Press Release

For immediate release **Date: 11th February 2020**

Lifetime renters set to exhaust their pension pot 12 years before homeowners

- *New research looks at levels of savings needed for those entering the workforce in 2025 to achieve a comfortable retirement*
- *TISA modelling reveals owning a property can make a critical difference in later life financial wellbeing*
- *TISA is calling for automatic enrolment contributions to increase to 12% and more support and guidance to be made available for consumers*

Future generations' hopes for enjoying a comfortable retirement could be scuppered by failing to get on the housing ladder, according to new research.

The Investing and Saving Alliance, TISA, reveals the average UK household still renting in retirement is likely to exhaust the family's pension provision twelve years sooner than homeowners*, on current levels of AE contributions**. The modelling also suggests renters could exhaust their pension pot nine years before they reach the average life expectancy age of 90***. With home ownership rates on the decline****, the research illustrates the scale of the challenge facing future generations.

The new TISA report, 'Getting Retirement Right: Plan, Prepare, Enjoy', has modelled different scenarios for UK savers entering the workplace in the mid-2020s, to understand the levels of saving needed to meet moderate living standards in retirement*****. For each scenario, TISA has indicated the age at which private pension funds would run out based on contribution levels of 8%, 10%, and 12%, revealing the financial futures of millions of UK adults. Though the modelling assumes families would still receive a full State Pension, this, in isolation, would fall well short of the amount required to achieve a comfortable retirement.

Renny Biggins, Retirement Policy Manager at TISA said:
"We know from trends surrounding home ownership among younger people that renting could become much more common in retirement. Indeed, recent statistics have suggested that up to a third of 'millennials' will be lifetime renters, if things continue as they are.

"Current levels of contribution at 8% clearly won't cut it for those households that don't own their home. Based on our research, increased contributions of even 12% would be insufficient in isolation for families unable to get on the housing ladder. Should renters also have to face care costs, they could quickly find themselves in pension poverty, without any housing wealth to fall back on.

"The perennial political debate around the best way to fix the housing crisis is unlikely to be resolved any time soon. But what this report drives home is the critical need for consumers to be armed with more information and better choices that reflect the new reality of retirement."

TISA's research concludes that an increase in the total auto enrolment pension contribution to 12% will allow the majority of UK households – including households in which one or more family members spends a period of time off work, or face long-term care costs – to achieve a moderate level of retirement up to age 90 and beyond.

However, while the proposed increases should help deliver better outcomes for those entering the workforce, TISA is also calling for more guidance and advice services to be made available to employees saving into defined contribution schemes, to help people understand how to tailor retirement planning to their household's needs.

Renny Biggins added:
"Auto enrolment alone will not solve the savings crisis facing the UK. According to the FCA, only 8% of the population receive financial advice. This means around 47 million people fall into the guidance gap, where firms are limited in the help they can offer based on current regulation. This is creating significant consumer detriment. The majority of people don't know how to properly manage and evaluate their savings – particularly when sudden life events throw things off course.

"For auto enrolment to be the success we want, there needs to be far more education and guidance support wrapped around the defined contributions schemes that underpin it. We are calling for an urgent review of the financial guidance rules. The ambiguous nature of the current regulation reduces both the quality of the guidance available, as well as access to services the private sector could make available free of charge to the mass market. We believe a regulatory rethink is critical in addressing the issue of under-saving and would go a long way in helping people understand what they need to do in order to reach their retirement goals."

Other recommendations from 'Getting Retirement Right: Plan, Prepare, Enjoy' include the following proposals:

- For the Government to implement the proposals to lower the age range for participation in auto-enrolment to 18 within 2 years, by 2022
- For the Government to implement the proposals to remove banded earnings within 2 years, by 2022
- For the Government to ensure any review and changes to the State Pension take into account the overall replacement rate targets that are deemed appropriate and the impact this has on auto-enrolment's ability to deliver on the income level required from a private pension

Ends….

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Notes to Editors

*Based on homeowners who have paid off their mortgage at the age of 64.

**The table, below, sets out the age at which a private pension fund would be exhausted for lifetime renters versus homeowning UK households, as modelled by TISA.

	Lifetime Renter	**Homeowners (mortgage paid off at 64)**
Contribution at 8%	81	93
Contribution at 10%	84	99
Contribution at 12%	87.5	105.5

***Based on the 2019 ONS UK national life tables, the life expectancy of a 68-year old male is 84 and female is 86. Current projections for the cohort entering the workforce in 2025 anticipate these lifetimes rising to an average of 90.

****Resolution Foundation: Home Improvements (April 2018): https://www.resolutionfoundation.org/app/uploads/2018/04/Home-improvements.pdf

*****Based on research by PLSA showing £29,100 p.a. in post-tax income would be needed for a moderate retirement. The PLSA's Retirement Living Standards show savers what life in retirement looks like at three different levels ('Minimum', 'Moderate', and 'Comfortable'), and what a range of common goods and services would cost for each level.

About TISA

TISA's ambition is to improve the financial wellbeing of UK consumers by bringing the financial services savings industry together to promote collective engagement, to deliver solutions and to champion innovation for the benefit of people, our industry and the nation.

We do this by focusing on good consumer outcomes and harnessing the power of our broad industry membership base to deliver practical solutions, new digital infrastructure and by devising innovative, evidence-based strategic proposals for government, policy makers and regulators. This holistic approach to address the major consumer issues uniquely positions TISA to deliver independent insight, promote innovation and facilitate good practice.

TISA's rapidly growing membership is representative of all sectors of the financial services industry. We have over 200-member firms involved in the supply and distribution of savings, investment products and associated services, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our current strategic policy focus includes making financial guidance more widely available; financial education for young people; retirement savings and addressing consumer engagement, particularly for the vulnerable. These will form essential elements of - *Vision 2025* - TISA's strategic policy roadmap towards delivering a material impact in enhancing consumers' financial wellbeing.

Complementing our development of consumer policy and thought leadership, TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives (TeX/STAR, Digital ID, MiFID II and Open Savings & Investment). This reflects TISA's commitment to open standards and independent governance.

TISA is also recognised for the support it provides to members on a range of operational and technical issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations. This work currently includes MiFID II, CASS, SM&CR and addressing cybercrime.

www.tisa.uk.com