

# People risk sleepwalking into retirement and running out of cash, report warns

by **Press Association**

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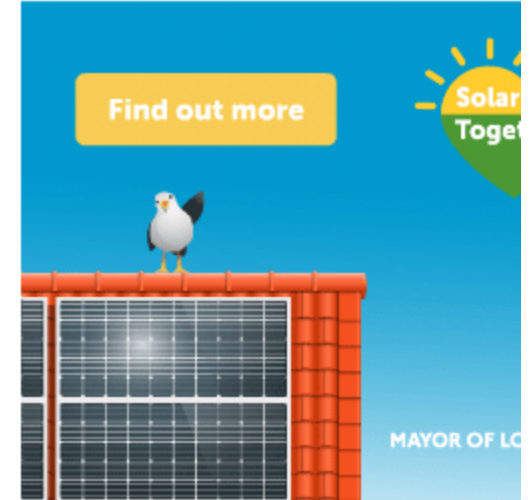
People are risking sleepwalking into retirement with savings which may not survive for as long as they do, a report warns (Gareth Fuller/PA)

Around three in four people risk outliving their savings in retirement, a report looking into the impact of the pension freedoms indicates.

The research found evidence that many people risk sleepwalking into retirement and potentially running their pension savings down completely.

The study examined retirement planning and spending habits following the introduction of pension freedoms in 2015, which give over-55s greater flexibility over how they can use their retirement pots.

The research, published by workplace pension provider The People's Pension and asset manager State Street Global Advisors, centred around interviews with savers who are approaching retirement or have finished their careers.



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The research indicates that around three in four people are spending their pension savings at a speed which could potentially leave some running out of money in their mid-80s, even though they may live for longer.

“ People would be dismayed to arrive at a car dealer's forecourt to buy a car, be presented with a selection of parts and told to a pick a selection and build their own vehicle, so why do we expect pension customers to do exactly this?

*Phil Brown, from B&CE, provider of The People's Pension*

Savers tend to under-estimate the financial risks of growing old and follow the path of least resistance – meaning they will not switch pension products once they have signed up – researchers found.

The report said: “Pension freedoms have reframed pensions from being an ‘income for life’ to ‘money for retirement’. Members now fundamentally see their DC (defined contribution) pots as just another form of savings.”

It said there is also an “ostrich effect” whereby people tend not to be inclined to contemplate their later years and think they will be OK if their savings run out.

Phil Brown, director of policy and external affairs at B&CE, the provider of The People's Pension said: “There is evidence that a significant number of people are sleepwalking into retirement and will have a worse quality of life in later years than could have been the case if they had been guided.

“People would be dismayed to arrive at a car dealer's forecourt to buy a car, be presented with a selection of parts and told to a pick a selection and build their own vehicle, so why do we expect pension customers to do exactly this?”



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Baroness Altmann said easy and good-value options for looking after pensions throughout retirement are lacking for the mass market (Jonathan Brady/PA)

Alistair Byrne, of State Street Global Advisors, said: "People struggle to see beyond the near-term future and cannot always access the type of advice and support they would like. As an industry we need to continue simplifying what we offer, providing guidance and support, and easy paths to follow."

The free Pension Wise service was set up to give over-50s guidance about how they can potentially use their pension pots.

Baroness Ros Altmann, a former pensions minister, said more "user-friendly" services, exciting products, and communication tools should be developed to help enthuse customers.

"Easy and good-value options for looking after pensions throughout retirement, including environmentally friendly options, are lacking for the mass market."

She added: "Pensions are the last money people should spend – they are often the most precious of all investments."

Helen Morrissey, pension specialist at Royal London, said: "The pension flexibilities have given people unprecedented freedom in how they use their pensions.

"However, this research shows there are key things people must understand – namely they could live longer than they expect and they need to do all they can to ensure their money lasts with them.

"While those taking financial advice are having these conversations, there are many others who aren't and we need to focus on how to help these people access the support they need to get the retirement they want."

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