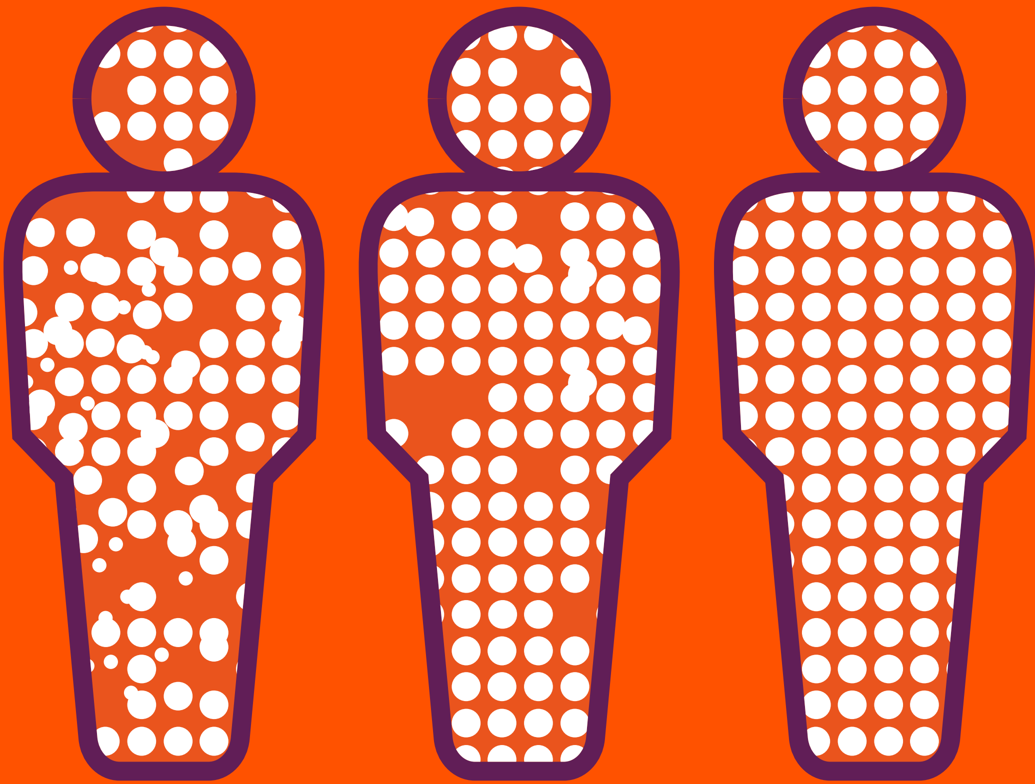
The 2023 Nucleus UK Retirement Confidence Index

Exploring the relationship between retirement confidence, planning and advice



"Retirement is something that most people only experience once, regulated advisers have the experience of previous clients as well as technical expertise to guide clients on their retirement journey."

Tom Ham, Director,
Calton Wealth Management

"Not only is retirement financially a huge change for someone, it's the emotional side that can be difficult to adjust to – loss of structure, purpose, routine and social side. Have they had enough – do they wish to retire? Have they got enough – financially? And do they have enough to do – hobbies/purpose in retirement?"

Nicola Ellis, Director,
Wellington Wealth

"The reality is that many people should be unconfident – this is because their plans may not be fully considered, and they may not have enough, nor be saving enough for a comfortable retirement."

Alistair Cunningham,
Financial Planning Director,
Wingate Financial Planning

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People are living longer and increasingly need higher levels of income in retirement.

Introduction

Welcome to this inaugural issue of the Nucleus UK Retirement Confidence Index.

In these uncertain times with widespread cost-of-living concerns, it's more important than ever for people to feel confident about their financial future. People are living longer and increasingly need higher levels of income in retirement.

The Pension and Lifetime Savings Association's 2023 Retirement Living Standards research found that the income needed for a 'basic' standard of living in retirement has increased by almost 20% from the previous year.

Fuelled by rising inflation:

- a single person now needs a minimum of £12,800 per year and a couple £19,900.
- a moderate lifestyle now costs £23,300 (£34,000 for a couple) and
- a comfortable retirement £37,300 (£54,500).[1]

There's a common tendency to underestimate life expectancy when thinking about retirement and ongoing income needs but reaching 100 is now a real possibility for many.

With life expectancy at age 65 currently a further 18.5 years for men and 21.0 years for women[2] it will be a daunting prospect for many.

There's a common tendency to underestimate life expectancy when thinking about retirement and ongoing income needs but reaching 100 is now a real possibility for many. A male/female couple aged 50 has a 10.4%/15.2% chance respectively of this milestone.[3]

The decline of defined benefit (DB) pensions, demographic challenges facing the UK, increases to State Pension ages, and modern career paths have all exacerbated the issue.

Awareness of the scale of this challenge and the resources to prepare for a financially secure retirement are good starting points. But reaching these goals takes planning, expert advice and appropriate investments.

1 Pensions and Lifetime Savings Association – Retirement Living Standards 2023, 12/1/23
2 Populationdata.org.uk – UK Life Expectancy 2023
3 Office for National Statistics – What are your chances of living to 100? – 14/01/16

By creating an objective measure, which we can track over time, we can see for the first time the real impact of a range of factors on how UK adults feel about their financial future in retirement.

Does this equate to retirement confidence?

Can consumers be genuinely, and rightly, confident in their financial future without either a plan or a financial adviser?

Interactive Investor's Great British Retirement Survey 2023 found that 89% of those who have taken financial advice reported feeling at least some increase in confidence, with 33% feeling much more confident.[4]

Research by Vanguard placed a basis points value on the specific financial plans, detailing how different advice paths can benefit clients.[5] This is highly encouraging, making it easier to explain some of the positive effects of regulated advice.

Confidence is a feeling and so difficult to quantify, but that's exactly what we've set out to do here. By creating an objective measure, which we can track over time, we can see for the first time the real impact of a range of factors on how UK adults feel about their financial future in retirement.

From there we – as an industry – can then use this data as a baseline to effect positive change.

At Nucleus our purpose is to help make retirement more rewarding. We're now calling on advisers, our fellow platforms and providers, and the regulators, to join us in this aim. By taking the actions we set out at the end of this report we can all help to increase retirement confidence, creating the potential to improve the overall wellbeing and quality of life of all future retirees.

This is imperative, given the responsibilities we all carry under Consumer Duty, to promote good consumer outcomes and avoid foreseeable harms.

Regulated financial advice is central to these ends but, as we'll see, there are many other factors at play and which we collectively need to address.

We'll run the research again next year to see what's changed and whether our predictions about the direction of travel have held up. Some themes we saw this year warrant further exploration and there are areas we can develop to enhance our understanding of some of the nuances around retirement confidence.

I hope you find the report informative, thought provoking and motivating.

Richard Rowney,
Chief Executive Officer

4 Interactive Investor – The Great British Retirement Survey 2023, 19/10/23
5 Vanguard – Assessing the value of advice for investors, 28/10/22

The UK Retirement Confidence Index

This new annual index is the first of its kind.

It will track UK retirement confidence over time and act as a basis for, and measure of, the success of collaborative change across the industry.

The Nucleus UK Retirement Confidence Index scores are based on responses to the central question: **"How confident are you that you'll have enough money to live comfortably for the rest of your life?".**

The index score is a number out of 10, where 0 is not at all confident and 10 is totally confident.

Retirement confidence is complex with many influencing factors, both positive and negative. As we move through the report, we'll delve into these for a truly granular picture of consumer sentiment.

The primary considerations are whether respondents have taken advice and/or accessed their pension savings. But we'll also examine the role played by other factors such as gender, pension type and financial position.

The inaugural Nucleus UK Retirement Confidence Index score is **6.9** with a negative outlook. This outlook is based on the continuing decline of DB provision and inadequate defined contribution (DC) pots, combined with persisting cost of living worries and low expectations around investment returns.

This research is designed to achieve that granular view, giving a sense of the **why** as well as the **what** around retirement confidence.

About our research

Decisions around retirement are some of the most important we have to make during our whole lives. If we, as an industry, are to better support consumers in achieving good outcomes we need a much better understanding of how they feel.

This research is designed to achieve that granular view, giving a sense of the why as well as the what around retirement confidence. We'll explore why people have, or haven't taken advice, looking at feelings, concerns and practicalities.

Consumer research

Our research was carried out online by YouGov between 10 and 16 August 2023. The sample consisted of 2,208 UK adults aged 50 and over and who have pension pots or pension entitlements other than the State Pension.

The questionnaire covered a range of factors which play varying roles in driving retirement confidence up or down.

These include:

- type(s) of pension saved into,
- whether respondents have accessed their pension(s),
- whether they've taken advice,
- whether they've a plan for retirement
- other assets available
- age
- gender
- employment status.

Adviser research

The lang cat is an insight, research and communications agency, specialising in financial services. They questioned advice professionals drawn from both their own adviser panel and the Nucleus Advisory Board.

The lang cat's panel consists of more than 1,300 advice professionals representing a cross-section of firms and role types. The Nucleus Advisory Board plays a crucial role in planning and decision making across the business.

Questions were structured around some key data findings to capture reactions, opinions and insight.

Our findings

Before we get into the detail of retirement confidence and the role advice may play in that, let's get to know our sample of UK adults aged 50 and above.

Gender identification

Male
58%

confidence score
7.2

Female
42%

confidence score
6.5

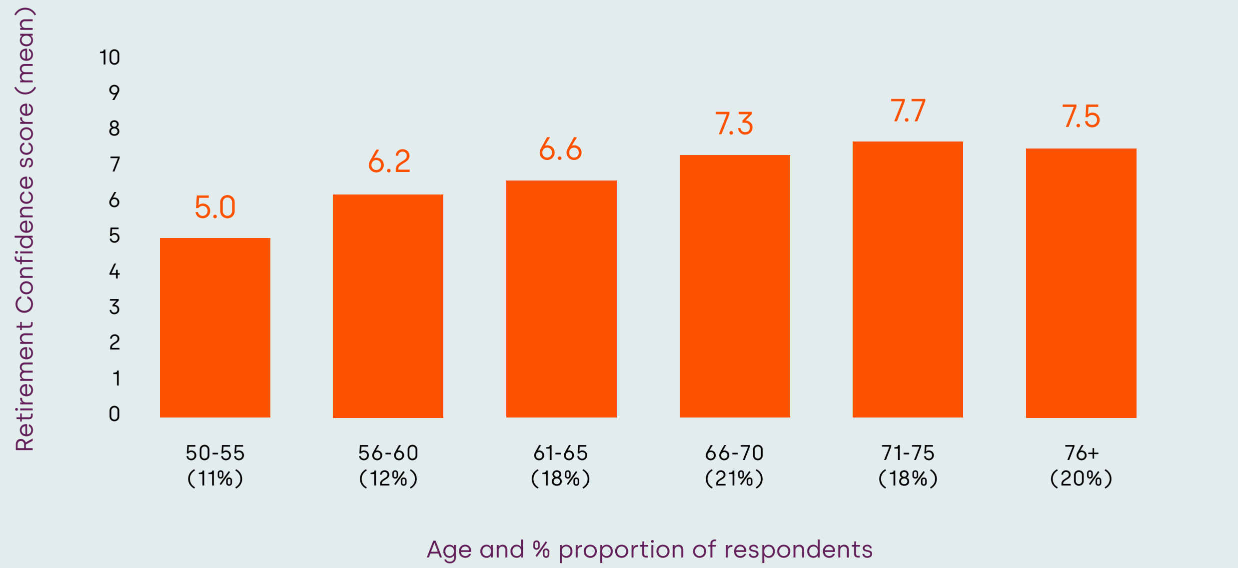
We found evidence of a clear gender gap across this research. Men are generally more confident in their prospects for a comfortable retirement than women, as well as in behaviours related to investing including taking risk, identifying investment opportunities and emotional resilience.

More men than women have a pension of any kind. They're also more likely to know the nature of their pension arrangements. Auto-enrolment may help to balance out pension take-up over time, but contribution levels, awareness and understanding present a greater challenge.

When asked what three words our respondents associate with retirement confidence, the top answers were:

security (51%) **knowledge** (37%) and **trust** (30%).

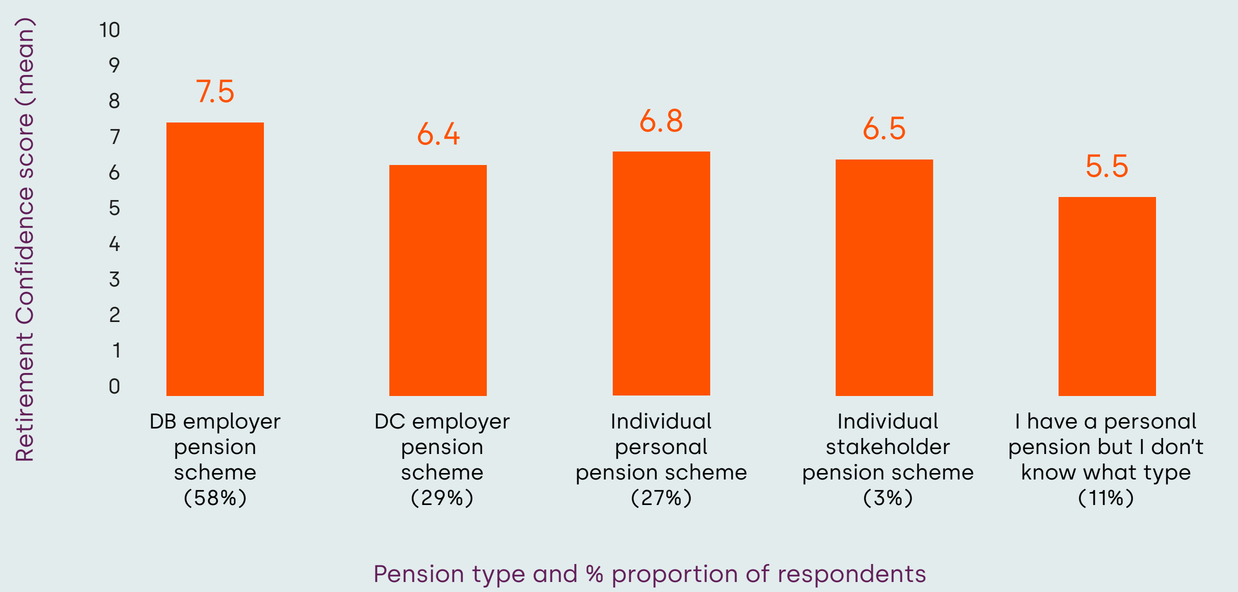
Retirement confidence broadly increases with age



Employment: where respondents work full time (19%), part time (12%) or are retired (64%), retirement confidence increases steeply as the number of hours worked reduces from full time (5.4) to part time (6.6) and then retired (7.5).

Household wealth: peak retirement confidence is £35k to £99,999 in cash savings, investable assets, pension pots or entitlements (excluding State Pension) (7.4). Lowest is for those with less than £25k (6.1).

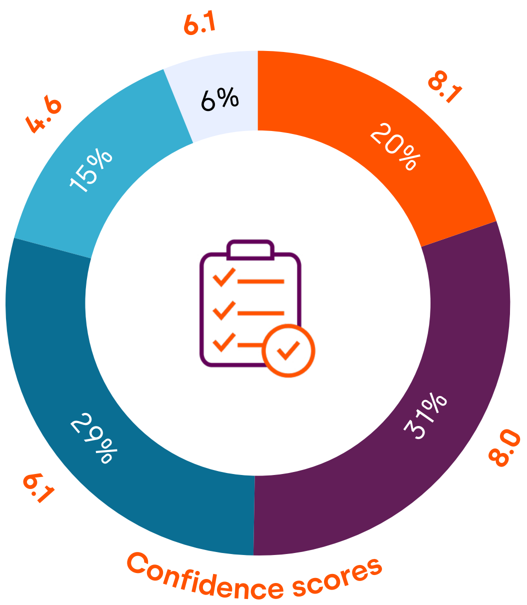
UK adults with a DB pension are most confident



Type of pension: the majority (58%) have a DB scheme, while 29% have a workplace DC scheme. A further 27% have an individual personal pension, 3% an individual stakeholder and a further 11% have a personal pension but don't know which type. Not surprisingly those with a DB scheme are more confident (7.5) than those with DC provision (6.6 on average). Those unclear on the nature on their DC plan have the lowest confidence index score at 5.5.

Of the 58% with a DB scheme, 16% also have a DC scheme and 18% have an individual personal pension. These figures are broadly consistent across men and women: 16% of men and 15% of women with a DB scheme also have a DC scheme, while 18% of each group have an individual personal pension.

Do you have a detailed plan for retirement?



- Yes, I have a detailed written plan
- Yes, I have a detailed plan, but it's not written down
- Yes, I have a vague idea
- No, I have no idea/ not thought about it
- Don't know

Planning: just over half of respondents (51%) have a detailed plan for retirement. Only 20% have their plan in writing, but this doesn't seem to affect confidence (8.1 vs 8.0). A further 29% have a vague idea and score lower, at 6.1.

Retirement goals: the top three retirement goals are financial security (65%), spending more time with family and friends (50%) and travelling abroad (39%), with leaving an inheritance also important (26%). Overall confidence in achieving these goals is high (7.2) although men (7.4) are slightly more confident than women (7.0). Having a plan clearly makes a difference here (8.3 vs 5.2 for those with no plan in place).

Confidence in having enough money to live comfortably in retirement: overall 66% of respondents are confident they will have enough money to live comfortably for the rest of their life, of which 16% stated they are totally confident. Only 5% are not at all confident. Higher levels of confidence are largely attributed to an absence of debt.

Drivers of higher and lower confidence: cost of living (80%) and inflation concerns (63%) are the two main drivers of low confidence. Those with a detailed plan are much more confident of a comfortable retirement, whether written (85%) or not (84%) compared to those who have not yet thought about it (32%). Half of our sample feel that the cost-of-living crisis has either slightly or significantly worsened their confidence in a comfortable retirement, although 45% state that it has made no difference.

The questions in our research were multiple choice but some had the option for long-form answers. These were illuminating and we share a selection throughout the report.

Those who are confident they'll have enough money to live on in retirement...

Many of those who are confident in their future financial comfort are already retired and some have been retired for a number of years. There were comments around knowing their income and expenses and being comfortable with that balance.

Specific mentions of DB pensions were made, with some people commenting that they had income from more than one DB arrangement. There were also a few references to index-linked pensions and the assurance that increasing income brings. Property also cropped up, either with potential for downscaling or equity release or ongoing income from rental property.

Some respondents mentioned other investments beyond pensions and property to fall back on if needed. While some of these are mainstream others are more esoteric and nothing a regulated financial adviser would recommend. Some anticipate (or hope for) an inheritance to help with future retirement costs while others plan to continue work in some form or simply budget as needed to suit their means.

What people said...

"I'm already retired so know what my income is."

"I get regular income from solar panels."

"Lots of crypto."

"I already have two defined benefit plans which are paying me monthly."

"Already experiencing a comfortable retirement."

"I am already retired and my annuity will provide a secure, index-linked income for the rest of my life."

"I have our over-large house, which we would sell to buy a 'right size' property, or do equity release."

"I am hoping to inherit money to use when my own runs out."

… and those who aren't confident about having a financially comfortable retirement

There were significantly fewer comments here compared to those who are confident of living a financially comfortable retirement. Concerns are mainly around possible care costs in later life, but it is clear that the current cost of living, and what the future might hold in this respect, is a real issue too.

What people said…

Care costs in old age.

Although I've paid into a pension all my life, it will currently give me £4,500 a year to live on. I will likely starve.

I am already squeezed.

Advice and access intersect to form our four main groups

Throughout this report we'll drill down deeper into the research, for a truly granular view of what retirement confidence means and the many factors that can influence it. Our anchor for this analysis consists of two primary questions: whether respondents have taken financial advice and whether they have accessed their pension funds already.

For the purposes of our research we used the following wording:

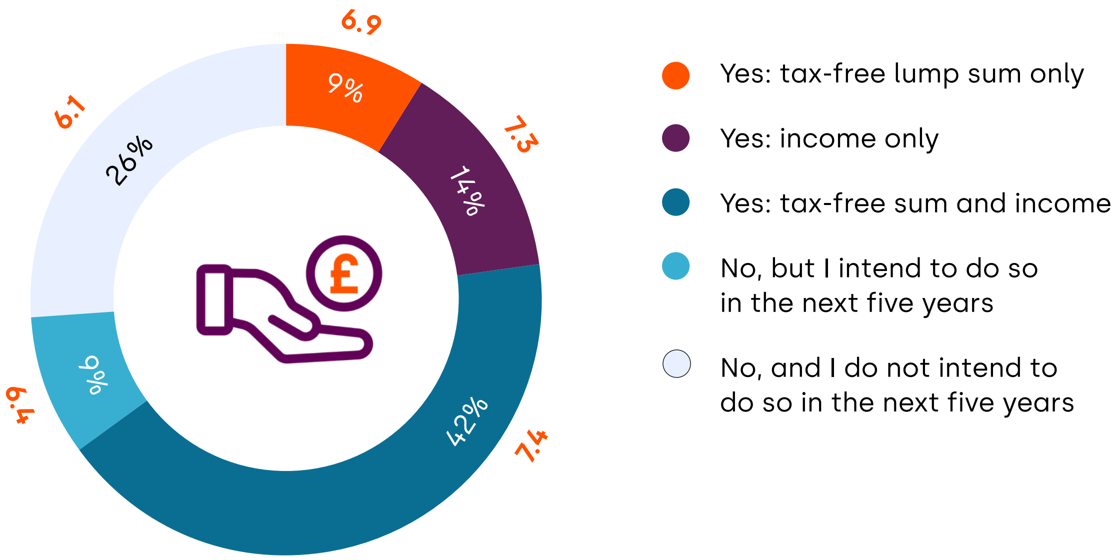
"Professional financial advice from a financial adviser about your retirement income needs."

"Taking anything from your defined benefit pension, other workplace pension or a private pension/SIPP, either as a tax-free cash lump sum or as a regular income."

There is an even split between those who have taken advice and those who haven't.

Though confidence is slightly higher for advised consumers at 7.0, compared to 6.8, this is a less marked difference than anticipated, and we'll look at possible explanations as we move through the analysis. We'll also see that there's a good deal below the surface, and that high levels of confidence aren't always beneficial.

Withdrawn from pension?

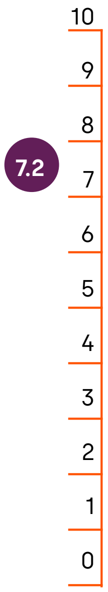


How the two measures interact:

	Received advice	Haven't received advice
Accessed pension funds	(32%) 7.2	(33%) 7.3
Not accessed pension funds	(18%) 6.6	(17%) 5.7

We'll explore some of the other elements at play to see how they interact with these primary factors. In doing so we'll gain a clearer sense of where we, as an industry, need to focus our attention to help consumers achieve the informed confidence required to secure a financially comfortable retirement.

Respondents who have spoken with an adviser and have already accessed pension funds are the second most confident group.



Financial advice and accessed pension funds

Respondents who have spoken with an adviser and have already accessed pension funds are the **second most confident group** with a mean Retirement Confidence Index score of **7.2**.

Confidence levels broadly increase with age, however there's no significant difference between those have and haven't yet accessed their pension funds.

Household wealth also tends to contribute to retirement confidence. Those who have accessed funds are more confident at all wealth levels, though this difference is least pronounced at the lowest level of wealth (£24,999 or less). It's most pronounced at £50,000 to £99,999 where retirement confidence peaks.

This group has a high level of confidence in the financial advice they'd received (8.0) and believe they're well positioned to achieve their retirement goals (7.5).

When asked about their reasons for seeking professional financial advice about their retirement income needs, there were strong links to employment.

Examples included financial training and pre-retirement events being offered by their employer or as part of the redundancy process. Or they were related to either changes in a workplace pension scheme or a potential transfer out of one. Quite a few respondents had either worked in financial advice themselves or had connections through their partner, friends or family.

Very few appear to have sought professional advice for personal reasons but there were a couple of comments about protecting their spouse. Most concerning are mentions of being approached or being offered free financial advice, although we don't have any context around these instances.

On the other hand, it's encouraging to see a few mentions of government advice. Again, we don't have the details but can assume this refers to Pension Wise, which is guidance rather than advice.

What people said...

"Provided by my employer."

"Wanted to make sure we had all the options and push my husband into thinking about it."

"I am an adviser and I took my own advice."

"A friend is an IFA."

"I was considering transferring out of my defined benefit scheme."

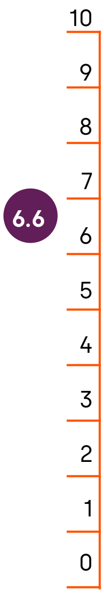
"I saw an advert for free government consultation."

"I wanted to make sure that I had all the facts."

"I was contacted and offered a free consultation."

"It seemed like a good idea at the time."

Retirement confidence is generally lower in UK adults who have accessed advice but not their pension savings.



Financial advice and not accessed pension funds

Retirement confidence is generally lower in UK adults who have accessed advice but not their pension savings. At **6.6,** this group ranks **third out of our four groups.** The gap between male and female confidence levels is slightly smaller than for the two non-advised groups.

While we have seen that accessing funds is aligned with higher confidence scores the question is what drives this. Are people accessing their pensions, or not, as a result of their confidence levels? Or, might the act itself make people feel more confident? We explore this issue in more depth a little further on.

Confidence in the financial advice received is slightly lower here at 7.7. That's reasonable given consumers haven't yet experienced the tangible benefits of that advice but do have the confidence and reassurance that come with professional support.

We also found a lower, but still strong, level of confidence in achieving retirement goals at 7.0. Similarly, these remain in the future and are yet to be realised by consumers.

It's worth noting at this point that receiving financial advice may result in clients **not** taking money from a pension. Several of our advice professionals pointed out that a pension should, for some, be the last asset used to fund retirement.

When it came to reasons for not seeking professional advice before accessing retirement funds, we also saw strong connections to workplace schemes.

Various DB schemes were mentioned (Teachers', NHS, Civil Service etc.) and there were more general comments around benefits being fixed in advance and/or which couldn't be improved upon, therefore negating the need for advice.

There is a definite sense of employees trusting their employers with their pension arrangements. Apathy is a less positive but quite prevalent theme. 'Not yet' was a common response and there seems to be a misconception that financial advice only relates to the act of taking benefits at retirement, rather than planning to achieve set goals at that point.

A few people have only just started putting money into a pension or have so little put by, they don't think advice would be worthwhile. Others are confident in their own knowledge and capabilities, or of those close to them. A lack of awareness about advice is evident in comments around respondents not knowing whether they needed advice or where to start in finding a financial adviser. Affordability is also a very real barrier.

What people said...

"Not certain what improvements could be made to enhance my pension."

"Costs seem to outweigh the benefits."

"Just haven't thought about it yet."

"I intend to, nearer to retirement."

"Don't feel I'm ready for advice until I am ready to draw from my pension, as things change."

"What I will receive is already determined and I can't change it."

"Prefer to do my own research and make investment decisions myself."

Only recently been able to start putting money away towards a pension adviser.

"I have no need as my husband is an economist."

"I trusted my employer."

"I am highly numerate."

"More than one friend has had bad advice from a financial adviser and lost thousands."

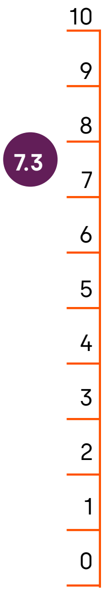
"No reason. I just didn't. Partly on the assumption that I would have enough for my needs."

"Too small a sum to be worth it."

"Didn't know I could seek advice. Had no advice from my employer."

"Wasn't sure how to find [a financial adviser]."

UK adults who have accessed their pension funds but not financial advice are the most confident.



No financial advice and accessed pension funds

This is the **most confident of our four groups**. People who have accessed their pension fund report higher levels of retirement confidence than those who haven't, regardless of whether they have taken advice (this group scored **7.3**, compared to 7.2 for advised).

There are several possible explanations for this curious finding. It may be that individuals put a good amount of time and effort into their decision to access funds and feel informed, engaged and confident as a result. They may have locked in a great annuity rate. They may be accessing retirement savings **because** they're confident to do so, rather than it being a consequence. This was identified as a common occurrence by our advice professionals. As was the very real likelihood that, in many cases, this confidence may be misplaced.

Wealthier non-advised clients tend to feel confident, which may have more to do with a general sense of ease about money and not worrying about debt.

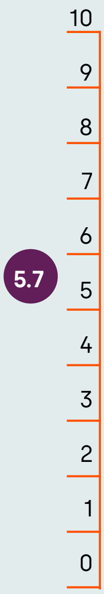
Retirement confidence is strongest among those with household wealth of £35,000 to £99,999 who have accessed their funds (around 8.0). The positive link between confidence and accessing money is most pronounced where there's household wealth of £25,000 to £49,999 (6.3 compared to 5.3 for non-advised and not accessed funds).

Here too confidence increases with age. With each of the four groups it's ages 66-70 where we see high levels of confidence emerge i.e., scores of 7.0 and above. The most notable increase in confidence where funds have been accessed is in the 56-65 age group.

Both non-advised men and women are more confident about retirement where they have accessed their money, although this effect is more pronounced among men. Mean Retirement Confidence Index score increases from 5.8 to 7.7 where men have accessed funds, compared to an increase from 5.5 to 6.8 for women.

There is a very high level of confidence (8.5) among this group in their decision to not take financial advice. It also has the highest level of confidence in achieving retirement goals at 7.6. This could be connected to frequent mentions of DB scheme pensions or simply that, having accessed retirement money, they have a clear view of future income. We take a closer look at this further in the report.

UK adults who have neither accessed their pension funds nor taken financial advice display the lowest level of retirement confidence.



No financial advice and not accessed pension funds

UK adults who have neither accessed their pension funds nor taken financial advice display the **lowest level of retirement confidence** at **5.7**. Some 10% of this group are not at all confident that they'll have enough for a comfortable retirement.

This group has the narrowest gender gap (5.8 for men and 5.5 for women) largely due to lower levels of confidence among men.

Confidence in the decision to not take financial advice is noticeably lower at 7.0, although this is still high on our scale. The picture is gloomier around confidence in achieving retirement goals however, with a score of just 6.1.

Possible reasons for this include not having a clear picture of the future through not having engaged with retirement planning, or believing that they can't afford to access funds.

Core retirement planning behaviours and attitudes

We asked our representative sample of UK adults to score themselves out of ten on a series of behaviours and attitudes which can play an important part in retirement planning.

Acceptable level of investment risk	**Received advice**	**Haven't received advice**
Accessed pension funds	3.4	2.6
Not accessed pension funds	3.9	3.1

The overall tendency across the sample is to take a very low level of risk when investing for retirement. This is reflected in a mean score of 3.2 out of 10. While there is a slightly higher risk appetite where respondents have taken advice, it is only 3.6, compared to 2.8 for non-advised. Those who have taken advice and accessed their pension funds fall in between at 3.4.

However, those who have received financial advice but not yet accessed their pension fund show the highest mean risk appetite at 3.9. One suggestion for this is an understanding of the long-term nature of investing, which would have been explained as part of the process.

While those who have accessed their pension funds without advice have the highest Retirement Confidence Index score overall, they score lowest on this measure with a mean of just 2.6.

One possible explanation is that this may reflect a lack of comfort, or even familiarity, with investing. Accessing funds does not need to mean spending, they could equally move to cash which could feel like a safer option in the current investment and interest rate climate.

It's reasonable to assume that those who have neither accessed funds nor taken financial advice, have generally low levels of financial engagement, and this is reflected in their score of 3.1.

There's strength in acknowledging what you can't do. However, the key is in then seeking out a professional who can advise you, work with you and give you confidence in securing your desired outcome.

Identifying long-term investment opportunities	Received advice	Haven't received advice
Accessed pension funds	4.1	4.2
Not accessed pension funds	4.1	3.8

Scores favoured the lower end of the 0–10 scale but a clump at the mid-point (19% opted for 5 out of 10) brought the mean up to 4.1 for both the advised and non-advised respondents. As we found across the research, men are more confident in their ability to spot long-term opportunities (4.5) than women (3.6).

The greatest difference is between those who have neither accessed their funds nor received advice and the rest of the groups.

It's worth noting that not being confident in one's own abilities to identify investment opportunities doesn't necessarily equate to a lack of understanding or engagement. As one of our adviser respondents commented, the reality is that a lot of people should be unconfident and this applies across the board.

There's strength in acknowledging what you can't do. However, the key is in then seeking out a professional who can advise you, work with you and give you confidence in securing your desired outcome.

Emotional resilience if personal/ retirement plans went badly wrong	Received advice	Haven't received advice
Accessed pension funds	5.1	5.5
Not accessed pension funds	5.0	4.9

This less overtly financial question elicited slightly higher scores with an overall mean of 5.2. Those who haven't received financial advice have a higher mean (5.4) than those who have (5.1).

The standout score here is 5.5 for those who have accessed their funds but not taken advice. While we can't know the exact reasons, there are several possibilities which our sample of advisers and paraplanners raised.

Those who have accessed pension funds may well feel in a better position to deal with whatever may come in the future as they now have that income or lump sum to spend – it's real. Those yet to access their funds, whether advised or not, may experience a change in circumstances before they take their benefits – nothing is certain or material yet.

Those who have taken retirement income, and are satisfied with the outcome, will naturally feel more positively about their capability when it comes to other important life decisions.

Confidence in making important life decisions	Received advice	Haven't received advice
Accessed pension funds	7.1	7.3
Not accessed pension funds	6.8	6.5

Another non-financial question secured the highest confidence scores with an overall mean of 7.0 and very little difference between gender (7.1 for men versus 6.9 for women) or advice (7.0 for those who have taken financial advice and 7.1 for those who haven't).

Accessing pension funds appears to play an important role here driving up scores whether or not respondents have received financial advice. There are a few factors to consider here.

First that taking retirement income is one of the biggest decisions (financial and otherwise) we'll make in our lives. Those who have done so, and are satisfied with the outcome, will naturally feel more positively about their capability when it comes to other important life decisions.

Secondly, we saw a lot of references to DB schemes in the verbatim comments given by respondents. We know therefore, that some people are receiving income from one or more DB schemes. In some cases, without having taken advice. These people will have good reason to feel comfortable with their decisions – even if they didn't really have much of a decision to make, with options largely limited to income specifics and the balance between that and a tax-free lump sum.

Finally, the question of causality between taking benefits and feeling confident. Several of our advisers commented that those who feel confident would be more likely to access their money – whether or not this is a good idea. While other, less confident investors may be well placed to take retirement benefits but lack the awareness and confidence to do so.

Another reminded us of the power of confirmation bias and how, even if the outcomes of your decisions aren't what you'd hoped for, it can be extremely difficult to admit that, even to yourself.

Planning matters

Perhaps the most surprising finding of the research is the importance of having a plan in any form. Having a detailed plan in place connects to higher retirement confidence scores but whether the plan is in writing or makes no real difference (8.1 vs 8.0).

Where respondents have a plan but have not spoken with an adviser, confidence levels are higher than those who have sought advice (8.5 vs 8.0 for a written plan and 8.2 vs 7.8 for not). This speaks of people having a good deal of faith in their own planning. We didn't ask whether they had received information, guidance or support from other sources, and this is something to consider for future waves of this research.

The lang cat's 2023 Advice Gap research found that only 11% of British adults (aged 18+) have paid for financial advice in the last two years. The main sources of information for those unwilling to pay for financial advice are friends or family and their own research on product provider websites, with some consulting the personal finance sections of newspapers and specialist money publications.[6]

Confidence in this group of respondents also tends to be higher where retirees have accessed their funds, with an income aligned with confidence more than tax-free cash only.

We asked the lang cat to speak with a range of financial advice professionals about retirement confidence and their views on some of our findings.

You can find the results, shared by the lang cat itself, over the next few pages.

6 The lang cat – UK Advice Gap 2023, 11/05/20233

What do advisers think?

We've seen lots of interesting research findings about how confident consumers are about being able to live comfortably in retirement. Here and there are references to what advice professionals think, but this is where we can really explore that. And the cross section of financial advisers, financial planners and paraplanners who very kindly shared their time and expertise with us had plenty to say. There were some strong themes, and other topics where we heard very different opinions. These are some of the highlights.

Retirement confidence is unlikely to improve anytime soon

The consensus view agrees with the negative outlook for retirement confidence, but with a broad range of reasons. These include:

- The current financial climate with concerns around the cost of living and interest rates.
- Uncertainty stemming from investment market movement and legislative changes.
- Less security and more responsibility as DB pensions fade into history and the State Pension triple lock is (very likely) eventually scrapped.
- There's huge potential for those who have already retired getting caught out by things they hadn't accounted for, such as unexpected taxation caused by accessing pension money without a full understanding of the consequences.
- Confusion around the proliferation of pension pots and what to do with them.
- Comparing their parents' experience and becoming disillusioned that what they are investing, e.g., through auto-enrolment, will never meet their expectations.

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"The sad truth is that the vast majority of people can't afford financial advice and can only resort to publicly available information or guided/automated services to formulate some form of a plan."

Aleksandra Sasin, Founder and Chartered Financial Planner, Navigatus

Those with a more positive outlook cite Consumer Duty boosting understanding and trust in pensions and retirement planning more generally, the prospect of rules to try and protect people from running out of money, and, over the longer-term, a greater realisation of the need to put money aside.

"I think the next few years will see more rules put in place to try and protect clients from running out of money and personally I would say that is a good thing."

Nathan Fryer, Paraplanner, Plan Works

You don't know what you don't know

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If we had to summarise what our advice professionals had to say in one line, this would be it. We could fill a whole other report with all the ways in which retirement income planning can go wrong if you don't know exactly what you're doing.

These include:

- running out of money
- having ample money but not accessing it in the best order for inheritance tax planning
- incurring additional and avoidable tax bills
- overestimating returns and underestimating life expectancy
- not taking account of inflation or possible care costs

and so on and so on.

While there's no end of information available, most of it is either best ignored or is presented without necessary context. And some information isn't easily accessible to the general public.

"In 15 years I've met only a handful of clients whose plans stand up to scrutiny... The culmination of over egging returns and underestimating life expectancy can be catastrophic."

Tom Ham, Director, Calton Wealth Management

"We run so many staff engagement pension sessions where [people] are turning up with brilliant questions BECAUSE of the research they have undertaken!"

Roy Mcloughlin, Director – Strategic Partners, Cavendish Ware

"The client is the key to information about goals, needs, preferences but the planner can add the more technical elements that can help a plan to be realistic and sustainable."

Kat Mock, Director and Paraplanner, Unity Financial Planning

Retirement confidence and accessing funds are interdependent

Our advisers have their own views and theories about whether confidence or accessing retirement money comes first. Some agree that those more confident around retirement are likely to access their money in the first place. For others, that confidence comes from the act of accessing funds; having done it once they feel capable of doing so again.

Not accessing money can mean a sense of detachment. Money in the hand (or bank) is tangible, accessible, secure and real. They have at least a belief that it will last through retirement, if not actual assurance. DB plays a major role here and we know that over half of our respondents have at least one DB pension. It's easy to be confident with a few of them tucked away for a rainy day.

Is this confidence valid? In the case of the DB cohort, quite possibly, but then there are all those things they may not have thought about.

It's perfectly likely that respondents may be satisfied with their decision to access funds. Though that may change over the longer-term as various cats come home to roost. Or leave dead stuff on the front step.

Annuity rates are better than they have been in years, but our advisers are sceptical that most consumers are researching the market thoroughly enough and asking the right questions around enhanced annuities.

Whatever the case there is general agreement that it's extremely difficult to admit to having made such a far-reaching mistake; confirmation bias is very real.

"Is confidence born of genuine financial stability, or might it stem from an 'unconscious incompetence'? I regularly see inherently unconfident people ('worriers') who have 2x or 3x what might be prudent to retire on."

Alistair Cunningham, Financial Planning Director, Wingate Financial Planning

"By making your own plans you have no challenge or accountability partner."

Nicola Ellis, Director, Wellington Wealth

Not accessing funds is often a positive outcome of planning. Respondents may have been advised to access other, non-pension assets, or found they don't need as much income as they first thought.

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Professional advice can make a difference in unexpected ways

Financial advice appears to have more effect on retirement confidence where respondents haven't accessed pension savings.

More informed, less fearful, clear expectations are all recurring messages. The advisers and planners we spoke with didn't claim advice would mean everyone had a luxuriant retirement. What we heard was much more about emotional wellbeing: having a clear sense of where they were, where they were going and where they could get to.

Clients have a clear plan, a known path and reassurance. There's a sense of that critical friend who points out the flaws in your great idea and then helps you find a way around them.

Working with a professional means engaging with your financial present and future, actively thinking, prioritising and making choices. The resulting structure and clarity help to make what can be far off seem more real, which can also drive confidence.

Not accessing funds is often a positive outcome of planning. Respondents may have been advised to access other, non-pension assets, or found they don't need as much income as they first thought.

"Any time I'm being helped by a professional I feel more confident, whether that's fitting a carpet or understanding my pension."

Benjamin Fabi, Chartered Financial Planner, Principled Paraplanning

"Taking advice results in certainty and confidence. Even if the news isn't good, at least it provides clarity."

Peter Chadborn, Adviser, Plan Money

And with that, we'll hand to you back to Nucleus to consider where that leaves us, where we should be headed and how we might get there.

Conclusions

We know not everyone reading this report will be a financial professional. If you're a **real** person, then thanks for taking the time, we hope you found it interesting.

May we ask that if you can, please think seriously about regulated financial advice? Most advisers will offer an initial meeting at no charge to help you decide whether it's something you want to explore.

The government's free guidance service, MoneyHelper, includes a Retirement Adviser Directory, where you can find a regulated financial adviser near you.

MoneyHelper has lots of impartial information about pensions and retirement, if you can't afford regulated advice or just want to find out more before making a decision. You can also book a free guidance appointment about your pension options.

The phrase you don't know what you don't know cropped up time and again with our advisers and planners, and it's an essential truth.

This first wave of our UK Retirement Confidence Index gives us a good sense of how UK adults aged 50 and above feel about their prospects for a comfortable retirement.

The positive connection between confidence and accessing money, regardless of advice is a point of concern. Even where DB is at play, are people securing the best possible outcomes for their circumstances? There's much more to retirement than just pension income.

We asked our UK adults what three words they most associated with retirement confidence and the answers were:

- security,
- knowledge and
- trust.

These qualities radiate from professional, regulated financial advice and planning.

A key function of regulated advice is helping clients to avoid what professionals view as foreseeable harms but are unlikely to be on a client's radar. The phrase you don't know what you don't know cropped up time and again with our advisers and planners, and it's an essential truth.

The long tail of DB pensions coming to maturity is bolstering UK retirement confidence. This is clearly not sustainable, and we predict the UK Retirement Confidence Index will fall over the next few years as a consequence.

The complexity of retirement planning, of tax planning and mitigation can't be overstated. It's not reasonable to assume consumers will have any real understanding of this unless they have worked in the industry and even then, it's not always the case. Nor does wealth necessarily mean either a good understanding of money or an absence of financial issues.

Whilst important, confidence on its own isn't enough and may even be detrimental to financial wellbeing. UK adults approaching or thinking about retirement income need informed, impartial input. This must take into account all aspects of their assets, requirements, goals and personal circumstances. And then there are the many product, technical and tax considerations. The only route to this point is professional, regulated financial advice.

So, advice works, and we need to find ways to encourage more people to access it.

However, we also need to accept the advised cohort will only ever be a minority of people. Many others need help and education, ideally personalised to their situation at least to some degree. And we need to find ways to deliver this to the millions of people saving through auto-enrolment. The FCA's ongoing Advice Guidance Boundary Review may deliver some helpful outcomes and we'll be watching developments with interest.

The long tail of DB pensions coming to maturity is bolstering UK retirement confidence. This is clearly not sustainable, and we predict the UK Retirement Confidence Index will fall over the next few years as a consequence.

The proportion of working age people with each private pension type within the household by cohort

It's not so much jam tomorrow as jam in 10-, 20- or 30-years' time.

There's a rapidly growing reliance on DC pension provision[7] and, while auto-enrolment has been incredibly successful in terms of starting and contributing to a pension, people are simply not saving anywhere near enough. The retirement income industry has an opportunity to act now, to address and arrest this effect. We can't allow such fragile confidence to mask this looming crisis.

There are many persuasive reasons for UK adults to not engage with their retirement plans, both practical and psychological. It's not so much jam tomorrow as jam in 10-, 20- or 30-years' time. There are also real affordability challenges and paid-for advice simply isn't accessible to everyone who might benefit from it.

Building up informed, appropriate retirement confidence will require co-operation, communication and collaboration. Each and every participant in the retirement income sector has a role to play.

"People just don't engage with their pensions. Partly I think this is because they don't think they need to – their parents have benefitted from a massive overreach of what's sustainable and now enjoy a retirement that will never come round again."

Benjamin Fabi, Chartered Financial Planner, Principled Paraplanning

"Every plan I create with a client is different, even though we cover pretty much the same areas."

Kate Shaw, Chartered Financial Planner, Financial Life Planning

"I believe the tools are available (including advice) for people to be able to make suitable choices, but in reality a number (maybe the majority) of people should be disturbed into making good choices... Many people are poor at accepting short-term detriment for long-term benefit."

Alistair Cunningham, Financial Planning Director, Wingate Financial Planning

7 Gov.UK – Analysis of future pension incomes – 3/3/23

What we can do

To make meaningful positive changes to UK retirement confidence, we need more adults who:

1. Save more into their pensions
2. Understand why they're saving, and what for
3. Are empowered to save for their retirement in an environment of trust and stability

These three elements are essential if we're to achieve growth in genuine, meaningful retirement confidence.

There's a good deal of work ahead of us to get there, but working together with this collective goal means real movement is achievable. When we carry out this research again next year, we'll be using this list as a baseline from which we can measure progress.

Platforms and other providers

Make the pensions dashboard work: the standard and quality of data is the oil which enables that data to move freely around, empowering customers to act and make informed choices. This is a huge opportunity and we're extending an open invitation to start that discussion.

Free movement of pension funds: yes, we need checks and protection from foreseeable harms – possibly more than ever – but they should be proportionate to the likely level of risk. We also need a better understanding, and clearer communication, of those risks.

Better consumer communication: clear, concise and standardised plan information that anyone can understand, with easier access to information. There may also be some who recognise a need to take action but simply don't know how to. One solution is to make the steps towards guidance and advice much clearer, and government can also play a key role here.

Champion financial advice: in word and deed, i.e., commit to seeing through necessary service and technology developments, easing the advice process and making professionals' lives simpler. The benefits of advice can be life changing – both in financial terms and the softer benefits such as peace of mind – but these must be promoted and demonstrated if they're to help shift the dial on advice take-up.

Advisers

Clear communication of services and costs: with so many variants of financial advice services, consumers can't be expected to know the difference. Even in the industry we can struggle with the nuance.

Embrace planning: it's clearly vital to retirement confidence for consumers and holistic planning isn't always part of the financial advice process. It needs to be.

Regulators

Highlight the benefits of regulated advice: and the dangers of not seeking regulated financial advice.

Prioritise the real risks: more focus on the immediate dangers and bad players, with more effective use of resources. Don't let the desire for a perfect outcome get in the way of a good customer outcome.

Target social media: tough regulation, targeting the finfluencers with heavy penalties.

"I think pensions and the sheer numbers of options available are quite overwhelming for the general public.... Every part of the industry has become complex, even the starting point for a consumer seeking advice."

Nicola Ellis, Director, Wellington Wealth

Consumers

Individuals have a responsibility, to themselves, to engage sooner with pension planning. Ideally to engage with regulated advice in whatever form. However, they need encouragement, support and a reason to do so.

"It's all very well talking about what everybody else should do, but we do have to remember that, ultimately, we are responsible for ourselves and the decisions we make."

Kate Shaw, Chartered Financial Planner, Financial Life Planning

Government

Make the pensions dashboard happen: make it soon and make it effective. This will simplify and speed up the process of finding and consolidating pension funds, a major obstacle for many consumers. The same point stands for a solution to the small pots problem. The dashboard may need to be more than just a 'viewing' tool. There's tremendous potential to reach a broader, less informed audience with educational material and access to guidance.

Clear, effective and accessible communication and education: about the need for retirement planning and the risks of not doing so. Stronger, clearer public messaging around planning for the future that will motivate and empower people to take appropriate action.

Stop the pension legislation merry-go-round: pensions are a long-term arrangement, and the legislative process should reflect that. Simple, stable and accessible should be the watchwords. Setting up an ongoing Independent Pensions Commission to develop long-term proposals for pensions and savings policy would bring much-needed consistency.

Fund and promote financial education in schools: a good start to solving the problems of retirement income provision for future generations. We need to normalise saving into a pension from as early an age as possible. This is the only option in the post-DB landscape.

Make a plan to increase pension saving: most experts accept an 8% auto-enrolment contribution isn't sufficient. There's a need to consider how and when an increase should take place and whether this should, for example, be age-related. The current economic position isn't conducive to asking employers or individuals to pay more but there will never be a perfect time. We should aim for contributions to start gradually increasing before 2027, fifteen years after the introduction of auto-enrolment.

"Simplicity, simplicity, simplicity!! Oh, and a huge, green neon sign pointing out why advice is so important and where to get it! People genuinely say, 'I want advice but don't know where to get it'!"

Roy Mcloughlin, Director – Strategic Partners, Cavendish Ware

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