

# Over-55s spend more time buying a car than deciding how to use their pension, Legal & General reveals

- More than half of people (52%) over 55 see financial security as their top priority in retirement
- Yet 32% of people are taking less than a week to decide how they will access their pension money<sup>i</sup>
- Research finds a lack of knowledge among those approaching retirement, with 23% unclear about what represents ‘good value’ on the income they could receive from their pension<sup>ii</sup>
- Worryingly, one in five over-55s (18%) is not confident that their pension pot will last<sup>iii</sup>

Britons are spending more time buying a new car or remodelling a bathroom, than deciding on how they use their pension money in retirement, according to new research by Legal & General. The FTSE 100 firm’s *Price of Freedom* research has found that just under a third (32%) of people aged over 55 are spending less than a week to make a decision on their pension income arrangements, and to understand which products represent good value.<sup>iv</sup> By contrast, 40% of over-55s say they would spend more than a week choosing a new car.<sup>v</sup>

The survey of more than 2,000 over-55s has highlighted a lack of knowledge about how individuals can use their pension pots in retirement, and underlined the need for better consumer education. Few respondents knew the actual rate of return they could get from their pension as income in retirement, and nearly a quarter (23%) were unable to say what rate would represent good value for money on their investments or savings.<sup>vi</sup>

Worryingly, nearly three in five (58%) of over-55s who are yet to access their pension, had not started researching their options. This is despite more than half of respondents (52%) seeing financial security as their top priority in retirement.<sup>vii</sup>

## Retirement challenge

**Emma Byron, Managing Director, Retail Retirement Income, Legal & General Retail Retirement, comments:** “The flipside of the flexibility offered by pension reform, is that we are all now responsible for making sure our pension pots will last through our retirement. But, as a nation, we are not spending enough time thinking about this, and about how we want to use our pension. This is true both before, and in, retirement. Planning retirement is a challenge and it’s maybe not as much fun as buying a car or remodelling our bathroom, but it is important. We need to spend time on this vital task, or we run the risk of not having enough money to last or our investments not giving us the return we want.”

As well as struggling to find the time to plan their retirement finances or prepare for retirement, Legal & General also found consumers were concerned that their funds might not last in retirement. Nearly one in

five (18%) is not confident that their pension pot is enough to cover their retirement years, and only 30% said they have never worried about their money running out early.<sup>viii</sup>

When it came to what represented value for money, a rate of return of between 3% and 7% was viewed as representing 'good value' by more than two fifths of respondents.<sup>ix</sup> Among those who were familiar with the options for accessing their pension, only property was seen as representing better value for money than annuities. Given that a guaranteed income was seen as the key to having an enjoyable retirement by 29%,<sup>x</sup> this indicates that annuities potentially could meet both retirees' desire for a secure income and their criteria for value without any of the risks of market fluctuations.

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*“Our research shows that for retirees who want clarity and certainty around the affordability of their planned retirement, annuities clearly have the potential to meet their needs. But, there is still work to do for all of us in our sector, to ensure that planning retirement and choosing how we access our pension are clearer and hassle-free. We think part of that work must include speaking clearly to our customers, without any unnecessary jargon, to really show the benefits that choices like an income for life can bring for retirement. This is something we are working to improve at Legal & General, and which we believe will work hand in hand with financial advice, to help more people enjoy the retirement they've worked hard for.”*

**Emma Byron, Managing Director, Retail Retirement Income, Legal & General Retail Retirement**

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*The information contained in this document is intended solely for journalists and should not be relied upon by private investors or any other persons to make financial decisions.*

## 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.

## About Legal & General

The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 31 December 2017, we had over 9.5 million customers in the UK for our life assurance, pensions, investments and general insurance plans.

## Legal & General Assurance Society Limited.

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*i Annuities Rebooted quantitative findings – slide 18*

*ii Ibid – slide 19*

*iii Ibid – slide 15 (10.6% (not confident) + 7.6% (not confident at all) = 18.2%)*

*iv Ibid – slide 18*

*v Ibid*

*vi Ibid – slide 19*

*vii Annuities Rebooted quantitative findings – slide 46 & Annuities Rebooted datasheet Q3*

*viii Ibid – slide 15 (10.6% (not confident) + 7.6% (not confident at all) = 18.2%) & side 16*

*ix Ibid – slide 19*

*x Ibid – slide 13*