



Legal & General Group Plc
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1.7 million workers in their fifties saving less for retirement due to pandemic

- Almost one in eight workers (12%) aged over 50 are saving less for retirement due to the financial pressure of Covid-19
- In August 2020, only 2% of workers aged over 50 expected to reduce their pension contributions
- A 50-year-old opting out of a workplace pension could be £50,000 worse off by the state pension age of 67 if they never opted back in and continued working full time throughout

New research from [Legal & General Retail Retirement](#) has found that 1.7 million workers aged over 50 are now saving less for their retirement as a direct result of Covid-19¹.

The retirement provider has tracked the effects of the pandemic on retirement for the last year, and found that in August 2020, hardly any (2%) of pre-retirees were actively planning to save less for their retirement². According to the latest findings however, almost one in eight (12%) are saving less a year on from the first national lockdown.

The most recent findings show that workers over 50 have decreased their pension savings by £142 a month on average, in response to the pressure the pandemic has placed on their finances. For many people in the UK who contribute into their employers DC pension scheme, reductions of this size equate to halting contributions entirely³, often with no idea on when they may be able to start making payments again.

Calculations from Legal & General show that workers in their fifties who have stopped saving into their pension in response to Covid-19 could be nearly £50,000 worse off at 67, and more than £65,000 worse off by the age of 70 if they fail to start saving again and continue working full time until their retirement.

The analysis shows the reality and the impact of freezing pension contributions in your fifties on the eventual retirement pot at ages 65, 67, 70 and 75 (table 1). Legal & General has also calculated the value of re-introducing pension contributions as soon as possible, evidencing the benefit of reinstating savings after 6 months, a year and 3 years (table 2).

Table 1 – Impact of opting out of pension contributions at the age of 50 for 6 months, 1 year, 3 years and the reality of never opting back in (£ figure represents total pension pot) (assumes the average UK wage of £30,566 a year, with an existing pension pot of £61,000)

Retirement age	Projected pension pot size with no freeze on pension payments	Total pension pot after opting-out of pension contributions over time			
		6 months	1 year	3 years	Never opt back in

65	£154,597	£153,006	£151,743	£146,098	£113,886
67	£173,562	£171,833	£170,461	£164,326	£123,772
70	£205,901	£203,942	£202,387	£195,436	£140,233
75	£271,991	£269,579	£267,664	£259,105	£172,676

Table 2 – Impact of opting out of pension contributions in your 50s for 6 months, 1 year and 3 years (£ figure represents amount lost) (assumes the average UK wage of £30,566 a year, with an existing pension pot of £61,000)

Retirement age	Projected pension pot size with no freeze on pension payments	Total loss of pension savings from opting out of pension contributions over time			
		6 months	1 year	3 years	Never opt back in
65	£154,597	£1,591	£2,853	£8,499	£40,710
67	£173,562	£1,729	£3,101	£9,236	£49,790
70	£205,901	£1,959	£3,513	£10,465	£65,668
75	£271,991	£2,412	£4,326	£12,886	£99,315

According to the analysis, a 50-year-old earning the average UK wage of £30,566 a year⁴, with an existing pension pot of £61,000⁵ would be £49,790 worse off by the state pension age of 67 if they never saved into their workplace pension again. By opting out of payments, they would be left with a pension pot nearly a third smaller at £123,772, compared to the £173,562 they would amass if they maintained their regular monthly contributions. This assumes that the individual continues to work full time up until their retirement age.

However, by re-instating pension contributions in 3 years' time, they would still be able to accumulate £164,326 by the time they are 67, which would be just £9,236 less. Opting back in sooner means the impact is limited further; paying back into the scheme within a year means a reduction of £3,101 and a break of just 6 months means being £1,729 worse off in retirement.

“As the pandemic has progressed, we have seen increasing rates of retirement inequality in the UK. While some older workers have seemingly benefitted from the lockdown, large numbers have had to make some really tough decisions around their finances. The last year has thrown millions of people’s retirement plans off course and we now have 1.7 million people effectively opting-out of pension saving as they struggle to make ends meet.

“We know that many pension pots in the UK will not provide the income people hope for in retirement, and for those in their fifties, taking a hiatus will have a big impact on their savings and ability to retire as planned. It is therefore important not to lose sight of the long-term benefits of saving into a pension to secure a comfortable retirement.

“Although current circumstances are proving challenging, we would urge those who have already saved something for retirement to maintain their contributions. Pausing them may be tempting, however people should explore every possible alternative before considering this. Prioritising enrolling back into the scheme as soon as possible, to limit the losses and take advantage of the tax breaks, is also advisable for anyone who has already stopped. For those who are just starting to think about planning for their retirement Legal & General has developed a free course with The Open University, called [Retirement Planning Made Easy.](#)”

Andrew Kail, CEO, Legal & General Retail Retirement

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

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¹Opinium Research ran a series of online interviews among a nationally representative panel of 2,009 over 50s from the 19th to the 23rd February 2021.

1.7 million people saving less for retirement: *On a representative survey of 2,009 UK adults aged 50 and over, 135 participants said they are saving less for retirement. $135 / 2009 * 25,197,069$ (UK population aged 50 and over) = 1.7 million.*

²Opinium Research ran a series of online interviews among a nationally representative panel of 2,004 over 50s from the 30th July to the 5th August 2020.

³Assumes 5% contribution of their salary each year into their DC pension, in line with the median private sector contribution. The median contribution was derived from the 2019 private sector employee contribution information outlined in a report from the [Office for National Statistics](#). The median was derived by finding the 50% point from the data list. The 50% point lies in the 4%-5% contribution band and therefore an average of 5% was used for this analysis

Median pension reduction of £142 a month equates to £1,704 a year. For the average 50 year old modelled, this is higher than the contributions that would have been made by this individual, meaning it is effectively a contribution holiday i.e. where no contributions are made for the given period.

⁴[Employee earnings in the UK: 2019, Office for National Statistics](#) - converted median weekly earnings for full-time employees (£585) to an annual salary of £30,566 by multiplying through by 52.25. This also assumes an average annual salary growth of 3.5%, as per [FCA data](#).

⁵[Retirement income market data 2018/19, FCA](#)

Calculations assume an investment return of 5% and an investment management charge on the individuals DC pension pot of 0.75%. This represents both the service charge and fund charge on their pension product. Calculations assume that individuals continue to work on a full-time basis until their retirement age.

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 international businesses in the US, Europe, Middle East and Asia. With almost £1.3 trillion in total assets under management*, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, 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 2020

About Legal & General Retail Retirement (LGRR)

Legal & General Retail Retirement's mission is to help its customers lead longer, healthier, happier lives. We believe everyone should be able to have a 'more colourful retirement'. The Division comprises the Group's retirement savings and income, later life lending and care solutions businesses. In 2020, LGRR wrote £910 million of annuity premiums and issued £791 million of lifetime and retirement interest only mortgages.

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