



## **BRIAN MELLOR** FINANCIAL SERVICES LTD

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# Financial support

## Pensioners financially 'reliant on others'

A small number of pensioners are relying on loved ones to help them financially during retirement, and those approaching retirement seem to be in an even worse situation. Yet equally worrying is that people are also far more likely to take financial advice about retirement from friends than from a professional, with more than a million pensioners[1] financially reliant on friends and family, and the next generation even more stretched, according to the latest research from LV=.

LV's annual State of Retirement report shows that one in ten pensioners (10%) are reliant to some degree on friends and family for financial assistance[2]. While this suggests the vast majority are able to remain financially independent in retirement, worryingly those due to retire within the next ten years are almost three times as likely to be in this situation (28%).

### **GETTING MORE FROM YOUR MONEY**

At the same time, there is a general trend for people to turn to their nearest and dearest for advice about their finances rather than professionals. Six in ten (60%) existing pensioners took financial advice from non-professional sources – such as friends and family – and three quarters (72%) of those approaching retirement plan to do the same. Only a quarter (25%) of over-

50s have taken, or plan to take, professional advice about their retirement, despite the fact that this could help them get more from their money.

Reforms to the pension system in recent years have increased choice and made it even more important that people are able to access this support. More than four in ten (45%) people approaching retirement say the reforms are too difficult to understand without professional help.

### **FINANCIAL ADVICE WORTH THE MONEY**

Those who do take regulated advice certainly see the value in it, as over the last two years the number of those approaching or at retirement who felt financial advice was 'worth the money' has nearly doubled[3].

The research outlines nine common 'states' – or typical financial situations – retirees fall into, including the one in ten who are 'Reliant on Others'. The remaining eight states are:

### **PROPERTY PENSIONERS (22% OF OVER-65S AND LIKELY TO INCREASE IN FUTURE)**

These retirees rely on some value from their property to help fund their retirement – primarily through downsizing, relocating or equity release – and, for some, this is their primary asset.

### **GREY-COLLAR WORKERS (8% OF OVER-65S AND LIKELY TO INCREASE IN FUTURE)**

This segment describes those who choose to carry on working after typical retirement age (65), either through choice or necessity. The good





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news is that for most, this is a choice, with the majority (87%) of those working at retirement age doing so because they want to.

#### OVERWHELMED (19% OF OVER-65S AND FUTURE CHANGE UNCLEAR)

This group relates to those confused by the number of options available to them, undoubtedly influenced by the range of choices opened up by the recent pension freedoms.

#### SECOND HOMEOWNERS (7% OF OVER-65S AND FUTURE CHANGE UNCLEAR)

These people have second properties, either as an investment or means of income, allowing them to be able to live comfortably in retirement.

#### FALLING SHORT (24% OF OVER-65S AND LIKELY TO INCREASE IN FUTURE)

These retirees worry that their savings and/or pension won't last their full retirement or allow them to have a comfortable lifestyle in their later years.

#### PENSION INVESTORS (9% OF OVER-65S AND LIKELY TO DECREASE IN FUTURE)

Having left work, this segment uses some of their new free time to make active decisions about their pension resources and reinvest to continue to grow their reserves.

#### STATE PENSIONERS (43% OF OVER-65S AND LIKELY TO DECREASE IN FUTURE)

This is the most common of the states of retirement, where the state pension provides the majority of retirement income, often supplemented by personal pensions. This segment is also the most likely to worry about having enough money in their retirement years or to look to other sources for income, such as part-time work.

#### DEFINED AND REFINED (24% OF OVER-65S AND LIKELY TO DECREASE IN FUTURE)

These people are retired on a healthy defined benefit pension, which provides a fixed income for life, allowing them to have a high standard of living in retirement.

#### THE NINE STATES OF RETIREMENT

FCA behavioural segmentation of UK consumers currently breaks down retirees into two groups – essentially the well-off (Retired with Resources) and those who are struggling (Retired on a Budget). This year, LV's State of Retirement research was used to expand on this work by broadening out these segments – an exercise aimed at delivering greater insight and understanding of the typical scenarios in which people in the UK find themselves when hitting retirement. ■

### PROFESSIONAL RETIREMENT PLANNING ADVICE

Given the increasing complexities we now have to face regarding pensions, and with the economic impact of leaving the European Union still unknown, there's never been a more important time to obtain professional advice about retirement planning. If you have any concerns or questions about your retirement plans, please contact us – we look forward to hearing from you.

[1] According to the Pensions Policy Institute, there are 12,312,000 people at retirement age or older. 10% of this is 1.2 million.

[2] Of all those retired, 10% relied regularly, from time to time or on rare occasions, for financial assistance from friends and family. This figure rose to 28% for those within ten years of retirement.

[3] In 2014, 12% of over 50s felt that advice was worth paying for. In 2016, this had risen to 20%, nearly twice that of two years ago.

#### Source data:

The State of Retirement research was conducted by Opinium Research from 10–14 March 2016 and 20–22 May 2016. The total sample size was 1,523 UK adults over 50. The research was conducted online, and results have been weighted to nationally representative criteria.

