RETIREES FACE POSSIBILITY OF OUTLIVING THEIR PENSION POT, NEW RESEARCH REVEALS

More than a quarter (28%) of retirees face decisions that could see them outlive their pension pot in retirement, new research by the Pensions Policy Institute (PPI) has revealed. The *Evolving Retirement Outcomes* report, sponsored by Legal & General, found that borrowers approaching retirement with high levels of defined contribution savings, but little or no defined benefit pension, could see their retirement income vary by up to 70%, based on decisions they make about their private pensions.[1]

If individuals withdraw between 3.5% and 10% per year, the Pensions Policy Institute found that these decisions could potentially increase the number of years they spend in retirement after having depleted their pension savings by up to 15 years.[2] According to the PPI research, consumer uncertainty about how long they expect to live in retirement posed a significant challenge to retirees trying to make their savings last throughout later life.

The findings raise the importance of including some form of income security when planning for retirement, such as an annuity, to prevent a pension pot being exhausted.[3] This reflects Legal & General's own position on retirement income, which encourages consumers to consider a blended approach to their retirement plan that takes income from a range of sources.

The research also showed the importance of consumers seeking professional advice and guidance when planning retirement to help them secure better outcomes in later life. However, it also showed that decisions about how individuals receive income in retirement are not a 'once and done' event. Financial capability and the impact of ageing on cognitive ability both meant retirees would need to revisit their retirement plan throughout later life.[4]

Emma Byron, Managing Director for Individual Annuities, Legal & General, said:

"Pension reforms have given many of us the flexibility we want for retirement, but it also means that we now have to make our own decisions about how we access our pension pots. As this research shows, that could lead to a retirement that we didn't anticipate, with many of us potentially outliving the money we've saved for later life. I believe that these findings pinpoint the importance of taking advice when it comes to planning retirement, whether it's to understand the options like annuities and drawdown, or to get a better understanding of how the choices we

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[1] PPI press release
[2] PPI report, p.3
[3] PPI report, p.16
[4] PPI report, p.12-13

make might affect our experience of later life.

"Part of the responsibility lies with the industry. We need to do more to raise awareness and champion the role of advice – modern retirement planning needs to reflect the changing nature of today's retirement. However, providers must also engage customers in the lead up to retirement, without the jargon. To engage customers in planning later life, we need to talk to them about their needs and the solutions rather than products, and we need to use plain, clear language to make these options much easier to understand."

Lauren Wilkinson, Policy Researcher, PPI, said:

"Product innovation may help people to achieve retirement outcomes that better suit their needs and preferences, but it may not be the best or only way to help. If people are engaged and informed, they are able to achieve positive outcomes using the range of products already available to them. With that in mind, policies aimed at increasing engagement before and at retirement are an important aspect of any strategy to improve outcomes."

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NOTES TO EDITORS

Buying our Pension Annuity is a once and for all decision. The options a customer selects when they buy the annuity cannot be changed later on.

The annuity cannot be cashed in or surrendered at any time.

Legal & General's lifetime Pension Annuity can be bought using the money from a pension pot. It will pay an income for the rest of the annuity holder's life. To apply the applicant must be at least 55 years old and have at least £5,000 to invest after they've taken any tax-free cash they might want to withdraw from their pension pot.

Certain options may not be available and different options will be available if the applicant applies through an adviser or intermediary. If the pension plan includes any money from contracting-out of the earnings related part of the State Pension, there may be certain restrictions on how we can pay the income. We will show any restrictions that apply on the illustration.

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