

## Media Comments 2017

**'There's a danger of a generation who can't afford to retire', Amelia Hill, Guardian, 23 January 2017**

At 19, working full-time and studying for an Open University degree, Rachael Ingram is already saving for her retirement. But she'd rather be spending the money elsewhere.

Ingram answered [our call-out](#) for those keen to take part in this series. "I shouldn't be worrying about saving for my pension at my age," she says. "I'm saving money that could go towards a deposit for my first house – I'm currently renting a flat in Liverpool – or socialising. But I have no faith in government or the state pension. There will be no one to look after me when I'm old."

It is impossible to consider retirement, and our experience of it, without also considering how we pay for it. In response [to part one](#) of this project, which seeks to understand what retirement looks like for current and future generations of retirees, many hundreds of readers shared their experiences. I was struck by their variety and diversity; from baby boomers retiring with final-salary pensions and no mortgage, to those reliant on the state or unable to stop work; from younger people trying to save for house deposits and old age at the same time, to those in middle age who have given up on doing either.

One commenter, Schwitters, wrote about friends in the public sector in the late 50s to 60s, retiring on pensions "that are quite bewildering". The [comment went on](#): "They will probably be living as pensioners longer than they were non pensioners. I see my son at university and wonder, just wonder, how hard he and his generation are going to have to work to keep this society going. Many of my retiree friends think the same thing but no one seems to know how we dig ourselves out of it."

Many other readers, currently retired, echoed the experience of being relatively financially comfortable. But some of the same age painted a different picture. Commenter Anne Williams described peers having to work into their 60s to make ends meet.

"I have friends who, in their 60s, work as care assistants or cleaners. They are on their feet all day, struggling to earn enough to pay the rent, often in arrears, with the attendant threat of eviction ... These are lovely, brave, very very very hardworking people – and with every passing month, their lives get harder and more frightening."

It's my intention to reflect as many of those experiences as possible – but also to ask why we have arrived at this point of enormous wealth inequality between both peers and generations, and what happens next.

Those most exposed to the great pension shortfall are not those just entering the workforce, most of whom presume they will work until their 70s and will receive limited support from the state. Those most at risk of enduring a penny pinching older age are those in their 40s and 50s who grew up assuming that the pensions system their parents enjoyed – generous income, retirement in their mid-60s – was the norm.

[Prof David Blake](#), director of the [Pensions Institute at Cass Business School](#), thinks the future is bleak: “The danger now is we will have a generation who really can’t afford to retire.”

I talked to David Willetts, the former Conservative MP and author of [The Pinch: How the Baby Boomers Took Their Children’s Future – and Why They Should Give it Back](#). He argues that retirement for future generations is going to be increasingly difficult. While Britain has made great progress in tackling pensioner poverty over the last two decades, as people currently in their 40s and 50s reach retirement, he predicts a return to mass pensioner poverty not seen for 30-40 years.

“We could find ourselves facing a whole new generation of poor pensioners who, on average, are even worse off than the average poor pensioner today. Because far more of them were unable to get on the housing ladder, they will be paying rent long past the point when their parents had paid off their mortgages,” he says.

The consequences of this will ricochet into society, Willetts warns. “If we don’t have systematic responses now to the pension problems coming down the line, future generations will suffer.”

It’s a perfect storm of problems: the end of the final-salary pension scheme, a failure of subsequent workers to save enough to account for this, and increasing life expectancy. A fall in the number of people who own their homes also means many will pay high rents long after their parents had finished paying their mortgages.

According to a two-year review by [The Independent Review of Retirement Income \(IRRI\)](#), people should put 15% of their entire lifetime earnings into their pension pot merely “to avoid future pensioner poverty”. [Workplace pension schemes](#), the biggest shakeup to pension savings in recent years, have set the minimum contribution (from employers, employees and government tax relief) as 8% of earnings: a great first step but only half this.

So we all need to be saving more. But in putting 10% of her income aside for her pension, 19-year-old Ingram is something of an exception. As a society, Britain is not putting aside nearly enough for life after work, a period that can now continue for decades.

The new state pension – available to men born on or after 6 April 1951, and women born on or after 6 April 1953 – is currently £155.65 a week to those who have paid 35 years of National Insurance. (The old scheme applies to those born before those dates.) Frank Field, Labour MP and chair of the work and pensions select committee, is adamant that this figure is enough to guarantee all pensioners a decent standard of living: an “adequate minimum”, as he puts it.

Anything above that, he tells me, should be privately funded, without tax-breaks or other government help. “Once the minimum has been reached, it’s not the job of government to bribe people to save more,” he says. “To provide a luxurious pension was never the aim of the state pension.”

When I relay his comments to Dr Ros Altmann, who worked on pensions policy with the No 10 policy unit, is the UK government's former older workers champion and a governor of the Pensions Policy Institute, she is left briefly speechless. Then she manages a "Wow".

"Did he really say that? Would he be happy to live on just over £8,000 a year?"

In addition, many will not receive the full state pension. 70,000 men and women who have fewer than 10 years' national insurance contributions [will receive no state pension at all under the new system](#), and the government says 63% of those reaching state pension age in 2016 to 2017 [will receive less than the full rate](#).

Tom McPhail, head of retirement policy at financial advisers [Hargreaves Lansdown](#), is clear that he doesn't think we can rely only on the state pension. "How sufficient is the new state pension? That's an easy one to answer: Not. It's not," said

So savings are increasingly essential. But the scale of the "pension gap" is breathtaking. Three in 10 Britons aged 55-64 do not have any pension savings at all, while a 2016 report for Scottish Widows found that 47% of 30- and 40-year-olds are not saving adequately or at all.

In part, that's because we massively underestimate the amount of money we need to save. According to Saga's [Investment Series](#), over-50s reckon you need just over £20,000 a year to have a comfortable retirement. But crucially, they estimate that this income could be generated by a pension pot of £194,000. In fact it would generate just £10,170 a year.

A 2016 report [from Aviva](#) underlined the issue : over-45s expect their pension fund to generate £12,590 a year on top of the state pension – but their current savings will deliver less than a third of this target income.

Fiona Macdonald, a 56-year-old civil servant in Scotland who has been working full-time since she was 16, says she is "just appalled" by her pension. Macdonald emailed me to share her experiences, having read the first part of this series. "I have paid in for a long time but I can't live on it. The Tories believe in this completely free market economy. But some things can't be decided by the market and people are just being left to sink when it comes to their pensions.

"Not only am I getting less in my pension but I'm paying more into it because of a change in the way pensions are constructed in the civil service. Then I have not had a pay rise beyond 1% for six years. That has an impact on my pension too."

Millions of women have been caught out by the way the state pension is calculated, and an increase in the age at which they can claim it. Changes from last April mean that women who gave up work to raise a family are no longer guaranteed the right to claim a state pension based on their husband's national insurance records, gouging a huge hole in their pensions.

In 1995, the government announced a steady increase from 60 to 65 in the state pension age for women, but waited until 2009 to start contacting those affected. Then,

in 2011 – when the state pension age for women was 63 – the coalition government accelerated the timetable.

“For four decades, I was told that I would retire at 60. I can’t do that now without considerable financial hardship,” said Macdonald. “I understand that men and women should have their pension age equalised but the goalposts for women my age have been moved and then moved again in a very short space of time. It means we can never plan for the future because we don’t know when we’ll be able to retire.”.

The state pension age for women will reach 65 in November 2018. And, as soon as the pension age has been equalised, there will be a further rise to 66 years – by November 2020 – followed by a further rise to 67 years by 2028. [The government has also hinted at plans to extend the state pension age to 75 – or even 81.](#)

But what jobs can we do in our 80s? Will we all have to retrain? How much physical stress does going to the office – or the hospital, school, factory – place on your body as you get older? Which employers will seek to capitalise on this new, grey, workforce? I’ll be exploring this next week. You can share your experience by emailing [new.retirement@theguardian.com](mailto:new.retirement@theguardian.com), or [by sending them to us here](#).