these principles already in mind. As before, this approach was appreciated by the pension savers who tested our messages.

"I don't understand pensions at all. For me, the messages were very down to earth and explained things in a very reassuring way. I'm frightened of pensions. One day I will sit down and make decisions. But because he was explaining it in plain text. The tone it was delivered in, yes this will come onto me soon and I need to accept this. It was revitalising."
Group discussions (60–66)

We also tested a few pieces of industry jargon that are specifically relevant to the later working life age group. Once again, we found that industry jargon such as "drawdown" can be a significant barrier to engagement. However, not everything that we thought was jargon, actually is. We assumed at the start that the word "consolidate" would be seen as jargon, when used to describe the merging together of multiple DC pensions into a single pot. Yet according to our quantitative research, there is no difference between people's preference for "consolidating" pension pots (49%) and "combining" them (51%).

As in so many other areas of our research into this age group, we found that they are becoming more clued up about their options as they get closer to retirement, and their tolerance for technical language seems to be increasing. Still, it's also true that straightforward language is universally accepted, and we continue to recommend its use, except for savers who are already known to have some experience in, and knowledge of, retirement options.

Improved message

01

As a pension scheme member approaches their 55th birthday, messages should encourage a long-term planning mindset. The following themes encourage this:

Look forward to an income
Example message (with the most high-impact statements highlighted):

"When you retire, you stop working for an income and instead begin to rely on income from other sources. One of those sources can be the savings in your pension or pensions.

You may be used to thinking about your pension pot in terms of the total amount you have saved. As you get closer to retirement, it's helpful to think less about that total number *and more about how much income those savings could provide you month-to-month.* You can reach out to a free government advice service or use online tools to calculate how large that monthly payment could be. Once you have that number, then you can compare it to the everyday expenses like electricity, water, and food shopping that you'll have in retirement. *Using your pension as a regular income source like this, instead of taking more as cash early on, can help you make a practical plan for how you're going to pay for daily life.*

Planning for retirement is a little easier when you think of it one month at a time instead of as one long stretch of years. *And planning is also a little easier when you think of your pension as a consistent, monthly source of income instead of a single total pot of money."*

This theme discourages snap withdrawal decisions. It has an impact on:

- Disagreement with the idea of withdrawing as soon as possible (19% lift)
- Having a sense of what to use pension savings for (23% lift)
- Making a list of potential expenses (23% lift)

Start simple and take gradual steps
Example message (with the most high-impact statements highlighted):

"Retirement doesn't have to be a sudden shift. It can be a gradual change that happens because of your decisions over time. Knowing the choices you'll need to make, the options you have, and what's worked for others can help you approach retirement as a series of smart steps.

The first step in the retirement transition involves your work. You can start to work fewer hours, change the type of work you do, or stop working altogether. If that affects your income, then the second step is to decide when it's time to start drawing from your pension. From age 55, you could start using your pension savings to supplement or replace your work income. Once you decide to start using it, you can always reassess how much you're taking and adjust the amount to meet your needs. The third step is to decide when to start getting your State Pension. You can from age 66 or 67 depending on your current age, or you can choose to delay it so the payments could be larger when you do decide to start getting them.

*One of the best things you can do to prepare your retirement plan today is to think about **when** you may want to take each of these three steps: changing your work, starting to take your pension income, and accessing your State Pension."*

An actionable roadmap of steps helps long-term planning feel more approachable. This theme has an impact on:

- Thinking about when I'll withdraw from their pension pots (33% lift)
- Determining State Pension age (23% lift)
- Rethinking the age to retire (34% lift)

02

From this point on, messages should encourage members to re-evaluate their plans from time to time, to ensure it's still working for them. The following themes encourage this:

Talk to someone
Example message (with the most high-impact statements highlighted):

"You don't have to plan for retirement on your own. *If you're wondering what steps you can take to prepare, there are people out there who can give you advice and help you understand your options.* First, government resources can help you plan your financial future. *For example, Pension Wise is a government service that offers free, impartial guidance about your pension options.* An appointment with them can help you understand what your overall financial situation will be when you retire. They'll talk through your options to help you make the right decision, and you'll find out what factors you may need to consider. *There are also free guides for retirement living standards and calculators to show how much your pension and State Pension will provide each month.*

In addition to these services, you can also learn a lot from the people around you, including friends, colleagues, or neighbours who've already retired. Talking to them and seeing how they spend their time may help you imagine how you'd like to spend your own. And hearing what they wish they'd known before they retired can help you be more prepared.

So reach out to the resources and people around you. The more conversations you have, the more you'll know about what to expect when you retire."

Talking to peers and professionals helps members make decisions about their lifestyle and finances. This theme has an impact on:

- Having a call with a free government pensions advice service or speak to a financial advisor (64% lift)
- Using online tools and resources like calculators or advice forums (48% lift)
- Talking to friends, family, or people they know who've retired about their experience (30% lift)

You're in control
Example message (with the most high-impact statements highlighted):

"Pensions are designed to help you cover your expenses in retirement. *By taking a few simple steps, you can ensure your pension savings are set up for your personal circumstances.*

As you get closer to retirement, one of those steps is to think about your approach for taking money out of your pension savings. From age 55 you can take money out if you need to, and you can also feel confident that whatever you leave in for the future will be available to you any time you need it. It may be a good idea to start looking into the different options for accessing your pension savings, so you can start to think about what will work best for your timeline and needs.

Another step is to log into your pension account to make sure your information is up to date, particularly when you might retire. Having an up-to-date retirement age in your pension account is an easy, effective way to take control of your pension savings so that your funds can be best managed by your pension provider to meet your needs.

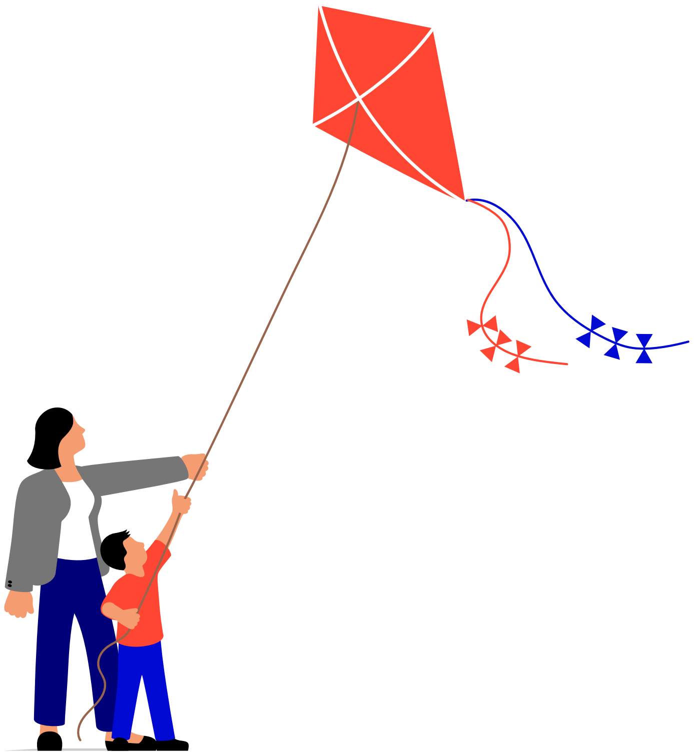
At any time, you can log into your pension account, see how much you have, and ensure your information is current. If you want some support in discussing your options with a professional, you can always reach out to Pension Wise, a government service that offers free appointments with retirement specialists."

Feeling in control assures people that they can tweak their approach as they go, and that there's no need to withdraw all at once. This theme has an impact on:

- Belief they can make decisions that will make a difference to their financial situation in retirement (27% lift)
- Belief they control their pension savings (57% lift)

5

Information about retirement options is often accompanied by an image of a signpost, pointing in a number of discrete directions. The implicit message of this visual metaphor is that, when someone's working life comes to an abrupt stop, they are faced with a sudden one-off choice between several self-contained choices, of which they can select only one.



As we've seen, though, people approaching retirement today are facing a very different kind of experience. The process of stepping down from work, and the choices people will make along the way, are likely to come as a series of gradual and evolving steps, each building on the one before. This means their retirement doesn't have to be a daunting one-off all-or-nothing turning point. It also means they're best off starting to plan and act as early as possible.

Given this, we were pleased to discover in our research that people in later working life are relieved and motivated by the idea that they can take a gradualist approach to retirement. They value the realism of this approach, and welcome the opportunity to start their planning journey with simple, achievable steps, before progressing to more complex, individualised decisions.

This step-at-a-time theme lies at the heart of an improved messaging journey that we believe can help people set the right pace for their retirement decisions.

Harnessing potential energy

Throughout this study, we were struck by the rising levels of what we've called 'potential energy' among people in their 50s and early 60s. People's confidence, knowledge and motivation to act seems to increase as they approach retirement; and even more so as they begin to take meaningful steps towards it. This is why, as we've worked to develop improved messages for this age group, our focus has been to galvanise this potential energy into two specific types of action: seeking out conversations and guidance that can get them started, and taking the kind of small, achievable steps that can get them started.

The power of our mixed-method research approach was that it allowed people from this age group to tell us which information, and which suggested actions, they found most helpful. They most valued hearing about simple steps that seemed relevant, realistic and motivational – and which didn't force them into making choices or commitments that felt daunting or irreversible. At least, not right away.

Some of the messages that emerged from this dialogue with savers are straightforward and unambiguously useful – like recommending that they think about the dates when they'll start getting their State and workplace pensions, and that they find out the amounts they'll receive from these sources. Other concepts – like the suggestion that they start out by drawing down just enough to cover their basic needs, then work out a longer-term drawdown plan over time – might stray closer to individualised advice, and will need to be thought through if they are to be used effectively in a regulated environment.

However, the evidence from this study shows that messages setting out these kinds of simple choices are highly appealing. They encourage a gradual, step-by-step approach to planning that resonates well with people at the threshold of retirement. As in our previous reports, we therefore end by offering this set of improved messages and communication principles to those at the front line of providing consumers with information about retirement. Our hope is that these tools will help professionals and organisations right across the retirement sector galvanise the pent-up potential energy of people in later working life, into conversations and steps that set them on course for a positive experience of retirement.

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