



PUBLIC FIRST

# Building financial futures

*across a lifetime*



Decades Ahead



Pensions are the cornerstone of the UK economy. They are an asset that society can, and should, put to work more deliberately in support of growth. Even more importantly, they're what people depend on for a secure and fulfilling later life.

A comfortable retirement is not something which simply comes about at the end of a working life. Instead, it's the culmination of a lifetime of saving. Sadly, for too many people the conditions which allow them to spend a lifetime saving are out of reach. And while optimism about later life remains relatively high, 41% of people in work between the ages of 25 and 55 are not on track for the retirement income they'll need. 15% of adults aged below 70 are not saving into a pension outside state provision, and never have.

This presents a challenge and an opportunity. That's why, today, we're publishing the first tranche of findings from our Decades Ahead research. By looking in depth at the causes of under-saving at all working ages across the UK,

we're not just exploring what's happening, but also why it's happening. And, most importantly, we look at what the industry, government (through the Pensions Commission), civil society, employers and savers can collectively do about it.

In line with the recommendations of the 2017 Review of Automatic Enrolment, we've long believed that people should start saving at as early an age as possible, which is why L&G has called for staged increases to auto-enrolment minimum contributions and for young people to be empowered to save from the very first pound they earn.

But calling for earlier savings habits is not enough. Financial wellbeing later in life is conditional on circumstances that go beyond the pay packet to take in other social, economic and behavioural factors, and which develop across a lifetime, whether for better or worse. Just as savings compound over a lifetime, so too can inequalities and a lack of opportunities. That's why it's important we take a life stage-based approach to keeping people on course, with actions at each stage reflecting their changing circumstances as they age.

Our research contains some particularly notable findings about workers currently aged between 40 and 54. Many in this age group have very low pension savings, yet this is the life stage where engagement with pensions is weakest. The views of this cohort are especially stark; they are more likely to take fatalistic attitudes towards saving, with one in five expecting an inadequate standard of living in retirement.

There are many reasons for this, both structural and attitudinal. Notably, this generation is typically too young to have benefited from the wide availability of defined benefit schemes and too old to have taken full advantage of auto-enrolment into defined contribution schemes, which was introduced well into their working lives.

L&G is committed to addressing this challenge: through its customer and client proposition, which gives us the opportunity to support individuals in making better decisions within the realities they face; and by helping to shape the systems that influence and enable better long-term pension outcomes.

This isn't easy, but we believe that, together, the pension industry and other actors can make a difference. Workplace defined contribution pensions, supported by auto-enrolment, are rightly celebrated as a huge success. Pension participation has increased significantly in the 14 years since they began. That should give us cause for optimism that attitudes can continue to change.

We invite anyone who is interested in tackling this issue to share their perspectives and – more importantly – to work with us in building and delivering the interventions that will make a difference now and over the **decades ahead**.

**António Simões**

Group Chief Executive Officer, L&G

# Decades Ahead



## A foreword from Public First

Since the work of the Pensions Commission began in the early 2000s, the UK has made real progress in building financial security for our future retirements, with more people than ever saving into a pension. But there is still much to do, which is why Public First and L&G are working together to deepen our understanding of the pension and saving challenges facing people in work today.

We have created a fresh measure of retirement income adequacy that tracks all the key dimensions of financial security in retirement. It looks at how many people can secure a minimum acceptable income and replace an appropriate share of their pre-retirement earnings, after taking account of any rent they will have to pay.

Right now, only around half of those in the core decades of their working life can expect to retire with an income that meets this new standard. There are three barriers holding people back.

First, too many are not saving into pensions: around one third of people with jobs at any one time. Second, pension contributions are insufficient for many people with middle and higher earnings to sustain their current living standard in retirement. Third, in the future three in ten people who reach retirement will rent their home, and most of those will not have enough to cover adequately both their housing and living costs.

In this report we show there are particular pension saving challenges facing the self-employed but also people working for small employers. We also find that people in work who are single or renting face tough challenges, because they find it hardest to save and are most likely to experience high living costs in retirement.

We are particularly concerned about the position of many people in the middle of their working lives – aged from 40 to 54. They mainly missed out on defined benefit pensions and they will not gain from a full working life of auto-enrolment defined contribution pensions. We show that many are reaching 50 with very little saved and are pessimistic about their future financial security. They will not benefit much from long-term reforms which may be implemented in a decade's time.

However, there are plentiful opportunities to address the problems we've uncovered – through the actions of business, civil society and government. There may still be a long way to go to secure retirement security for all. But, as a country, we've come a long way too.

**Andrew Harrop**  
Director, Public First

# Decades Ahead

## Setting the scene

This is the first in a series of reports sharing L&G and Public First's research into the pension system: whether it's playing the role we need it to, where it could work better for the people who are part of it, and what industry, government and civil society can do to turn the challenges we identify into opportunities for change.

Our research shows the depth and complexity of the issues, but that very complexity offers many potential solutions. In turn, these are likely to require different interventions over the course of an individual's lifetime, as their circumstances, needs and how they engage with saving evolves.

As a vehicle for individual savings, auto-enrolment has created a safety net for many people, but the transition from defined benefit to defined contribution schemes – coupled with economic pressures and gaps in individuals' knowledge and engagement – has left others off course for the retirement savings they need. Calls to increase contributions remain highly important, but as our research shows, they won't be enough on their own. There is a wide range of factors that lead to under-saving that play out over decades and will require ongoing action to resolve.

**Importantly, we see the findings of the report as both a challenge and an opportunity. With this in mind, each section of the report opens with some recommendations for actions and questions as a way of moving the debate from describing the problems to formulating solutions.**

## About this report

In this report, we examine the nuances that sit behind the headlines of insufficient pension savings. The research considers a range of work-related and demographic factors that determine whether individuals are on or off course for an adequate retirement income. It considers such factors by age group, which is significant because the actions that are needed to get people back on course will vary according to life stage. The **opening section, "Decades Ahead"**, explores these life stages and considers what kinds of intervention might be most effective for people in each.

### 1

#### Research part one: Who isn't saving and why?

examines take-up and finds that 35% of those in work are not saving for a pension. Low levels of participation are connected with work-related characteristics and demographic risk factors. The barriers to saving are structural and financial, as well as behavioural and attitudinal. We pose questions about the role industry can play in supporting under-saved groups, especially those who have never saved or are facing particular pressures.

### 2

#### Research part two: Who won't have enough at retirement and why?

asks which sections of the population are most likely to be off course for the retirement savings they need, and why. We use a new measure of retirement income adequacy called 'Minimum, Replacement, Rent' (MRR), which brings together the best features of existing metrics. Particularly at risk are those who have been unable or unwilling to contribute for periods of their life, those who have saved only default amounts and those who expect to rent in their retirement. We see that disengagement from pensions plays a significant role and pose questions about how to support workers in particular industries, renters and those who are saving but at too low a level.

### 3

#### Research part three: Off course in midlife

presents some of our most unexpected findings, namely that those aged from 40 to 54 face the greatest retirement adequacy pressures, while also being more disengaged from their pensions and more pessimistic about their future. However, with longer life expectancies and the rising state pension age, there is still time for them to save for a better future. We consider the actions industry and policymakers can take to use engagement, including through life events, to nudge savings rates upwards.

## About the research

L&G commissioned Public First to carry out three pieces of quantitative research to inform this report:

- new analysis of the Office for National Statistics (ONS) Wealth and Assets Survey, 2020 to 2022
- modelling of future retirement income adequacy, using the Wealth and Assets Survey, the Annual Survey of Hours and Earnings and the Annual Population Survey
- an original poll with a nationally representative sample of 8,008 adults aged 18 to 69 living across the UK

We also spoke to people in their forties and fifties in three parliamentary constituencies with high economic deprivation and pension insecurity, in Glasgow, the West Midlands and South Wales.

**See the appendix for our methodologies.**

## PUBLIC FIRST

### About Public First

Public First is a policy, research, opinion and strategy consultancy. We work with global companies, governments, start-ups, institutions and foundations around the world to tackle major public policy and strategic challenges. Our work is rooted in an understanding of real people in real communities. We test public opinion and attitudes across the globe and link that to effective public policy. We are a company partner of the Market Research Society and members of the British Polling Council. We are part of SHGH, a group of advisory firms, bringing together expertise in policy, economics, insight and strategic communications.



# Decades Ahead

From issue to action

# Our research results paint a picture of two broad types of barrier to later-life financial wellbeing.

**1 Structural barriers** prevent certain cohorts from saving enough for retirement. These range across demographic and economic characteristics, including work status, employer size and housing tenure, with notable intersections in certain populations driving particular challenges.

**2 Behavioural or attitudinal barriers** prevent people across the workforce from saving. These vary by population but there are common factors, including overall financial literacy and education, worry or denial, salience of pensions to individuals' lived experience, and mistrust in institutions.

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The best way to overcome these barriers depends significantly on individual circumstances and the right kind of support over the course of a lifetime. As our own research shows, even the most effective language with which to speak to people about the importance of saving differs from generation to generation (see part three: Off course in midlife for more on this).

### Future-making financial capability

For the youngest members of society, a focus on building **future-making financial capability** is key.

This takes a number of forms. L&G has a longstanding relationship with the charity Money Ready (formerly RedSTART), supporting its work to address gaps in financial education. L&G has also supported policy calls for more systematic engagement of young people with their pensions. The recommendations of the 2017 Review of Automatic Enrolment still stand:

- lower the minimum age from 22 to 18
- remove the earnings threshold, so savings start from the first pound earned

L&G also supports increasing total contributions from the current 8% to 12% of total earnings, shared between employers and employees.

Being part of a meaningful pension early on in life drives financial engagement and understanding. So taken together, these changes will contribute to greater future-making financial capability.

As crucial as education is, we know that knowledge alone is not sufficient for building capability. Our research shows that alongside structural barriers, behavioural and psychological blockers to saving also need to be overcome. They require a different approach. Some of this relates to mindset and to a change in attitudes. For example, an appreciation of the role that investments continuing to grow past an assumed retirement age can play in countering the 'it's too late for me to start saving' narrative.

### Present-focused help

As people get older and near retirement, the opportunity to build future-making financial capability naturally lessens. What is needed for this group – including those off track aged 40 to 54, whom we explore in more detail in part three of this report – is present-focused help. This is likely to be delivered through policy changes, including careful consideration of how government and the pensions industry can use in-time prompts, as well as changes to auto-enrolment, to encourage saving.

The Pensions Commission is currently exploring the barriers stopping people from saving enough for retirement and considering what is required to build a future-proofed pensions system. The Commission's final report, setting out policy recommendations, is expected by Spring 2027.

We hope that the MRR adequacy measure we have developed will prompt important conversations about middle and higher earners who have been making minimum contributions and are often on course to achieve retirement living standards below their expectations. For many of them, adequacy in retirement will be out of reach without quick action.

The pensions industry has a clear role to play here. With this in mind, L&G has been working to help scheme members make more informed decisions using its Guided Retirement Planner tool. The introduction of targeted support will enable us to go even further by providing tailored, actionable suggestions that help bridge the gap between guidance and advice. L&G has also partnered with Age UK to fund its services supporting those facing poverty in retirement.



# Research part one

Who isn't saving and why?  
Exploring (non)-participation

In this part of the report, we take a look at pension participation, unpacking the major trends that affect who is saving at a systemic level.

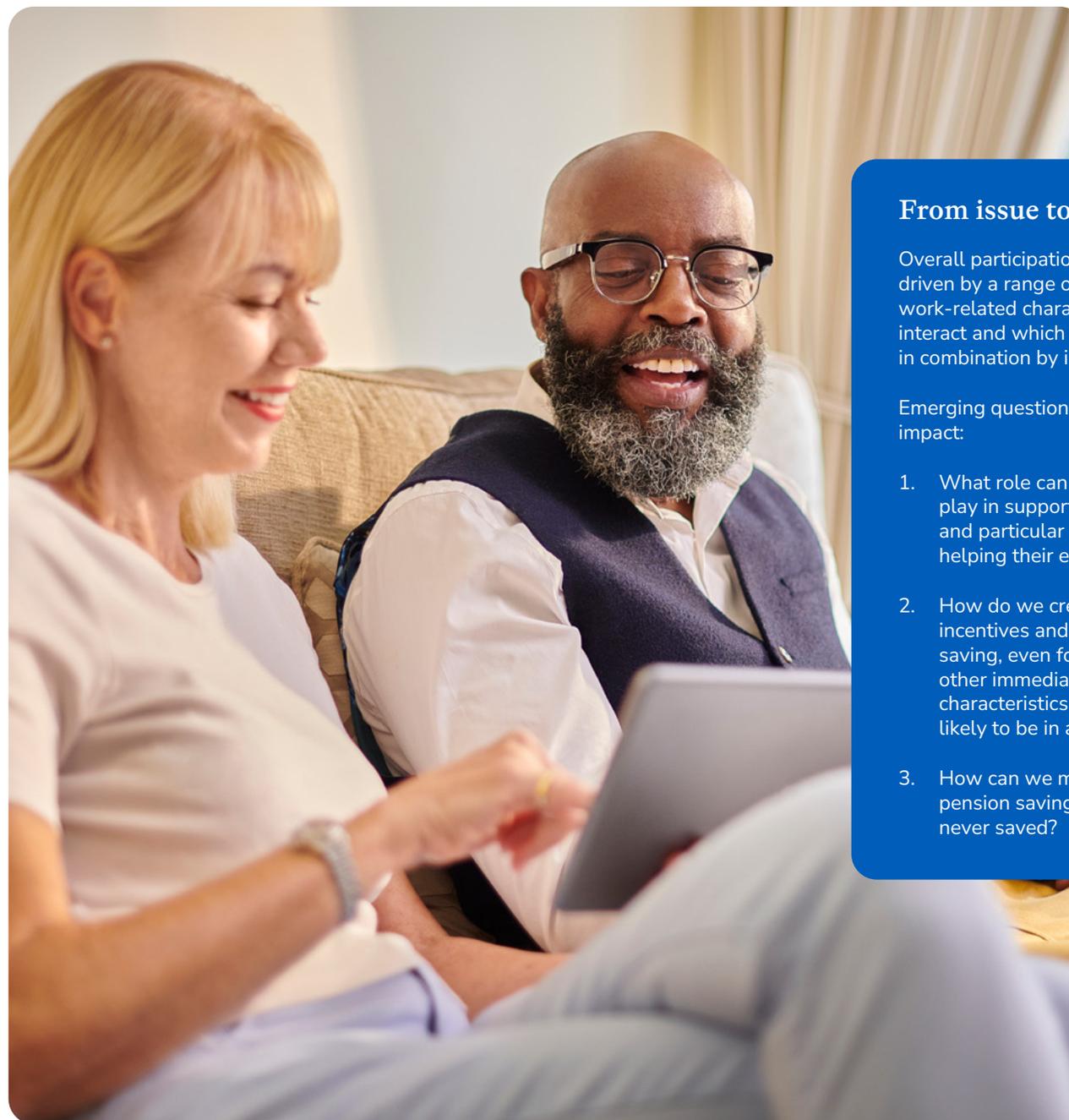
## Key findings:

- 1** | Lack of saving is not restricted to those out of work: **35% of those in work are not saving for a pension.**
- 2** | Low levels of participation are connected with **work-related characteristics** (such as working for a smaller employer or being self-employed) and with demographic risk factors (such as disability, education level or geography).
- 3** | **More than half of non-savers are employees of SMEs** and over two-fifths have low weekly earnings.
- 4** | 15% of adults aged 18 to 69 say they are not saving into a pension and have **never done so.**
- 5** | **Barriers to pension take-up are structural and financial** but also behavioural and attitudinal.

Workplace defined contribution pensions, supported by auto-enrolment, are rightly celebrated as a huge success. Pension participation has increased significantly in the 14 years since auto-enrolment began.

But millions of people are still not participating in retirement saving. Some of them are not in work – they may be studying, applying for jobs, caring for loved ones or dealing with health problems. Even among people with jobs, pension participation could be much higher.

However, many workers are not eligible for automatic enrolment because they are self-employed, have a job (or jobs) that pay too little, or are too young or too old. Others opt out of their workplace pension because of the short-term financial pressures they face. And there are also those who should be automatically enrolled but are not – for example because they are treated as self-employed when they are legally employees.



### From issue to action

Overall participation rates are too low, driven by a range of demographic and work-related characteristics, which interact and which are often experienced in combination by individuals.

Emerging questions and opportunities for impact:

1. What role can the pensions industry play in supporting smaller employers and particular industry sectors in helping their employees to save?
2. How do we create more practical incentives and opportunities for saving, even for those who have other immediate financial needs or characteristics that make them less likely to be in a pension?
3. How can we make the case for pension saving to those who have never saved?

**Non-participation among people in work**

New analysis of the ONS Wealth and Assets Survey shows that 35% of people in work are not saving for a pension. Figures one (a) and (b) show that low levels of pension participation are linked to:

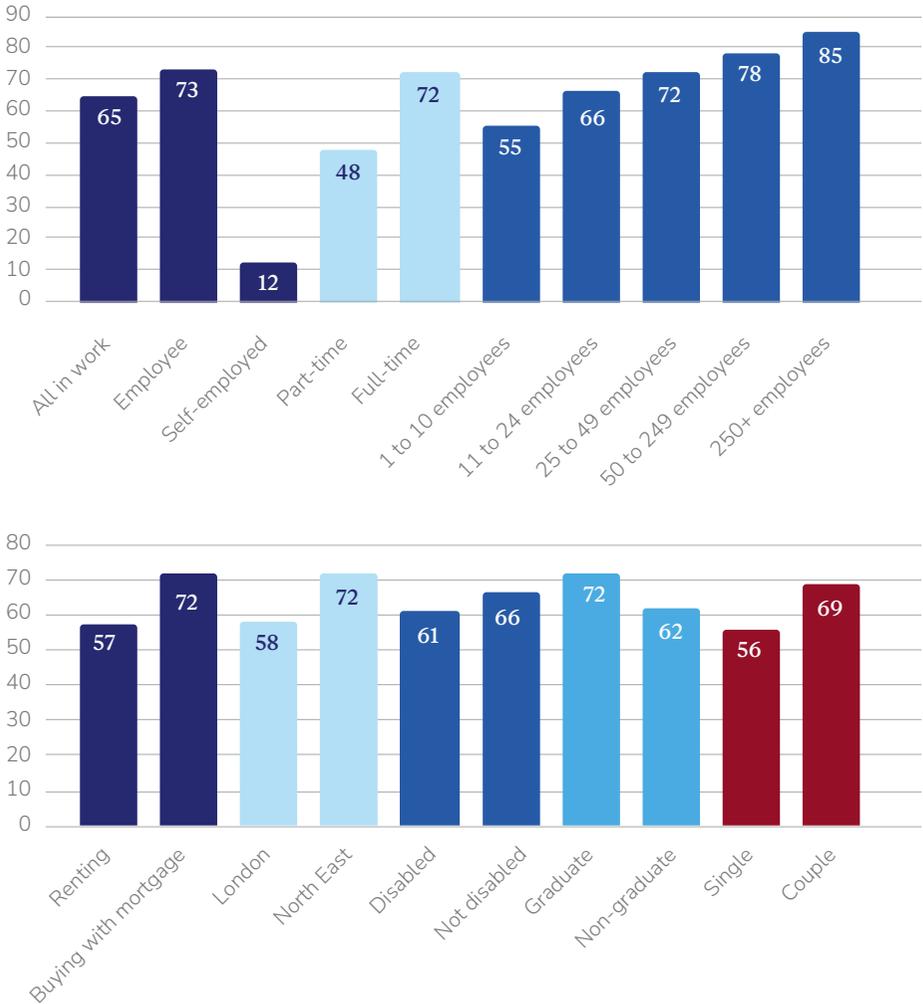
- *Demographic risk factors:* People in work are less likely to be saving if they are non-graduates, disabled, renting, single or young. London has a low share of pension savers compared to other regions because the capital has high self-employment, high housing costs and lots of young workers.
- *Work-related characteristics:* According to the ONS survey, just over one in ten self-employed people are contributing to a pension. Half of part-time workers are enrolled in one. Sectors with low levels of participation include agriculture, hospitality and construction. Low pension participation is also linked to working for a small employer.

Many non-savers face significant pressures with their day-to-day finances, with over two-fifths (4.5 million) having low earnings (see figure two). There is of course overlap between all these groups as well. For example, 1.8 million non-savers are women and on low pay and working for an SME.

Often people experience several risk factors, but all of them are independently associated with low pension participation. A logistic regression analysis shows that housing tenure, income, age, occupation, employer size, region and relationship status all have a direct relationship with an individual's chance of pension saving, which stands even when the effects of other characteristics are stripped out. Only gender and working hours are not independently predictive of low saving.

In total 10 million people with jobs are not saving into a pension, according to the Wealth and Assets Survey. Although pension participation is lowest amongst the self-employed, the largest group of non-savers are people working for small and medium employers (where about 5.5 million people are not saving). This is because far more people work for SMEs than for themselves.

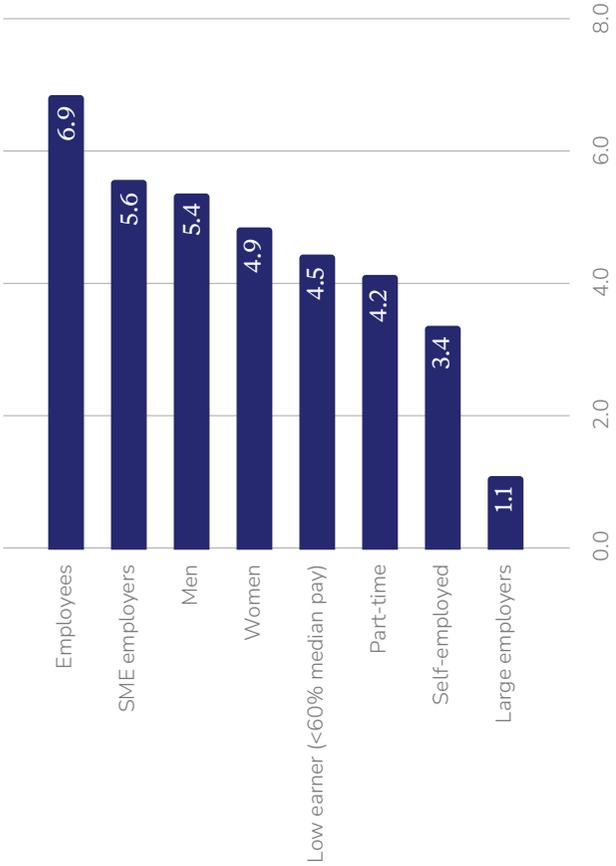
**Figures one (a) and (b): 65% of people with jobs are saving into a pension**



**Percentage of current workers paying into a pension**

Source: Wealth and Assets Survey, 2020-2022

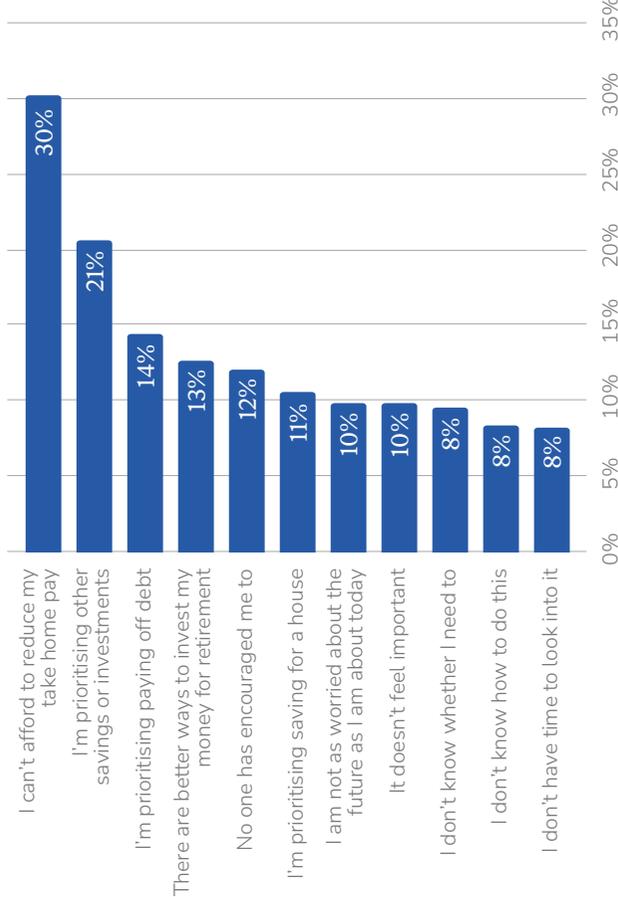
Figure two: Employees working for SMEs make up the largest group of workers not participating in a pension



**Workers not participating in a pension (millions)**

Source: Wealth and Assets Survey, 2020-2022

Figure three: People with a job but not a pension say they are prioritising take-home pay, other savings or debt



**Percentage of respondents giving each reason for not saving into a pension**

Source: Public First Survey, October 2025 (question asked to in-work non-savers only, n=1,278)

**Barriers to saving**

People's circumstances change, and many who are not saving into a pension now may do so at other stages in their life. But our research uncovered a significant minority who report little or no pension saving over their whole adult life: in our survey 15% of 18 to 69 year olds said "I do not pay into a pension and never have done".<sup>1</sup> The social groups who were most likely to select this statement were disabled people, people who are not in work, sole traders, people in elementary occupations and people living in social housing.

With close to half of current non-savers having low weekly earnings, it is no surprise that financial considerations are key to explaining people's reasons for contributing to a pension or not. But lack of encouragement and low understanding are also important factors holding back saving. This suggests that pension coverage can expand, at least to a degree, without causing short-term financial harm.

Our survey shows that when people are asked why they are not saving into a pension, financial reasons dominate. 30% of adults aged 18 to 69 who are not saving say this is because they "can't afford to reduce [their] take-home pay".<sup>2</sup> People additionally said they are prioritising savings, investments or paying off debt.

But significant numbers also pick out behavioural or attitudinal factors, unrelated to financial pressures: "There are better ways to invest my money for retirement", "No one has ever encouraged me to", "It doesn't feel important", "I don't know whether I need to", "I don't know how to do this" and "I don't have time to look into it" (see figure three).

# Research part two

Who won't have enough at retirement  
and why? Exploring inadequacy

In this part of the report, we explore the preparedness picture, bringing colour to the causes and manifestations of lower-than-needed savings in populations across society.

## Key findings:

There are three significant reasons why people may be off course for an adequate retirement income:

- 1 Not saving into a pension for extended periods**, whether through choice, inertia, or absence from the workforce.
- 2 Having a pension but saving too little.** There is a specific issue for middle and higher earners saving at or near the auto-enrolment minimum contribution level. They are less likely to be able to replace a reasonable percentage of their pre-retirement earnings.
- 3 Renting in retirement.** 28% of 35 to 54 year-olds say they expect to rent in retirement.<sup>3</sup> Already, younger retirees are more likely than older retirees to be renting. On current trends, by the mid-2040s 30% of people aged 65-69 will be in a rented home.

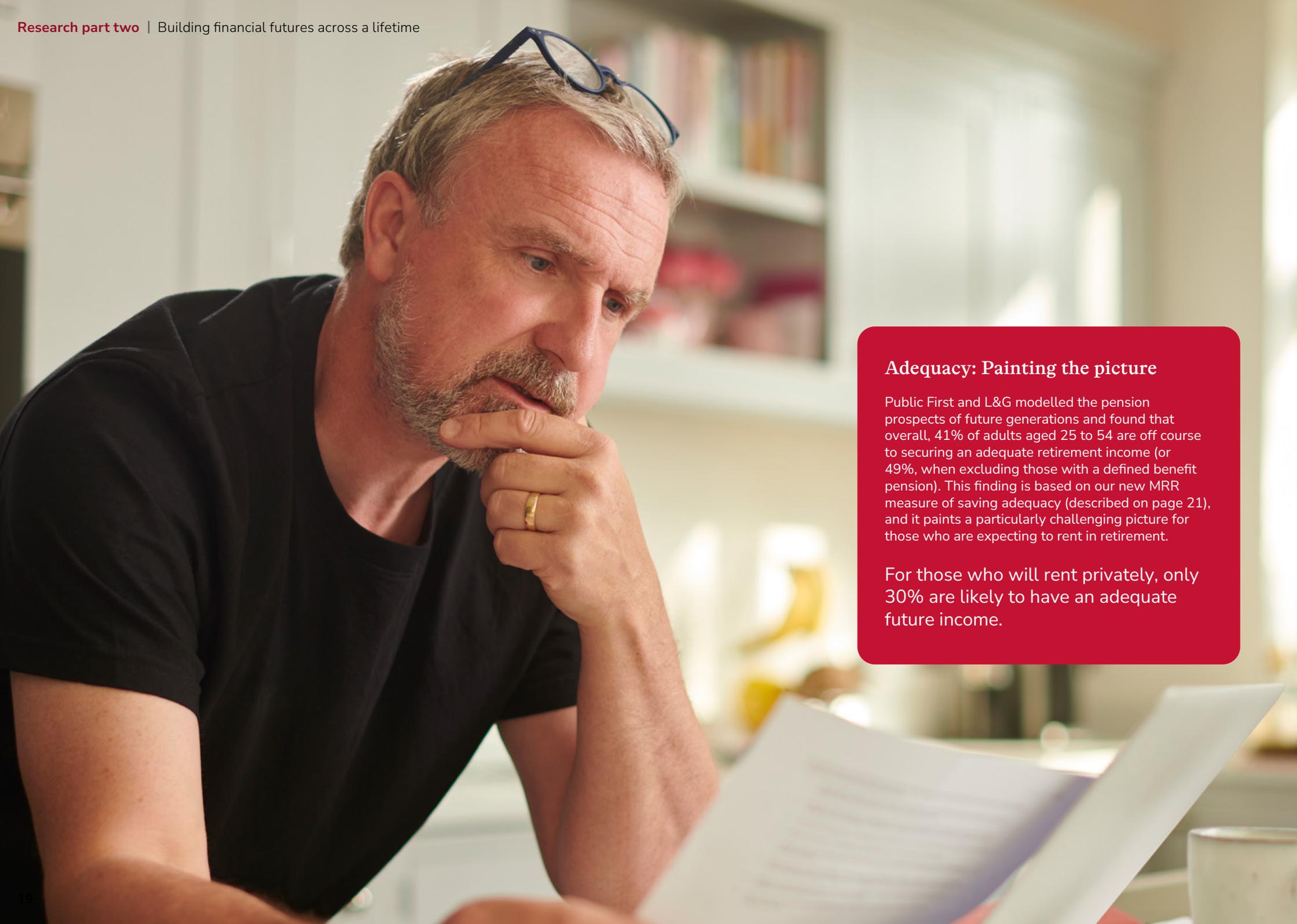
## From issue to action

Not all those in work are saving enough, especially those who are likely to rent in retirement.

Emerging questions and opportunities for impact:

1. What can the pension industry do to support employers and workers in sectors that have higher levels of self-employment or precarious work?
2. What work is now needed to build on existing research into the specific needs of current and future renters?
3. How can industry and government work together to develop interventions which encourage additional saving for those who are participating but at too low a level?
4. The introduction of pensions dashboards from next year will make it far easier for someone to view their collective pension saving in one place. How can dashboards help people to take stock of their pension prospects at this moment, and act where possible to help get them back on track?





### Adequacy: Painting the picture

Public First and L&G modelled the pension prospects of future generations and found that overall, 41% of adults aged 25 to 54 are off course to securing an adequate retirement income (or 49%, when excluding those with a defined benefit pension). This finding is based on our new MRR measure of saving adequacy (described on page 21), and it paints a particularly challenging picture for those who are expecting to rent in retirement.

For those who will rent privately, only 30% are likely to have an adequate future income.

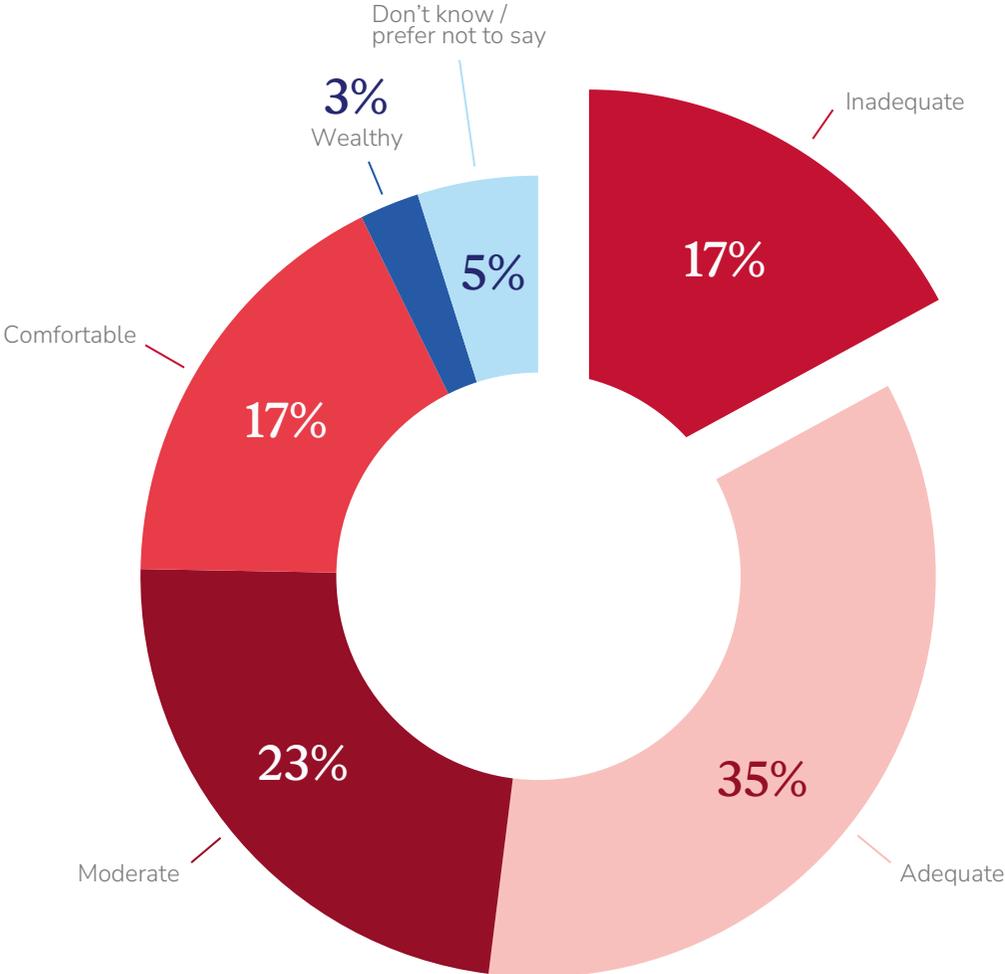
Figure four: a sizable minority of people aged 18 to 69 expect to have an inadequate standard of living in retirement

Expected standard of living in retirement for those not retired\*

**Expectations of retirement**

17% of people say their future standard of living in retirement will be inadequate. This is defined by the question asked as having "not enough money to cover all basic needs. Unable to go on holiday in the UK or occasionally eat out. Almost everything is spent on food, household bills or other essentials".<sup>5</sup>

This statement describes a budget below the minimum acceptable threshold. People are most likely to select this response if they are not working or have very low earnings, are disabled or live in social housing.



Source: Public First Survey, October 2025 (question asked to non-retired only, n=7,406). See footnote four for full question wording.

### A refreshed lens on adequacy: the 'MRR measure'

The L&G / Public First 'MRR' adequacy measure has been developed to give a more nuanced view of the overall picture of pension adequacy. MRR stands for **Minimum, Replacement, Rent** and assesses whether an individual's retirement income:

- secures the Minimum a single pensioner needs to live a decent life, and
- Replaces a specified percentage of an individual's pre-retirement earnings, and
- covers the costs of Rent - for people who rent their home in retirement

The measure builds on two well-known approaches to assess the adequacy of retirement income:

- Target Replacement Rates (TRRs), which measure individuals' retirement incomes in comparison to their pre-retirement earnings.<sup>6</sup>
- Retirement Living Standards (RLS), which assess how much money people need in retirement to secure three standards of living described as minimum, moderate or comfortable.<sup>7</sup>

MRR assesses income adequacy for individuals by combining and building on the TRR and RLS approaches. First, we use the minimum RLS threshold for a single pensioner as a baseline income target that no one should fall below. This is important because low earners who replace 80% of their pre-retirement earnings (their target replacement rate) will typically not have the income required to secure a minimum acceptable living standard for a single pensioner (even one with no housing costs).<sup>8</sup> Second, we use the TRR approach once people have exceeded the minimum income for a single adult. This gives us a personalised income target based on their own past earnings. Our measure is therefore relevant both to low earners (where it is the minimum that matters) and medium to high earners (who care about matching past living standards). Third, we account for rent: for pensioners living in rented accommodation their housing costs are added to both the minimum and replacement rate thresholds to create a higher income target (in the case of couples, rent is divided between them).

Our analysis makes projections for the future retirement incomes of people aged 25 to 54 today. We calculate their expected retirement incomes by taking information about their current pension assets and financial wealth, and then modelling their future pension saving,

based on the employment, earnings and pension contributions of people with similar characteristics over the course of a working life (see appendix).

Retirement income is calculated by assuming that people gradually spend down all their pension and financial wealth (but not their housing assets). We combine separate projections for income adequacy, depending on whether people own their home, or are a social or private renter in retirement (we assume that around 30% will rent their homes when they retire, reflecting current housing tenure trends).<sup>9</sup>





### Why this approach?

We selected this approach to reflect concerns about the costs of renting and living alone in retirement. Today almost five million pensioners either rent or live alone, and that number is set to rise.<sup>10</sup> Both living as a lone adult and renting in retirement are sufficiently likely that they should be factored into any consideration of future adequacy.

#### *Living alone in retirement*

In our survey 21% of adults aged 18 to 69 said they expected to live alone in retirement.<sup>11</sup>

Today one in three pensioners (33%) live alone. Around a quarter of people aged 65 to 69 are on their own, as are half of people aged over 85 (mainly as a result of bereavement). Over the last 20 years, the number of people in late old age living alone has decreased because men are living longer. But more people now live alone in their mid and late 60s, steered by changing family patterns during working life. We can expect this pattern to continue for the next generation of retirees, as more people currently in their fifties are also on their own.<sup>12</sup>

#### *Renting in retirement*

In our survey 25% of adults aged 18 to 69 say they expect to rent in retirement – rising to 28% of 35 to 54 year olds.<sup>13</sup>

Today only 18% of people aged over 65 live in a rented home, following decades of decline. But all that is about to change. Already, younger retirees are more likely than older retirees to be renting. 22% of 65 to 69 year olds are in rented homes, compared to 16% of 80 to 84 year olds. Over the next 20 years, more and more people will enter retirement as renters. On current trends, by the mid-2040s 30% of people aged 65 to 69 will be in a rented home.<sup>14</sup>

#### **The drivers of inadequacy**

Overall, 51% of people aged 25 to 54 without a defined benefit pension are projected to achieve an adequate income under the MRR measure.<sup>15</sup> There are three reasons why almost half of people fall short:

- not saving into a pension for long periods of adult life
- having a pension but saving too little, in the case of middle and high earners
- renting in retirement

Demographic groups associated with both higher and lower incomes have poor prospects, for these different reasons. Non-graduates are less likely than graduates to achieve an adequate income (49% to 54%); as are single adults compared to those in couples (37% to 54%) and the self-employed compared to employees (38% to 53%). This is driven by their different probabilities of participating in pensions.

But there are other pairings, where it is the group with higher lifetime earnings who are at greater risk of missing their target, because they are not saving enough to replace a suitable share of their pre-retirement earnings. This includes men compared to women (43% to 60%), people without disabilities compared to disabled people (50% to 57%) and full-time compared to part-time workers (47% to 65%).

Likewise, the economic sectors with the lowest adequacy scores include industries associated with self-employment and fairly precarious work – construction, transportation and storage, and arts, entertainment and recreation – but also high-paying sectors such as information and communication, and financial and insurance activities.



### Case study: Driving engagement at L&G

L&G research shows that many people aged 40 to 54 experience low engagement and limited knowledge, often due to fear or overwhelm. This disengagement can significantly impact saving behaviour. Pension scheme members engage differently depending on where they are in their savings journey, whether they're just starting out, building up their pension, balancing competing priorities or preparing to retire. Guidance needs to adapt accordingly to remain relevant, timely and meaningful.

To address this, L&G has strengthened its customer engagement strategy to build confidence, improve understanding, and prompt timely actions by delivering proactive communications and clear planning prompts at critical life stages. The Workplace Pension app enables customers to make single contributions, supported by personalised educational content.

Since November 2024, L&G's Guided Retirement Planner has helped 200,000 members gain a holistic view of their retirement savings and make more informed decisions.

The introduction of Targeted Support will enable us providers to go further by providing tailored, actionable suggestions that help bridge the gap between guidance and advice.

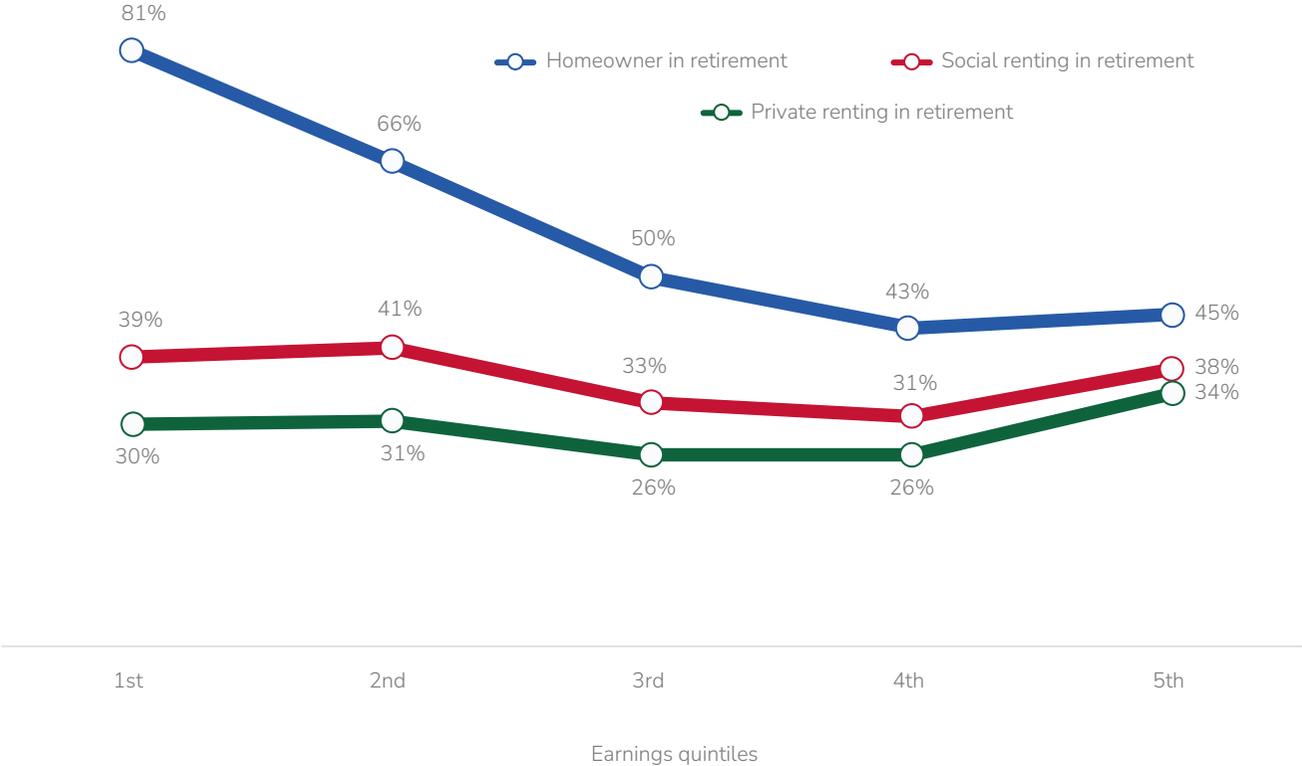
### The role of disengagement

The results from our modelling show that, under current pension rules, people with middle and high incomes need to take control of their own pension futures to be confident of an adequate retirement income. Our survey suggests that only a minority are doing so.

Middle and high earners are slightly more likely than low earners to engage with their pensions. But only a minority say they are actively saving more than the default set by their employer.<sup>16</sup> High earners are actually more likely than low earners to trust that the standard contribution rate set by their employer will be enough.<sup>17</sup>

- Across the income distribution, very high numbers say they have never changed their pension arrangements in the context of any work or life event.<sup>18</sup> Only starting a new job or being enrolled into a pension prompts action by more than a few percent of respondents.
- People with a household income above £40,000 are slightly more likely to have engaged with their pension over the last 12 months.<sup>19</sup>

Figure five: Prospects are very different for future renters and homeowners



MRR adequacy rates for renters, homeowners and social renters per income quintile

Source: Public First modelling using the Wealth and Assets Survey and Annual Survey of Hours and Earnings. Excludes people with DB pensions.

The role of housing and lifetime savings

Prospects are very different for future renters and future homeowners. Excluding those with a defined benefit pension, we project that 58% of people aged 25 to 54 will achieve an adequate income if they are homeowners in retirement, but only 30% will if they are private renters.

The modelling reveals the following patterns:

- Future homeowners: Low earners are much more likely than high earners to achieve an adequate income. This is because the combination of the State Pension and current automatic enrolment rules will usually be enough for them to both exceed the 'minimum' acceptable income for a single pensioner and to match 80% of their (relatively low) pre-retirement earnings. By contrast, these two policies together are not enough for middle to high earners to be confident they will meet their replacement income target (i.e. 50% of pre-retirement earnings for high earners and 67% for mid-earners). Among people with low lifetime savings or earnings, only a minority of homeowners will lack an adequate retirement income – typically people who do not make pension contributions for a significant part of their adult life.
- Future renters: The chances of achieving an adequate income are low across the board. The combination of the State Pension and automatic enrolment is insufficient to achieve an adequate retirement income, for people with all levels of lifetime earnings.

# Research part three

## Off course in midlife

In this part of the report we dig into savings in midlife, uncovering the discrepancies between this and other generations' prospects, perceptions and preparations. We consider ways in which engagement can be built to help members of this generation course correct so that they are better prepared to retire.

## Key findings:

- 1** | Those in midlife are particularly at risk of inadequate incomes in retirement. The average pension pot size for a working **45 to 54** year old without a defined benefit pension is **£27,000**.
- 2** | Worryingly, people aged 40 to 54 have both lower expectations for their retirement and lower levels of engagement with their pensions than younger cohorts. **41% of them have not interacted in any way with their pension in the last 12 months.**
- 3** | **19% of 40 to 54 year olds** with a private pension first started saving after their 35th birthday.

Workplace pensions with auto-enrolment are still a relatively recent development. For many in their forties and fifties they came too late to enable significant early pension savings to be built up. Millions of people in the middle years of working life are not on track to secure an adequate retirement income.

This is a generation caught between two pension systems. Defined benefit pensions are a distant memory for most in the private sector around the age of 50. But many in this cohort have also missed a working life of automatic enrolment to build up a good defined contribution pension.

## From issue to action

Our research shows that the need for an increase in contributions is particularly acute for those between the ages of 40 and 54.

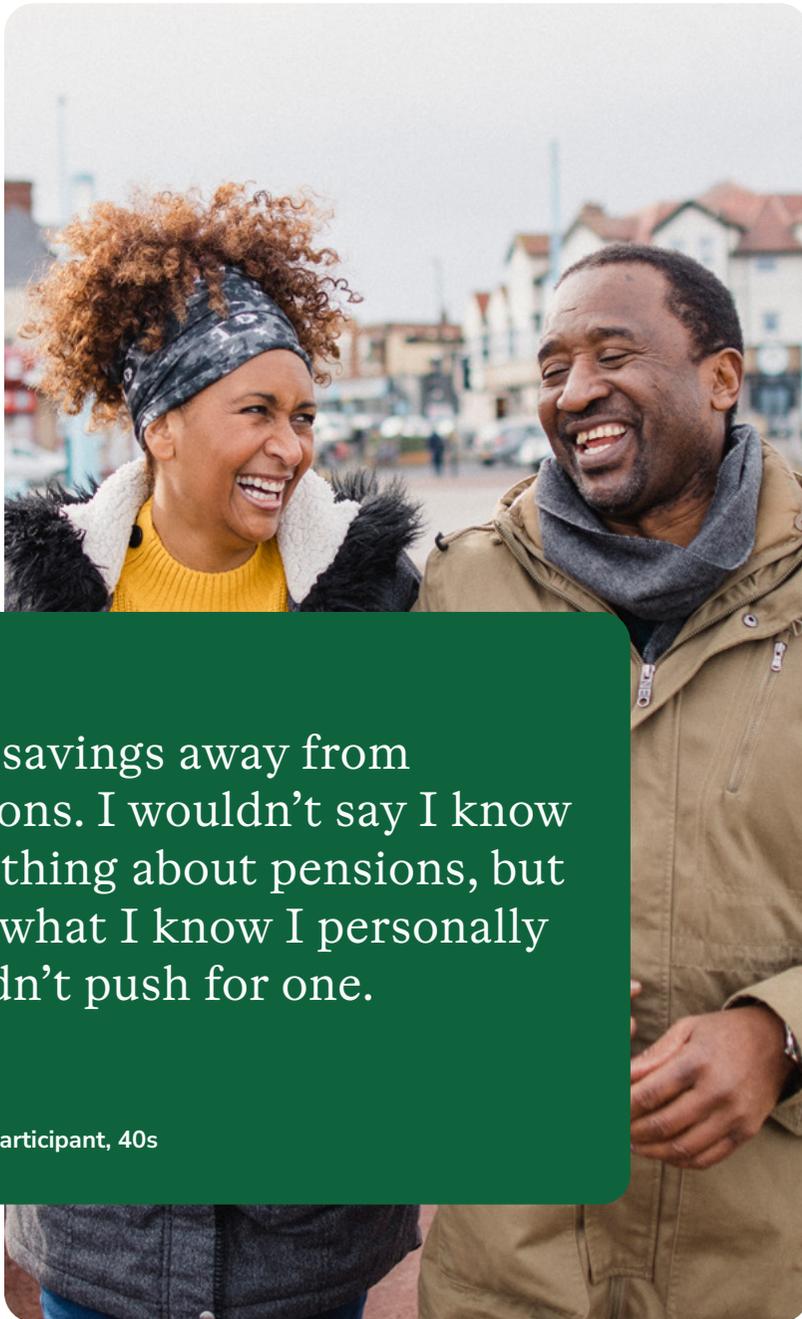
Emerging questions and opportunities for impact:

1. How can we make the case for people in this age group to act now to prepare for retirement? What can we do to encourage people to allow small pots to continue growing past retirement age, countering the narrative that 'it's too late for me to start now'?
2. How can we demystify pensions for a cohort which is time and attention poor, and in many cases also financially straitened? What role do education, language and behavioural change play?
3. With an initial emphasis on the cohort in this age bracket, there's an opportunity for government to work with industry to develop a toolkit of levers which could include:
  - promoting matching contributions (where the business pays in more alongside the employee)
  - automatically raising employees' contributions on an opt-out basis when they reach a special birthday or receive a pay rise (known as "auto-escalation")



“What I realised is that you never really get educated in saving money and stuff like that. I just lived life. I didn’t know what it was about because you don’t get educated in what you’re supposed to do properly.”

Research participant, 40s



“

I like savings away from pensions. I wouldn't say I know everything about pensions, but from what I know I personally wouldn't push for one.

”

Research participant, 40s

### A chance to act

It won't be easy to turn around pension prospects for people off track in their forties and fifties. With less time to act, making a difference means starting quickly, without panic or inertia. With the increase in the state pension age to 67 it is still possible to help people save for a better future. Doing this will take careful, proactive engagement which resonates with people in this age cohort, using language that refers to 'security' and 'planning'.

Many in this age group who are off course for pension adequacy face competing pressures. Their personal finances are tight. Some are unable to work as much as they'd like, for example because of caring responsibilities, or health concerns. The barriers to pension saving are particularly high when people are self-employed, which is much more common after 40 or 50. And many of those off course are single (often after separation) or rent their home. It is harder for them to put money aside and they will face higher living costs when they retire.

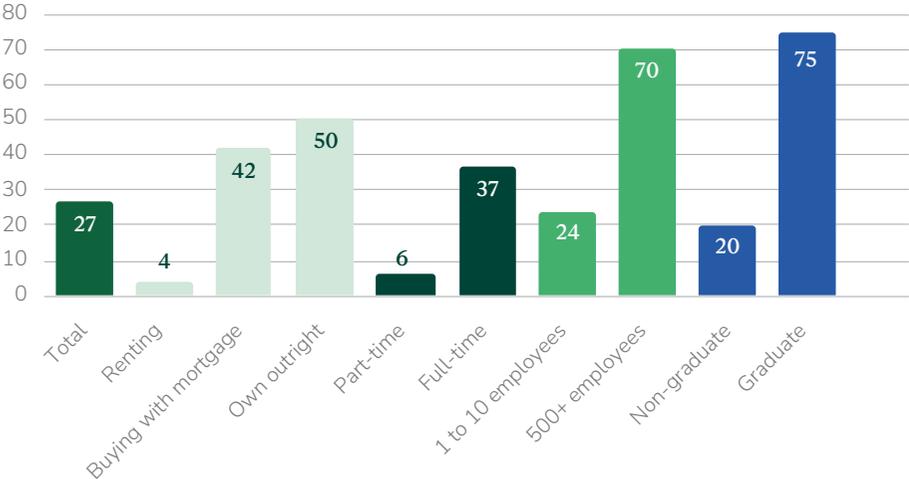
Some in their forties and fifties are very worried about their future retirement prospects but there are also those who don't know there is a problem. This group, who think they are saving what they need, require support to increase their contributions if they can.

While these issues may feel intractable, we believe there is a window of opportunity for workers in this group to take the action which could move them towards an adequate income in retirement.

There are life moments when employers and pension providers can help people actively choose to contribute more to a pension. When children reach adulthood or a mortgage is almost paid off, opportunities for extra saving open up. Meanwhile, the introduction of pensions dashboards from next year will add visibility by bringing pots together to view all in one place. These are moments when government, employers, media and industry can jointly push people to take stock of their pension prospects.

The welcome introduction of Targeted Support following the FCA Advice Guidance Boundary Review has enormous potential to close the advice gap. It will be further enhanced through amendments to the direct marketing and privacy rules (PECR) to let workplace pension providers deliver targeted support to members who have not opted out of direct marketing.

Figure six: Median pension wealth for 40 to 54 year olds with jobs is only £27,000



**Total pension wealth for different groups**

Source: Wealth and Assets Survey 2020-2022. Excludes people with DB pensions.

**The picture today: late starts and low savings**

Our survey found that 19% of 40 to 54 year olds with a private pension first started saving after their 35th birthday.<sup>20</sup>

The scale of the challenge facing this group is revealed by looking at the pension assets of people around the age of 50. According to the Wealth and Assets Survey, the median pension saving for a 45 to 54-year-old in work is £27,000 (people with defined benefit pensions are excluded). A defined contribution pension pot of this size will translate into a very modest private pension at state pension age.

Of course, plenty of people around the age of 50 have high earnings, significant assets and good retirement plans – but the overall picture is of a generation that will need to act decisively to ensure savings at a level which will give an adequate retirement income.

Certain groups are especially vulnerable and have more ground than others to make up, and of course there will be individuals who fit into more than one category of vulnerability. As examples:

- The median pension wealth of a 40 to 54 year old with a job and a rented home is £4,000.

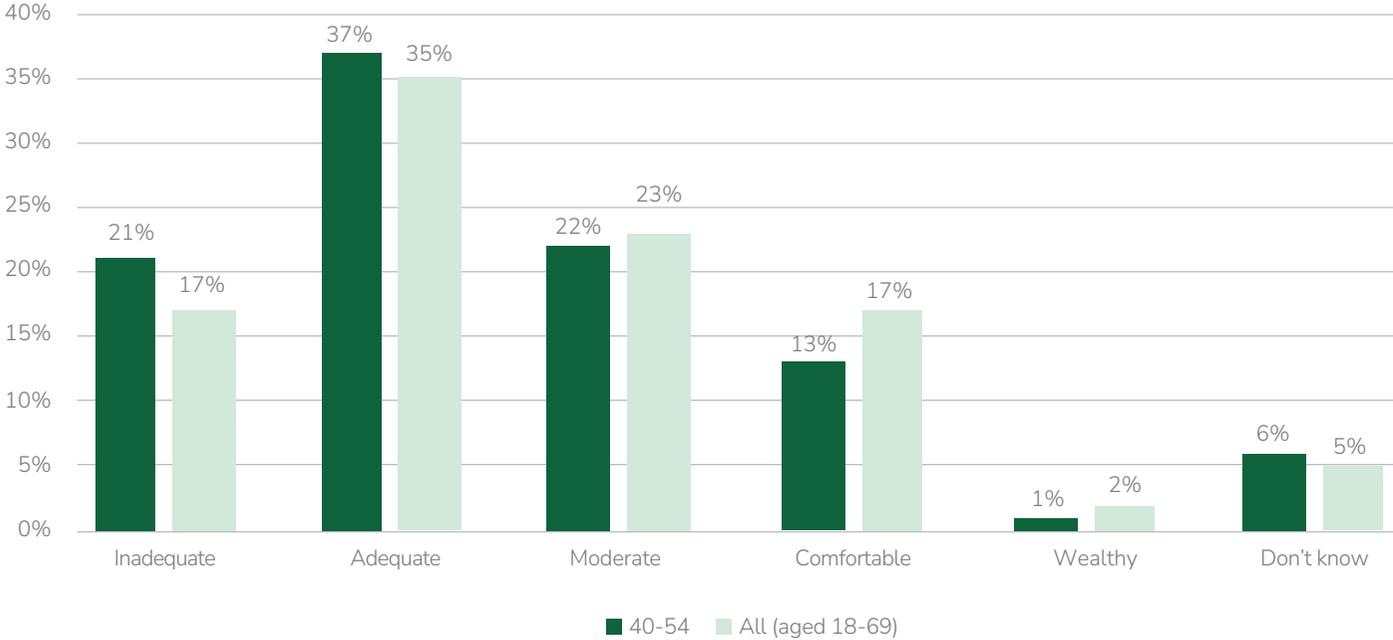
- For a part-time worker the figure is £6,000 and for a single adult it is £12,000.

- Despite the city's relative prosperity, London has the second lowest median pension wealth (£14,000), following the North East (£10,000).

Our survey showed that people in this age-group not saving into a pension are more likely to say it is because of financial pressures.

- 41% of non-savers aged 40 to 54 say it is because 'I can't afford to reduce my take home pay' (compared to 22% of 18 to 34 year olds).<sup>21</sup>

Figure seven: Over a fifth of 40 to 54 year olds expect to have an inadequate standard of living in retirement<sup>22</sup>



Source: Public First survey, October 2025 n=8,008

Lower expectations match low levels of readiness...

Our research explored people’s retirement expectations. It found that people currently in midlife are consistently more pessimistic than older and younger cohorts. Figure seven shows that 40 to 54 year olds have worse expectations for their retirement living standards than either younger or older generations.

Compared to older and younger cohorts, they are also less likely to agree with the following statements:

- I am confident I will have enough income in retirement to meet my needs.
- Before I retire, I will be able to pay off my mortgage.
- I will have a comfortable retirement because I will have no rent or mortgage to pay.

And they are more likely to agree with:

- When I am retired I will have a lower standard of living than earlier in my adult life.



“  
Really... I wish somebody  
had spoken to me about  
pensions when I was  
younger.  
”

Research participant, 50s



“

I'm not thinking that far ahead, you know. You live in the moment... and you could be dead. I know that sounds quite harsh. But I'm not old school enough to think, 'right, let's save for a rainy day', as my parents and grandparents always did.

”

Research participant, 40s

**...but lower readiness doesn't equate to higher engagement**

Many people in their forties and fifties are disengaged from pensions and retirement.

One of the most surprising findings from our survey is that younger adults, under the age of 35, tend to be more engaged with their pensions than people aged 40 to 54. People in midlife are either avoiding pensions or passively going along with their scheme's default, when this is unlikely to be enough.

- 25% of those with pensions cannot estimate how much money they have in them (compared to 14% of those aged 18 to 34).<sup>23</sup>
- 41% of those with pensions have not engaged with them in the last 12 months (compared to 30% of those aged 18 to 34).<sup>24</sup>
- 31% in this age group have never looked for information or advice about pensions (compared to 21% of those aged 18 to 34).<sup>25</sup>

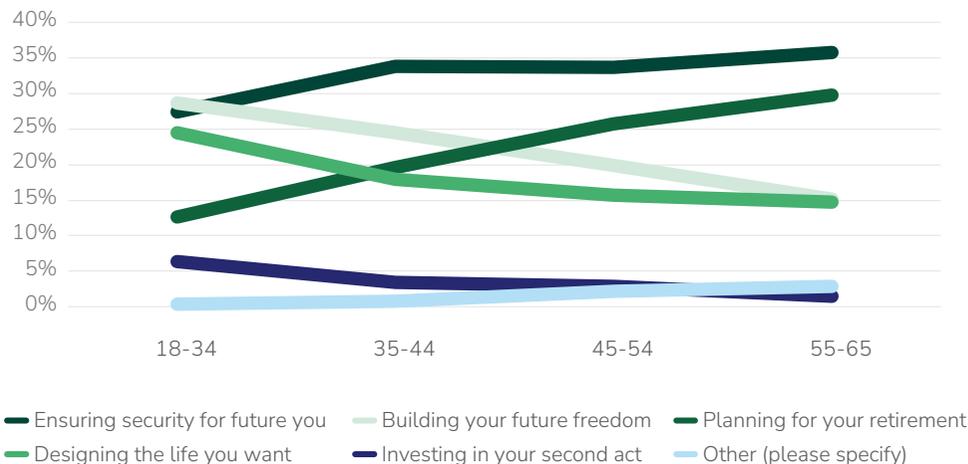
**Closing the gap: What helps**

While closing the gap won't be easy, there are actions we can take and ways of engaging people in the 40 to 54 cohort which provide an opportunity to make a difference.

**Our research has found that people in midlife have particular preferences when being spoken to about pensions.** When talking to people aged 40 and over, the message needs to be that action is possible and will yield results, and that even a small change is better than ignoring the problem.

We tested different ways of speaking about pensions and found that adults over the age of 35 respond best to promises of future security. This framing is particularly persuasive for people with greater barriers to pension saving but had universal appeal. Also, as people get older they become increasingly attracted to a phrase referencing planning. Only younger adults are attracted to the language of freedom and design.

**Figure eight: People aged over 35 are most motivated to save by a phrase referencing security**



Source: Public First survey, October 2025. Question: Which of these phrases would make you feel most motivated to save for your future?

Some people in their forties and fifties are put off or overwhelmed by the complexity of having lots of scattered pensions. Our survey suggests this is less of a problem than might be expected, with only a minority saying they have multiple pension schemes. Some of the respondents may have forgotten about old schemes, but the large majority say they have just one or two pensions. 78% of 40 to 54 year olds with a private pension say they only have one or two pensions, while only 6% have four or more.<sup>26</sup>



### Looking forward

As our research suggests, a long-term effort to shift adequacy outcomes will require a sustained, multi-year effort. This is a complex issue which calls for a multifaceted solution, bringing together actions across policy, products and partnerships. That is what L&G is committed to doing, using the launch of this research – including the new MRR adequacy measure – as a starting point.

We want to avoid future generations joining the nearly two million UK pensioners already experiencing poverty. Throughout 2026 we will continue to release insights from our research to build collective knowledge and support the development of our proposition and policy calls. We have insights across age ranges and life situations, including younger cohorts, as well as deep qualitative insights into individual experiences based on geography, which will form the basis of future publications in this series.

### Working in partnership

L&G is also seeking to build a coalition for action, building on existing relationships with our clients and other employers, and forming new ones. There are roles for both industry and civil society to play. We also believe that charities, community-based groups, community interest companies and other third-sector bodies can all help to solve the issues of long-term financial wellbeing. Non-profits are a trusted source of information and guidance on a wide range of topics, including money matters.

L&G would welcome collaboration from bodies and individuals across academia, government, business (especially smaller employers), partners in industry and the civil society sector, and other pension providers. We invite anyone who is interested in tackling this issue to share their perspectives and – more importantly – to work with us in delivering the interventions which will make a difference now and over the decades ahead.

# Appendix: methodology

## Measuring pensions adequacy

We created a novel hybrid approach to defining adequacy, building on two existing measures:

- **Minimum Retirement Living Standard:** The Pensions UK Minimum Standard is a measure of the lowest acceptable Retirement Living Standard, based on the Joseph Rowntree Foundation / University of Loughborough Minimum Income Standard. We use it as a floor level of adequacy. If total income is below the Minimum Standard for a single pensioner, individuals are deemed to have inadequate income.
- **Target replacement rates:** These are ratios developed by the 2003 to 2005 Pensions Commission, which we use for incomes above the Pensions UK minimum. The income thresholds for different replacement ratios have been updated based on earnings growth since 2023 and are projected forward for future retirement dates based on assumed wage growth.

For renters in retirement, expected housing costs are added on to the income required to meet adequacy (rent is shared 50:50

## Target replacement rates for different levels of pre-retirement average earnings

Target replacement rate	Pre-retirement gross earnings – 2004 range	Pre-retirement gross earnings – 2023 range
80%	£0 to £9,499	£0 to £16,999
70%	£9,500 to £17,499	£17,000 to £31,499
67%	£17,500 to £24,999	£31,500 to £44,999
60%	£25,000 to £49,999	£45,000 to £89,999
50%	£50,000 and above	£90,000 and above

Reproduced from Table 2.1, Adequacy of future retirement incomes: New evidence for private sector employees, IFS, 2024

between couples). To do this for rental costs in private housing, we used the ONS Index of Private Rents. We split these data by region. For rental costs in social housing, we used data from the Regulator of Social Housing's registered provider social housing stock and rents data. Again, these data were split by region.

Our adequacy measure therefore combines a minimum and replacement rate approach and takes rent into account – hence the label Minimum, Replacement, Rent (MRR). An adequate income is defined as when an individual exceeds the Pensions UK Minimum Standard for a single adult and the Pension Commission's income replacement rates for their previous level of earnings, with rent added onto each threshold.

This is a measure of adequacy for personal, not household, incomes (unlike the RLS approach). That choice comes with advantages and disadvantages. Couples usually have two incomes and can share resources, so can expect to enjoy higher living standards together. But living alone is sufficiently common in retirement, especially as people grow older, that it seems appropriate to work on the basis that everyone should have an income sufficient to live as a single adult. It is also desirable to look at women's financial resources independently from those of their partner.

## Projecting retirement incomes

We projected individuals' future retirement income using data from large household surveys. We used data on declared pension assets and financial assets, and projected their future pension contributions based on their demographic and economic circumstances. We then calculated their retirement income by converting all their pension assets and non-pension financial wealth into an assumed monthly retirement income. This reflects a retiree's maximum spending power over their retirement, smoothed out over time, rather than the sum they might take as a regular pension payment.

To estimate pension and other financial wealth at the point of reaching the State Pension Age, we used two data sources:

- The Wealth and Assets Survey (WAS):** The WAS is a biennial dual method (face-to-face and telephone) longitudinal survey covering most of Great Britain. We used the WAS to build a baseline understanding of households' wealth, incomes and pension participation. In our analysis, we reweighted its results to reflect the known overstatement of defined benefit (DB) pension holdings and known understatement of defined contribution (DC) pensions. This reweighting was based on data from the DWP on the mix of DB and DC pensions, and corrected DC contribution rates.
- Annual Survey of Hours and Earnings (ASHE):** The ASHE is a comprehensive annual survey looking at the structure and distribution of earnings in the UK. The survey is based on a 1% sample of employee jobs taken from HM Revenue and Customs' Pay As You Earn records. We used the ASHE to project forward earnings and pension contributions using our wage growth forecasts and data on annual pay by age, sex and industry. The ASHE data allowed us to reflect likely career progression journeys plus factors such as people reducing working hours to parent, care, for health reasons, etc. We also adjusted for labour market participation by age. To do this, we used data from the Annual Population Survey. This allowed us to account for the impact of people leaving the labour market over time.

This approach reveals inequalities between different groups within ten-year age groups, based on their initial saving, and labour

market and pension saving characteristics. For each group, we prepared estimates for the eventuality that someone is a homeowner, social renter or private renter in retirement. For the headline results, we also created a combined score based on the projected split of tenures for retirees in future decades.

#### Modelling assumptions

We were also able to project forward pension pot values based on a returns assumption and contributions over time. Our assumptions were as follows:

- average wage growth – 2.5% pa
- CPI inflation – 2% pa
- private and social rent growth – 2.5% pa (i.e. assume long-run steady state between wages and rents)
- annual pension fund returns – 6% pa
- average pension fund fees – 0.5%
- annuity rate assumed at point of State Pension age – 5.4% (current rate for single life, RPI, 5-year guarantee annuity)
- the State Pension triple lock remains in place

A number of assumptions in the modelling make this a fairly optimistic measure – which might be considered a 'best case' for future adequacy.

- Replacement rate ratios: We retain the 2003 to 2005 Pensions Commission ratios for each income band. Research from the Resolution Foundation has suggested the ratio for low and middle earners should be

higher due to changes in personal taxation since the commission's original analysis.

- All financial wealth: We convert all projected pension and other financial wealth into a retirement income, to create a measure of an individual's overall spending power in retirement. This measure of adequacy therefore includes both regular retirement income and financial wealth people can access as needed.
- State Pension policy: We assume that the triple lock continues indefinitely. There is considerable speculation that the triple lock will be replaced by a less generous uprating policy in future decades. This would lead to fewer low and middle earners reaching adequacy thresholds.
- Investment returns: Our assumption of gross investment returns of 6% per year, averaged across providers and lifestages, is reasonable considering the recent performance of the pension industry and underlying investments. But long-term returns could be lower.

#### The L&G / Public First survey

##### Sample and sampling approach

Public First conducted a large survey of 8,008 working age adults (18-69) between 11 October 2025 and 21 October 2025. The results were weighted to be nationally representative.

The margin of error on the total sample is  $\pm 1.1\%$ . As with any online survey, potential sources of error include question misunderstanding, misreporting, the self-selection bias inherent in research panels and limited reach to individuals without internet

access. The survey design sought to minimise dropout by using varied question formats and clear visual display, and it was optimised for mobile, tablet, and desktop devices.

##### Data quality checks

Public First implemented quality assurance measures before, during, and after fieldwork. Ahead of launch, L&G was consulted on the draft questionnaire to refine wording of the questions. The survey was also tested internally to ensure that the experimental design displayed correctly and that the survey could be completed within 15 minutes.

Within the survey Public First implemented several quality checks. This includes a ReCAPTCHA to prevent script or bot responses, as well as direct attention checks to reduce the risk of inattentive responding. Any participants failing attention checks are immediately excluded from the research.

As a final stage data quality check, Public First evaluates open response data from the survey. These are checked for nonsense responses, unlikely duplicates (indicating scripts) and use of LLM or auto-generated text. The survey is refiled for new responses to replace those removed during this process.

# References

1. L&G and Public First survey question: Most employees in the UK are enrolled into a workplace pension by their employer. Please select the statement which is most relevant to your situation at the moment.
2. Survey question: Which of the following, if any, are reasons that you do not contribute to a pension at present? Select any which apply.
3. L&G and Public First survey question: Thinking about the home you would expect to have when you retire, which of the following is most likely? Response: 'Renting – privately' and 'Renting – council or housing association'.
4. L&G and Public First survey question: Which of these statements best describes the standard of living you expect to have in retirement after you have stopped working. If you have a partner or spouse, take into account your joint income and expenditure, and please consider your likely housing costs. (1) Inadequate: Not enough money to cover all basic needs. Unable to go on holiday in the UK or occasionally eat out. Almost everything is spent on food, household bills and other essentials. (2) Adequate: Enough money to cover the cost of all basic needs, and some left over for fun. An annual self-catering or half-board holiday in the UK, eating out once a month and some affordable leisure activities once or twice a week. (3) Moderate: Enough money for financial security and flexibility. An annual overseas holiday and a long weekend off-peak break in the UK, a take-away once a week and eating out a couple of times a month. (4) Comfortable: Enough money to be more spontaneous. An annual overseas holiday, extra-long weekends away in the UK, some day trips, and extra spending on eating out and social activities. (5) Wealthy: More money than most people in the UK. Several overseas holidays each year, numerous weekends away in the UK, expensive cultural and leisure activities and regular gifts to others. (6) Don't know / prefer not to say.
5. See note four.
6. They were developed in their current form by the 2003-2005 Pensions Commission, which said the aim should be for low earners to replace 80% and high earners 50% of their gross earnings in retirement. The merit of TRRs is that they set thresholds with reference to people's own income expectations and prior standard of living, helping to smooth personal spending across our lives. But they do not reflect people's different levels of need in retirement – including whether someone rents or owns their home, or lives alone or in a couple.
7. The standards were developed by Pensions UK and are based on the public's view on what goods and services they expect. Unlike the TRR approach, RLS is a household measure, so treats single people and couples differently. The main thresholds do not account for whether people rent or own their home as the majority retiring today do own their own home. The benchmarks are also only weakly related to earnings-related expectations. There is no link back to people's previous earnings. Instead, the moderate and comfortable thresholds are designed as a rough yardstick for people with middle and high lifetime earnings.
8. Broome M and Mulherin I, Perfectly adequate? Revisiting pensions adequacy 20 years after the Pensions Commission, People's Partnership and Resolution Foundation (October 2024), <https://www.resolutionfoundation.org/app/uploads/2024/10/Perfectly-Adequate.pdf>.
9. Based on the current tenure split during mid-life, we assume that 70% of future retirees are homeowners, 15% are social renters and 15% are private renters.
10. Family Resources Survey 2023/24.
11. L&G and Public First survey question: And still thinking when you are retired, which of the following do you expect to be your situation? Response: 'I will be living alone'.
12. Family Resources Survey, 2023/24 and 2003/04.
13. Survey question: Thinking about the home you would expect to have when you retire, which of the following is most likely? Response: 'Renting – privately' and 'Renting – council or housing association'.
14. Family Resources Survey, 2023/24 and 2003/04.
15. Projections in this section are for 25 to 54 year-olds without a DB pension, using our assumed tenure mix of 70% homeowners, 15% social renters and 15% private renters in retirement.
16. L&G and Public First survey question: Which best describes your own employee pension contributions? Response: I've opted to pay a higher contribution. Base: currently paying into a pension.

17. L&G and Public First survey question: Which of the following, if any, are reasons that you do not contribute more to your pension than you do at present? Select any which apply. Response: I trust the standard contribution rate to be sufficient. Base: Employees paying default contributions or lower.
18. L&G and Public First survey question: In the last 12 months have you done any of the following things, with any pension you hold? Please select all that apply. Response of 'none of the above' from a choice of: (1) Checked your pension balance. (2) Read your annual benefit statement. (3) Checked your forecast pension income. (4) Changed how much money you're contributing. (5) Changed how your money is invested. (6) Consolidated multiple pension pots into one. (7) Moved your money to a new pension provider. (8) None of the above.
19. L&G and Public First survey question: In the past have any of the following events led you to make changes to your pension arrangements. Pick all that apply. Response of 'none of the above' from a choice of: (1) Starting a new job. (2) Being enrolled into a pension by your employer. (3) Reaching a certain age – e.g. 30th, 50th birthday. (4) Experiencing financial difficulties or debt. (5) Health changes (your own or family). (6) Significant pay rise. (7) Receiving financial advice or education. (8) Seeing family or friends retire. (9) I don't know. (10) Becoming self-employed. (11) Buying a home or taking on a mortgage. (12) Birth / adoption of a child. (13) Death of a parent. (14) Getting married / civil partnered. (15) Starting to live with a partner. (16) Children leaving home. (17) Received an inheritance or large cash gift. (18) None of the above.
20. L&G and Public First survey question: At what age did you first pay into a pension? Responses: 35-44, 45-54, 55+.
21. L&G and Public First survey question: Which of the following, if any, are reasons that you do not contribute to a pension at present? Select any which apply. Response: I can't afford to reduce my take home pay.
22. See note four.
23. L&G and Public First survey question: Across all pensions you may have, estimate how much money in total you have in your pension(s). Response: Don't know.
24. See note 18.
25. L&G and Public First survey question: Where, if anywhere, have you previously looked for information or advice about pensions? Please select any that apply. Response: N/A - I have never looked for information or advice about pensions.
26. L&G and Public First survey question: In total, how many pensions do you have – including personal pensions and pensions from current and previous jobs?



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## Contact us

If you have questions on the research or would like to contact us about any of the points raised in the "From issue to action" sections, please contact us at [decadesahead@landg.com](mailto:decadesahead@landg.com).