

‘Retirement Income Riddle’ impacting consumer health and wellbeing, Legal & General research reveals

- [New research](#) from Legal & General shows that there is a potential link between the choices consumers make about how they use their pension savings and their health and mental wellbeing in later life
- Analysis by Demos suggests that the lack of consumers taking advice and a tendency to take the path of least resistance is leaving retirees feeling much less satisfied in later life
- The FTSE 100 company held a roundtable event with leading industry figures to discuss the findings and how the industry can work together to ensure better retirement outcomes for consumers

Older people in the UK are facing a ‘Retirement Income Riddle’ that is leaving them more dissatisfied and depressed in retirement, new research by [Legal & General](#) and [Demos](#) has revealed. Analysis of the [English Longitudinal Study of Ageing \(ELSA\)](#) has found evidence of a link between health and wellbeing and the choices people make about how they use their pension savings. The results suggest that thousands are potentially choosing options or even defaulting into arrangements that are increasing their likelihood of feeling depressed in later life or unable to plan for the future.

In particular, the research found that the biggest impact was on Britain’s poorest 50% of retirees. Those on poor or modest incomes who had put their money into investments were twice as likely to have not enjoyed their life over the past week (19%) than those with a guaranteed income for life (9%).¹ These individuals were also more likely to say that they had felt ‘sad’ for much of the past week (22%), compared to retirees who knew exactly what income they would get month-to-month (15%).²

Since the 2015 pension reforms, just 187,000 people have taken out annuities, which provide a guaranteed income for life, compared to more than 436,000 drawdown customers.³ Further analysis by Demos shows that up to 50,000 people in the lower income bracket who either defaulted or made the choice to move their pension into investments may now be finding life more difficult as a result.⁴

The data also showed that annuities could play a positive role in helping those in the lower income bracket to plan ahead. Retirees who didn’t have a guaranteed income were more likely to feel that they couldn’t plan for the future (13%), compared to those who did (5%).⁵ Separately, more than third of retirees (38%) on poor or modest incomes who had put their pension savings into investments felt they couldn’t control their future.⁶

¹ Ibid, p.19

² Ibid, p.21

³ FCA Data Bulletin September 2018 Retrieved from <https://www.fca.org.uk/data/data-bulletin-issue-14>

⁴ Annuities Puzzle, Demos, p.24

⁵ Ibid, p.16

⁶ Ibid, p.17



Legal & General commissioned the report to raise awareness about the need for the industry to support consumers and help them to make more informed choices about their income in later life. This includes ensuring that customers get good advice and are aware of all the options for using their pension savings, before they decide about how to access their retirement income.

These findings follow recent consumer surveys by Legal & General, which also showed that annuities provided retirees with the security and guaranteed income that they placed as their top priority in later life.⁷ Despite this, the research found that annuities still remained a largely underutilised option for income in retirement. Consumers were often concerned about a lack of control over their savings, pointing towards a limited understanding of annuities.⁸ The figures reflect on recent data from the FCA's *Financial Lives* survey, which showed that only half (51%) of people accessing their Defined Contribution pension knew an annuity would provide a guaranteed income for life.⁹

“Retirement has entered a new age. Gone are the days of carriage clocks and gold-plated pensions. The idea of a one-size-fits-all retirement is an outdated concept and now, for the first time, people face a real choice in how they want to enjoy their pension savings.

“Our research with Demos shows that in the face of more choice, consumers need better guidance and support to understand how the financial decisions they make can affect their retirement journey. Pension Freedoms is still settling into the retirement landscape, but it is clear that thousands of consumers are potentially choosing or defaulting into options which could be damaging not just for their financial circumstances, but for their health and wellbeing too.

“This isn't just about drawdown or the positive role annuities can play. What really matters to us at Legal & General is that these consumers, particularly those on lower incomes, have the information, guidance and advice they need to make an informed choice about how they want to use their pension savings. As an industry, we have a duty of care to support customers when it comes to making decisions about income in later life, and we all clearly must do more to engage the public to guide them towards a better retirement.”

Emma Byron, Managing Director, Retail Retirement Income

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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.

⁷ Annuities Rebooted quantitative findings, p.13

⁸ Ibid, p.36

⁹ <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>

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. Depending how long they live for, the total income paid to the customer may be less than the amount used to buy the annuity.

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.

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