

Millions of pre-retirees have started a ‘phased retirement’ but will living costs halt their plans?

- 3.3 million pre-retirees (34% of over 55s still in some form of work) have started phasing into retirement, by reducing their hours and responsibilities in anticipation of eventually entering retirement
- Almost half of employees aged 55+ (48%) expect that they will take a phased approach to retirement rather than completely stopping
- A phased approach to retirement could mean a reduction in income of £9,150 every year but products like fixed term annuities can play an important role in bridging this gap

Research¹ from Legal & General has found that 34% of pre-retirees² (those aged 55+ who are still in some form of work) have already started phasing into retirement – equating to 3.3 million³ employees.

The study reinforces the idea that retirement is no longer a line in the sand. Almost half (48%) of all employees aged 55+ expect that they will cut down the amount they work rather than completely stopping, with one in seven (14%) planning to wind down in the next year.

Many people want to take the phased retirement route by reducing their hours, so they can keep their job but lessen their stress (37%), however most people have revealed they are making the decision because they simply cannot afford to retire fully (44%).

Table one: When asked how people were planning to phase their retirements, the most common answers were:

How people are phasing retirement	% of pre-retirees
Reduced working hours from a previously full-time role	18%
Taken on a self-employed role to work less hours	14%
Set up my own business to allow for a reduction in my hours	11%
Agree to a reduction in your job role with your boss	8%

Source: Legal & General, 2022

On average, over half (54%) of all people who are taking a phased approach to retirement are working 15+ hours less every month, consequently earning £9,150 less every year. As a result, many expect to have to adjust their lifestyle (38%), and some even anticipate they could struggle with meeting the cost of household essentials (17%).

Despite the intention to slow down at work, the cost of living has had an impact, with one in 10 people who had begun to phase into retirement having to increase their work commitments again. In addition, two fifths (40%) of people who anticipated gradually moving into retirement in the next five years now worry living costs might mean this plan is not possible.

Legal & General’s internal data shows the average income on an average pension pot (£73K) for a fixed term annuity (FTAs) taken out by someone aged 55 is £9,000 per year – which could bridge the £9,150 income gap caused by a phased approach to retirement. An FTA lets you use your pension pot to buy a guaranteed income, but for a specific period of time, with a lump sum at the end. This gives greater flexibility for those who want to bridge their income until another source of pension income kicks in.

“The number of pre-retirees considering a gradual or phased move into full retirement shows how much the perception of later life has changed in recent years. However people choose to approach retirement, it’s important they see it as something that should be actively managed, and not something they already feel they are ‘in’ or have ‘done’.

“For those wanting to keep their options open, while also looking for ways to supplement their income, flexible products such as fixed term annuities can play an important role. They provide a guaranteed income for a set time – in some cases as little as three years, helping to bridge any potential gap in salary.

“Most people find it challenging to navigate retirement at the best of times. With the increased pressures applied by the cost-of-living crisis, their money must go further than it ever has done. Ultimately, the key thing is to make sure people are making well informed decisions about what works best for them.”

Lorna Shah, Managing Director of Retail Retirement, Legal & General Retail

To help people reclaim their retirement, Legal & General has created a '[Reclaim Retirement](#)' hub, which includes free resources and information to help people better understand their options.

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¹ Research was carried out online by Opinium Research amongst 4,000 UK adults between 14th – 20th October. The results are weighted to nationally representative criteria.

² Pre-retirees' refers to those aged 55+ who are still in some form of work

³ On a nat rep survey of 4,000, 248 55+ year old workers have already taken a phased approach to retirement (248/4,000 *52.890m = 3.3m)

Notes to editors

About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with over £1.4 trillion in total assets under management* of which a third is international. We also provide powerful asset origination capabilities. Together, these underpin our leading retirement and protection solutions: we are a leading international player in pension risk transfer, in UK and US life insurance, and in UK workplace pensions and retirement income. Through inclusive capitalism, we aim to build a better society by investing in long-term assets that benefit everyone.

** at 31 December 2021*

About Legal & General Retail

As of 1st January 2022, Legal & General Retail Retirement and Legal & General Insurance (our two retail businesses) have been combined into one division, Legal & General Retail, to enable us to better serve the needs of our retail customers.

Legal & General Retail helps protect the lives and futures of our customers; the division covers the savings, protection and retirement needs of our c12 million retail policyholders and workplace members. In 2021, we wrote £957 million of annuity premiums, and issued £848 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 4.4 million members, while in the UK we paid out a total of £1,133.8 million in insurance claims.

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