

Research note: Retirement planning - attitudes and behaviour

The Financial Services Research Forum is widely acknowledged as the UK's most inclusive body for advancing the understanding of financial behaviour and promoting the interests of consumers. The Forum is also interested in any developments in the sector and in the global economy that are likely to have profound implications for financial services consumers and their interactions with financial services markets.

In brief

The Forum recently completed some research investigating attitudes of the general population towards retirement planning in the UK. A representative sample of over 2000 respondents was asked the extent to which they agreed with the following four questions: (a) 'I put lots of effort into financial planning for retirement' (b) 'When making financial plans for retirement, I feel excited and energised'; (c); 'When it comes to financial planning for retirement, I am committed to the task' and (d) 'I review my financial plans for retirement on a regular basis.'

Findings indicate that the majority do not put sufficient effort into planning for retirement and that few are excited by the thought of the task. However, far more respondents state that they review their plans on a regular basis and are committed to the task.

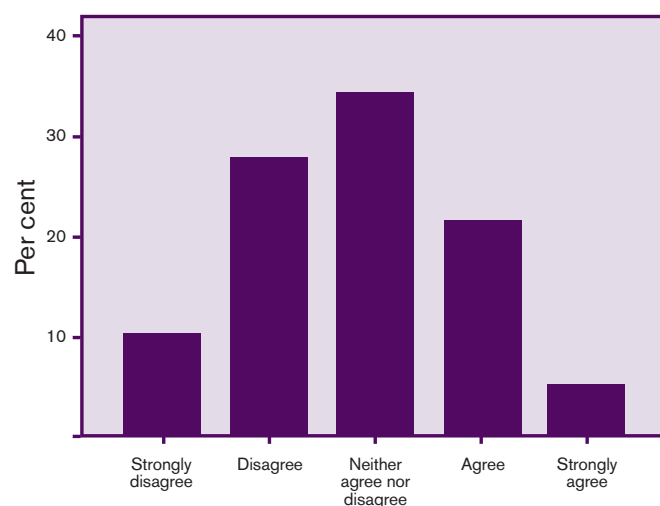
Detailed results

Detailed results are shown in tables 1-4. In terms of the effort people put into the task, a mere 5% strongly agree that they put a lot of effort into planning for retirement, with a further 20% agreeing to some extent. The remaining 75% of the population are aware that they are not putting a lot of effort in. Given that the Government is increasingly expecting individuals to provide for their own retirement, this is not an encouraging finding.

Policymakers will need to explore imaginative approaches that steer people towards greater level of saving but that do not require great effort on the part of savers. Obviously the National Employment Savings Trust, with its "opt-out" approach to take advantage of the status quo bias, is likely to be a step in the right direction in this respect.

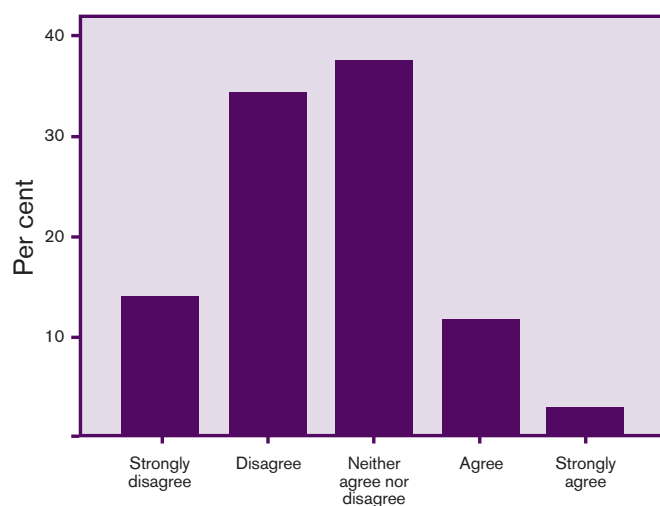
An even lesser percentage of the population are in any way excited or energised by the prospect of making plans for retirement. Less than 3% strongly agree with this statement and less than 15% agree to any degree. Such data provide strong evidence that individuals find such financial services intrinsically uninteresting and uninspiring. Given the importance of convincing the population

Table 1



I put lots of effort into financial planning for retirement

Table 2



When making financial plans for retirement, I feel excited and energised

to engage with such services and to provide for themselves to an adequate degree, then such low levels of interest provide an insight into the challenges facing policymakers in the area as they seek to encourage greater participation.

Data revealed in table 3 provide greater encouragement. Table 3 shows that a shade under 50% of the population either agree or strongly agree that they are committed to the task of financial planning for retirement. Such reported levels of commitment provide some encouragement, however, it should be noted that actual levels of provision are not of a level that one would expect from a population so committed to the area of financial planning for retirement.

Table 4 reveals that less than 10% of the population strongly agree that they review retirement plans on a regular basis, although a further 30% are in broad agreement with the statement, making almost 40% in total. Nevertheless, the data indicate that the majority of the population are not committed to reviewing their retirement savings regularly.

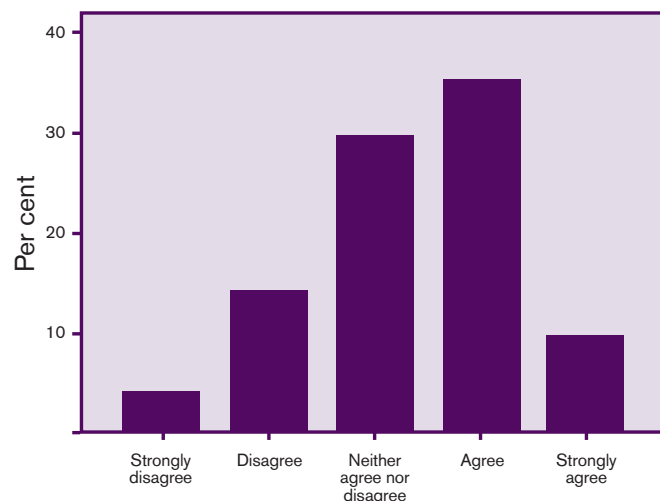
Given that under the proposed National Employment Savings Trust regime, initial contributions are modest, the hope is that savers will choose to increase provision levels when they are in a position to do so. However, for such decisions to be made savers must be in the habit of regularly reviewing their retirement provision and it is in this area that policymakers and other interested parties will face a further challenge.

In conclusion

In conclusion, the findings contained in this research note indicate that, although there are reasonable levels of commitment to reviewing retirement plans on a regular basis, such attitudes are only apparent in a minority of those surveyed.

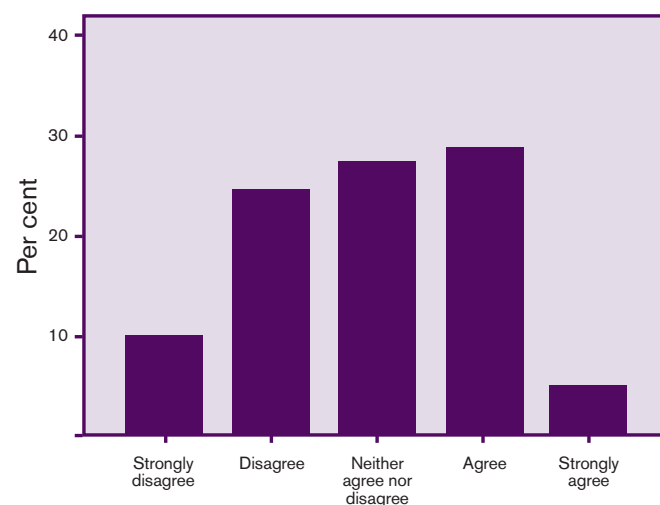
However, people are far less enthused and energised by the prospect of making financial plans for retirement and do not appear willing to put in a particularly large amount of effort. These latter two factors help account for the fact that, although many are committed to the task, actual levels of retirement savings remain far below the levels necessary to ensure that the majority of the population can look forward to a retirement of financial comfort and security.

Table 3



When it comes to financial planning for retirement, I am committed to the task

Table 4



I review my financial plans for retirement on a regular basis