



ONEMS  
MINUTE SILENCE



# UNDERSTANDING PENSION FREEDOMS IN A WORLD OF CHANGE

# THE BACKGROUND

**A TIME OF UNPRECEDENTED CHANGES** Standard Life

Four years ago Mr Osborne asserted the following:

“Tax rules around pensions suggested that pensioners cannot be trusted with their own pension pots. I reject this view”



ONEMS

The Greek historian Thucydides wrote in 460 BC that the secret of happiness is freedom. In this paper we share our learning on pensions freedoms and explore if they are, indeed, the secret to happiness

Let's recap on the background to pension freedoms. On 19<sup>th</sup> March 2014 the Chancellor (George Osborne) kicked off a series of pension changes that the financial services community has had to react to

As Martyn Lewis points out, only history will be able to gauge whether George Osborne was one of history's financial freedom fighters who liberated older savers OR if was he the man who exposed them to huge risk?

Michelle Cracknell, Chief Executive of The Pensions Advisory Service points out : *“The huge change in the retirement landscape means that we need to help people to be confident and empowered to make long term savings decisions”*

# THE BACKGROUND



Against a backdrop of wider societal changes Standard Life wanted to fully understand customer view of these changes


Customer data indicates low levels of passivity in relation to pensions. This is in line with broader evidence : we are living longer than ever but our savings are at an all time low

As one of the largest pension providers Standard Life has a responsibility to give customers better outcomes by helping them plan better for their retirement

As Sue Hayward, Head of Insight at Standard Life points out :  
*"We can only help them plan if we understand what they think and feel about saving and ultimately retirement planning"*

Welcome to  
**Generation X**

"You held firm to your beloved vinyl"



**Generation X**

Welcome to generation X.

**About you**


You have adapted to the introduction of PCs at work, gigantic mobile phones and the death of VHS and Blockbuster.

Your generation has lived through a lot of change, and you're on the road to an exciting future.

**Millennials**

You're a Baby  
**Boomer**

"The envy of all other generations"



**Gen Xers**

**About you**


You swung in the 60s and were hippies in the 70s. You're the people who have created new ways of living in later life.

And there's a lot to look forward to yet.

**Gen Xers**

You are  
**Generation Y**

"You are the digital natives."



**Generation Y**

Welcome to Generation Y.

**About you**

You continue to share your lives online, letting people know who you're with and where you are in the world.

You're the Global Influencers. The adventurers, and you have a lot to look forward to.

**Baby Boomers**

OUR STUDY COVERED 3 KEY LIFESTAGES : MILLENNIALS, GEN X AND BABY BOOMERS

WE RAN EXTENDED WORKSHOPS AS A FORUM TO BUILD A DEEPER UNDERSTANDING OF THIS AUDIENCE, NOT JUST TO UNDERSTAND THEIR KNOWLEDGE AND ATTITUDES TOWARDS PENSIONS, BUT TO TAKE A BROADER LOOK AT WHAT MATTERS TO THEM ALONG THEIR FINANCIAL LIFE JOURNEYS.

# MILLENNIALS : WHO ARE THEY?



Described by Time magazine as a bunch of lazy, entitled narcissists who still live with their parents there are SO many opinions about Millennials and how they are either helping to shape or destroy our economy

Recent news headlines suggest Millennials are being too thrifty, and thereby killing consumerism. Others say Millennials are ruining their chances of buying a home by overspending on luxuries, lattes and avocado toast

Part of the problem with understanding this cohort, is that they are a broad audience. Put simply, the Millennial age range is roughly 18-35 today. Millennials were born between 1982 and 2002

Of all the audiences we looked at, Millennials are probably the most diverse. And it is this diversity that shapes their attitude towards retirement planning and long term saving

# MILLENNIALS ARE NOT A HOMOGENOUS AUDIENCE



In our work we found that, more than any other audience, attitudes were shaped by a complexity of factors including regionality, age, homeownership, marital status and the presence of children. We termed them the 'driven', the 'stretched' and the 'carefree'

**Driven Millennials** are ambitious, determined and set themselves clear financial goals. This cohort are planners who strive to equal the assets and lifestyles enjoyed by their parents. They actively engage with finance and long term saving

**Stretched Millennials** are juggling children alongside financial demands of home ownership and renting. They are in survival mode, and not driven to save. They are resigned to being the 'hard done by' generation giving them permission NOT to save!

**Carefree Millennials** have yet to make important financial decisions and significant financial milestones feel far away. Less materialistic goals are taking centre stage



# AN AUDIENCE UNITED BY THEIR OPTIMISM

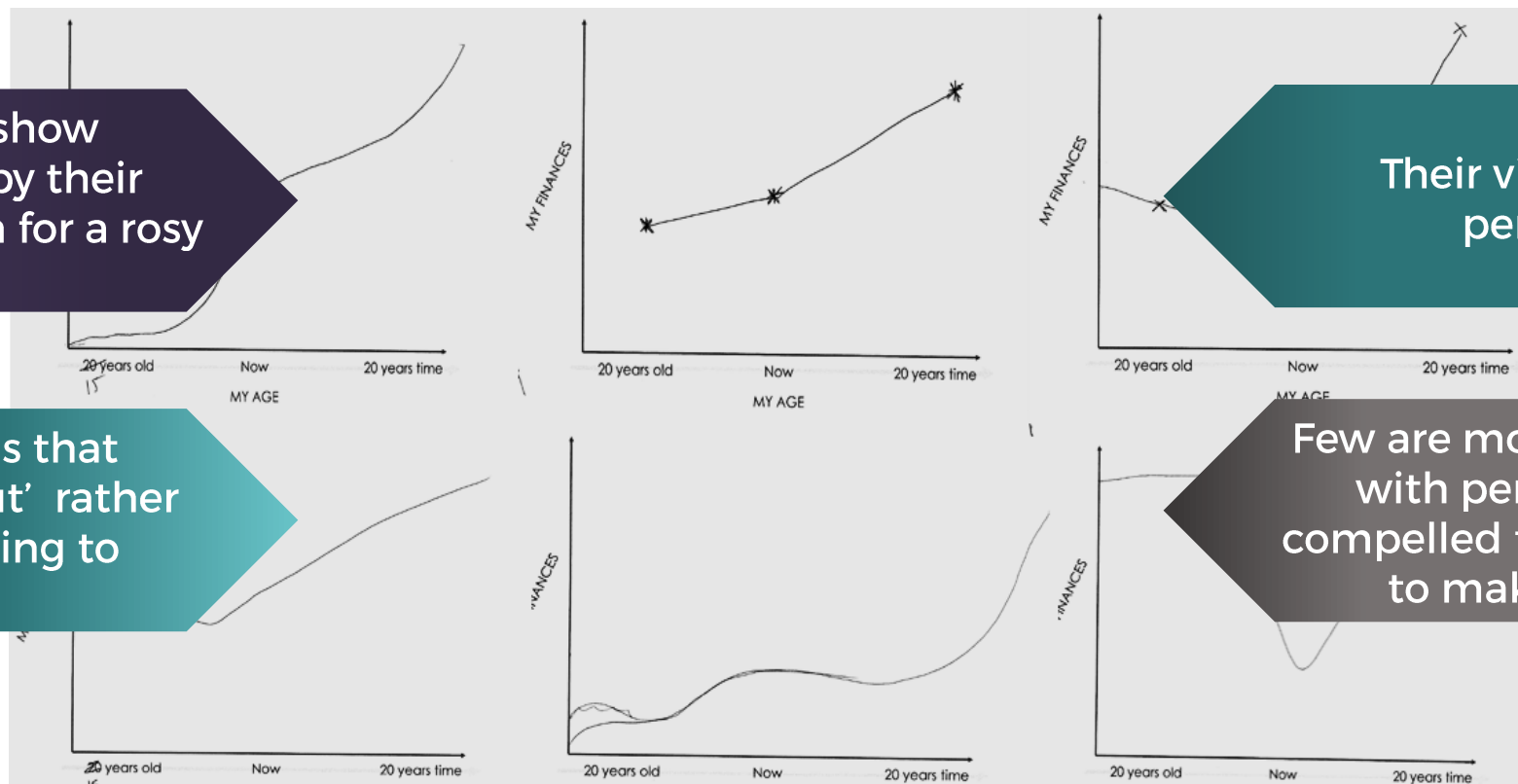
Using a behavioural economics construct we asked Millennials to project their financial future

Self drawn graphs show Millennials united by their common optimism for a rosy future

There is a consensus that things will 'work out' rather than actively planning to secure their future

Their views of work place pensions are positive

Few are motivated to engage with pensions and are not compelled to put in the effort to make active decisions





# GEN X : WHO ARE THEY?



Xers are caring for aging parents, their kids, and themselves (if there's time), as well as working and paying all the bills

Whilst this generation understands the value of saving, they have large outgoings with the combination of kids, mortgages, and holidays

Ever present is the looming spectre of university fees, helping their children to get on the housing ladder and trying to ultimately pay off their own mortgages

Generation X are born between 1961 and 1980 so they are currently between 37 and 50 year olds. They are often described as the squeezed middle generation



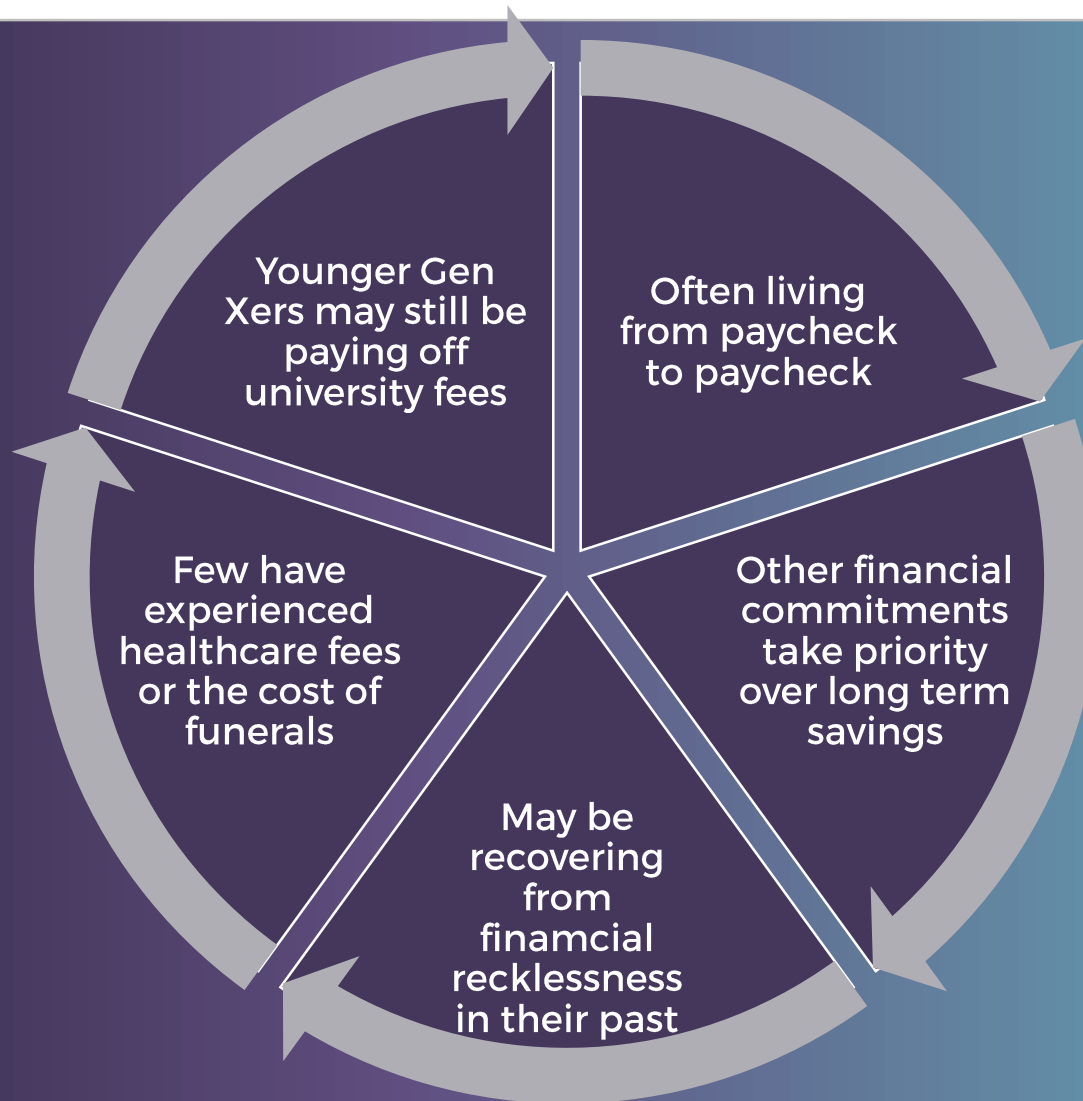
## EXTERNAL FACTORS SHAPE RELATIONSHIP WITH SAVINGS

Gen X are most cynical about their financial outlook and long term savings within that. This generation have experienced the most financial disruption : PPI mis-selling, endowment shortfalls, Northern Rock collapse , the financial crash, and they still remember Robert Maxwell

This audience is more aware than previous generations of the difficulties facing their own children. The requirement to fund or contribute to further education for their dependents is on their radar, as well as helping their children to get on the housing ladder

Whilst Gen X may be motivated to engage with pensions, they are nervous about making long term financial commitments (i.e. society may throw them another financial curve ball!)

# GEN X ARE A COMMITMENT HEAVY COHORT



“*Saving is sunshine and showers. There is always something on the horizon.*

*It starts off with driving lessons, then insurance, then uni fees .*

*I earn a lot of money but I am worried about how much I can keep supplying. But without my help how are they going to get on the property ladder?*”

# GEN X DISPLAY A PRAGMATIC ATTITUDE TO THEIR FUTURE

Using a behavioural economics construct we asked Gen X to project their financial future

Their outlook is pessimistic : worse than their current circumstances

Optimism is rationalized by a reduction in outgoings rather than adequate retirement provision

Financial hesitancy in evidence. Dips in their financial health are being experienced now.

Gen X may be factoring in inheritance (property gains) as a way of propping up their own retirement income



# BABY BOOMERS : THE GOLDEN GENERATION?



# IMPLICATIONS FOR PROVIDERS



## **Educate Millennials**

Long term savings still considered complicated and unachievable : plug their capability gaps  
Opportunity to communicate through Work Place Pensions



## **Reassure Gen X**

Are they making the right choices?  
Offer planning and projection tools which help them understand how they can realize their goals



## **Help Baby Boomers maximize their wealth**

Ongoing dialogue still important  
They want to understand the impact of macro decisions



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Annual Conference 2016  
Finalist Finalist  
Best Overall Contribution



AQR PROSPER RILEY-SMITH  
QUALITATIVE EXCELLENCE AWARD 2015

FINALIST

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