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Financial resilience during retirement – Stage 1 research

Report based on a rapid evidence review and expert interviews

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1. Executive summary

1.1 Introduction

The Money Advice Service Financial Capability Strategy for the UK includes a strand of work that is specifically focused on older people in retirement (OPIR). Age UK has commissioned this research to address an evidence gap with respect to OPIR financial capability. In particular, Age UK is looking to identify what constitutes a retired person who is well placed to deal with life events during retirement and financially resilient. Recognising that the OPIR population is heterogeneous, an important requirement of this research has been to take account of differences in financial, health and social resources when exploring the question of what good looks like.

This research comprised desk research to identify relevant literature (as well as where there are gaps in the evidence) and interviews with selected stakeholders. It was conducted between October and November, 2017. As the evidence from this stage is largely expert opinion, or drawn from small-scale studies, the findings should be treated as hypotheses. A further stage of research has involved qualitative research with older people to help test these hypotheses and develop further insight.

1.2 Key findings

The decision-making landscape in post-retirement is arguably more complex and challenging than in any previous life stage. As OPIR will generally have accumulated most or all of their lifetime wealth, the main focus of their financial decisions will need to be on managing and making the most of existing resources. OPIR could be faced with particularly complex planning decisions, requiring different abilities from those needed to manage money well day-to-day, and they are also more likely than other age groups to need to adapt to changes in their circumstances due to adverse events and/or a decline in capacity.

This research suggests that a wide range of internal and external factors, and hard and soft attributes, are likely to contribute to how well placed a retired person will be to deal with events during their retirement. These factors will not necessarily remain static but are subject to change.

For example, some people are likely to be inherently better able to cope with events because they have strong financial and/or social resources. Others may be more challenged, for example due to poor health or declining capacity. However, strong resources in one area may mitigate a deficit in another.

A number of personal qualities are also believed to equip OPIR to be resilient. These include a positive but realistic attitude and confidence in dealing with their financial affairs. Being adaptable to changes is also felt to be important, acknowledging that it will be difficult for an individual to plan for every eventuality given the unpredictability of life events at an individual level.

Overall, there are some types of behaviour that the literature and expert opinion have identified as being particularly significant to achieving resilience. For example, it is seen to be important, if possible, to make plans and decisions sufficiently early, ahead of a point of crisis. This, in turn, requires individuals to have an awareness of what to expect during the different stages of later life, and to be able to balance short-term and longer-term considerations, which experts acknowledge can be challenging to do in reality. Another key requirement is perceived to be avoiding suboptimal decisions, which means that people need to be aware of the risks or to benefit from protective interventions from others. Given the complexity of choices that many OPIR will face, positive behaviour for OPIR is also seen to encompass being aware of external sources of guidance and advice, and to be willing and able to access these as required.

While much of this required behaviour is believed to apply across all OPIR, some differences have also been identified, recognising the diversity of this population. For example, for those on low incomes, the priority is believed to be day-to-day money management and income maximisation, including by ensuring they have access to all of their benefit entitlements. Those with moderate wealth have been highlighted as a particularly significant group with respect to the financial capability agenda as they will not have sufficient resources to cover any eventuality so the decisions they take are likely to have a significant bearing on their financial wellbeing. Differences have also been identified by stage of retirement, given that the priorities and needs are expected to be very different in the early compared to later stages. Making forward plans and provisions early on is seen to be the ideal given that OPIR may experience 'lumpy spending' through their retirement.

Obviously, this research has intentionally been designed to construct the qualities of an 'ideal consumer'. However, a number of personal inhibitors as well as wider structural barriers to achieving optimal outcomes have also been identified. Personal inhibitors particularly relate to individual attitudes and beliefs, such as lacking confidence, being reticent to talk about money and ask for help, and having a short-term or fatalistic outlook. Systematic barriers include the well-reported (regulated) advice gap and the societal reluctance to consider care needs. In addition, while positive changes are believed to be possible during retirement, pre-retirement decisions and behaviour are believed to have the greatest impact on retirement outcomes overall.

The research also considered interventions that could make a positive difference to the financial resilience and wellbeing of OPIR. While there is a lack of robust evidence testing the impact of specific interventions, it is generally felt that tailored approaches that consider the individual's circumstances holistically will have most value, given the range and complexity of choices that they face. An important initial objective for external intervention is seen to be raising people's awareness of the different stages of later life and what to expect during these. Tapping into teachable moments has been identified as an opportunity, and this could include suitable junctures in pre-retirement.

However, increasing the financial resilience and wellbeing of OPIR is perceived to require more than just efforts to increase their financial capability. Improving the way financial markets operate, and providing products and services that go with the grain of consumer behaviour, are generally regarded as being equally if not more important as an objective.

2. Introduction

2.1 Context and research aims

One of Age UK's key ambitions is to 'see a world where everyone in later life has enough money'. Financial capability is an important contributor to consumers' overall financial wellbeing but remains 'frustratingly low' according to the Money Advice Service, especially with respect to longer-term planning and the management of unexpected life events and periods of financial difficulty[1].

While the top-line data suggest that older people in retirement (OPIR) are, on average, more financially capable than younger groups, there is considerable diversity amongst this cohort. This diversity spans their economic means, cognitive and physical abilities, digital connectivity and access to support. In addition, a number of these factors are not fixed and may change over time. There is also evidence of some particular financial capability issues relevant to OPIR that could affect their overall wellbeing. These include a tendency not to plan for long-term care, not to shop around for the best deals and to be reticent to talk about money. In addition, older people are not always claiming benefits they are entitled to and may be vulnerable to scams. A 'sizeable minority' of older people reportedly also struggles to make ends meet, and this is particularly the case if they are continuing to repay a mortgage or over-indebted.[2]

The Money Advice Service Financial Capability Strategy for the UK includes a strand of work that is specifically focused on OPIR. Age UK has commissioned this research to address an evidence gap with respect to OPIR financial capability. In particular, Age UK is looking to identify **what constitutes a retired person who is financially resilient and well placed to deal with life events during retirement**.

Age UK has defined 'financial resilience' in later life in the following way:

> "…*It goes far beyond simply having an emergency fund available in cash to cover an unexpected bill – important though that is. For older people, it is a mixture of not just financial but also health, social and personal resources that enable older people to thrive over the entire course of their later life. To be truly resilient, you also need to have the ability to adapt your plans or change your arrangements, in response to both changing personal circumstances and wider economic conditions over which you have no control, such as periods of low interest rates."*[3]

For any age group, understanding what contributes to financial capability and resilience is complex and requires exploration of a number of dimensions including behaviour, skills, knowledge, attitudes

[1] Money Advice Service, *Measuring financial capability: identifying the building blocks* (2016)
[2] See, for example: Financial Capability Strategy for the UK: Older people in retirement strategy extract; Money Advice Service, *Understanding retirement: A deep dive into financial capability among older people* (2016)
[3] Age UK, *Financial resilience in later life* (2014)

and motivations. These in turn may be influenced by financial, health and social resources, cognitive biases and psychological factors.[4]

There are also some further considerations when considering the financial resilience of OPIR compared to other age groups. As OPIR will generally have accumulated most of their lifetime wealth, the main focus of their financial decision-making will be on managing existing resources. They will be doing so in an increasingly complex financial world, with fewer guaranteed pensions and more 'freedom and choice'. OPIR could be faced with particularly complicated planning decisions, and the available research insight indicates that longer-term planning, both for and in retirement, requires different abilities from those needed to manage money well day-to-day[5]. OPIR are also more likely than other age groups to need to adapt to changes in their circumstances due to adverse events and/or a decline in capacity. All these factors mean that financial capability and resilience is particularly important for many OPIR.

In addition, given the diversity amongst OPIR population, what is required to build resilience may not be consistent across the board but to vary according to individuals' circumstances and resource levels. Unpicking and better understanding these differences has been identified by Age UK as an important objective of this research. Overall, Age UK wants to test assumptions about what 'good looks like', and ensure that 'good' takes into account the **heterogeneity of later life**, and the varying circumstances of older people, depending on their financial and other resources.

2.2 Research methodology and scope

This first stage of the research comprised desk research to identify relevant literature (as well as where there are gaps in the evidence) and interviews with selected expert stakeholders. It was conducted between October and November, 2017. A further stage of research involved qualitative research with older people to test hypotheses from Stage 1 and develop further insight.

2.2.1 Desk research

A rapid evidence assessment (REA) approach was adopted for the desk research, in line with the Government Social Research Service definition, which is to provide a 'quick overview of existing research on a topic and a synthesis of the evidence provided by these studies to answer the REA question'. The objectives of the REA were primarily to identify:

- key distinctions within the OPIR population that could affect financial resilience;
- desired financial wellbeing outcomes with a focus on planning for and managing life events and building resilience;
- financial capability behaviours needed to achieve these outcomes; and
- enablers and inhibitors that could influence behaviour positively or negatively.

[4] Money Advice Service, *Measuring financial capability: identifying the building blocks* (2016)
[5] Money Advice Service, *Financial capability and retirement* (2016)

To get as full a picture as possible, the review considered financial preparedness and resilience among OPIR in the round, including both evidence of good and bad practice, barriers and drivers, in order to get to a more comprehensive definition of what characterises and distinguishes the 'good'. The review also explored what could positively influence behaviour, by looking at the evidence, both from the UK and other jurisdictions, of effective interventions to deliver future financial capability interventions to OPIR.

The REA was underpinned by a structured and rigorous search process covering evidence sources that:

- are publicly available;
- are available free-of-charge, in an open-access format;
- have been published in the last five years (with some exceptions for seminal works); and
- have been published in English.

Sources were identified in the following ways:

- via a comprehensive search of the Money Advice Service Evidence Hub;
- via a key word search of Google and Google Scholar, using the search terms 'financial resilience', 'financial resilience among older people', 'financial wellbeing' and 'financial wellbeing among older people';
- by reviewing further sources footnoted in relevant literature; and
- through referral from the Money Advice Service OPIR steering group and experts who were interviewed for the research.

The review identified 120 evidence sources with some relevance to this research. These included national population surveys, bespoke quantitative and qualitative research among older people, evaluation studies and expert opinions. A bibliography of sources referenced in this report are included in Appendix 1 and the full list has been provided as a separate annex.

It should be noted that, as this was not a full systematic literature review, the list is not exhaustive and there may be some omissions. The published evidence also has some limitations. Much of it presents expert opinion or draws on findings from small-scale, largely qualitative studies. Some sources have focused on specific segments, such as vulnerable consumers, rather than the whole OPIR population. While a number of UK and international surveys have measured levels of financial capability among OPIR, there is less evidence overall on the components of financial capability as well as on the related concepts of 'financial wellbeing' and 'resilience'. There is a particular shortage of robust evidence testing the impact of interventions targeting OPIR that are aimed at improving financial capability and outcomes.

2.2.2 Expert interviews

We also conducted a total of 13 in-depth interviews with experts who were identified as having relevant experience for this research, and also facilitated a brainstorm with members of the Money Advice Service OPIR steering group to collect their views. The interview sample was developed in close collaboration with Age UK and included representatives drawn from government, academia and think tanks, the third sector and industry. A range of perspectives was represented, including some involved in front-line service delivery and specialist later life financial advice. The experience across the whole sample also spanned a range of different OPIR cohorts, from mass affluent to vulnerable groups and those with capacity limitations.

Prospective participants were sent an invitation by email and this was accompanied by a letter from Age UK explaining the nature of the research. In most cases, those whom we wished to interview were also pre-contacted by Age UK to advise them of the project and encourage them to take part. The interviewing team was flexible in the scheduling of interviews in an effort to accommodate participants' preferences. Overall, this approach was successful and resulted in almost all of those we approached going on to participate in an interview.

A semi-structured approach to the interviews was taken in order to provide flexibility for participants to identify relevant areas of interest, and for the researchers to probe and follow up on points raised. The interviews lasted an average of 45 minutes and were conducted by telephone between 13 October and 7 November, 2017.

The guide used in the interviews, along with a list of participants, is included in Appendix 2.

2.3 This report

The report that follows draws on the evidence from both the REA and expert interviews, and insights from each of these strands have been presented in an integrated way. The reporting of detailed findings has been structured around the following themes:

1. What are the key distinctions and that could affect the financial wellbeing of OPIR?
2. What life events will OPIR need to plan for and manage in retirement?
3. What constitutes good outcomes for OPIR?
4. What are the required behaviours to achieve good outcomes?
5. What are potential enablers and inhibitors of the required behaviour, including factors relating to mindset and abilities?
6. What interventions could help make a positive difference to the financial resilience of OPIR?

There is also an executive summary that precedes this introduction and a concluding section which interprets the findings and discusses their implications, including for the next stage of the research.

3. Detailed findings

3.1 What are the key distinctions that could affect the financial wellbeing of OPIR?

The literature showing heterogeneity within the OPIR population is extensive and identifies a wide range of factors with the potential to affect financial (and broader) wellbeing. These include differences in financial, health and social resources, as well as in personal attributes such as those related to an individual's mindset or ability levels.[6]

One particularly important financial resource, identified in both UK and international literature, is the housing asset which has been shown to have a strong link to both financial and general resilience[7]. Lacking property wealth is associated with low readiness for ageing, while being an outright homeowner has a significant positive association with being ready for ageing[8]. Tenants continue to pay significant housing costs throughout retirement and may face more limited options for downsizing or adapting their homes to accommodate health and mobility changes later in life[9]. OPIR who are still repaying a mortgage also face increased risks to their financial resilience[10].

The range of financial and non-financial resources that may affect wellbeing are not mutually exclusive and there is evidence of considerable interaction and overlap between them[11]. This suggests that those who have lower resources in more than one category face increased risk of detriment while those with higher resources in more than one category are likely to be more resilient.

There is also a correlation between these resources and demographic factors such as age and gender. While the evidence from Age UK[12] indicates that gender is not statistically related to 'readiness for ageing', women are over-represented in groups with lower levels of readiness. For example, women have been identified as having the greatest number of financial capability issues,

[6] See, for example: Age UK, *Age friendly banking* (2016); Age UK, *Generation R: risk, resilience, ready for ageing?* (2014); FCA, *Ageing population and financial services*, Briefing Paper DP 16/1 (2016); Money Advice Service, *Financial capability and retirement* (2017); Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016); Payments Council, *Consumer research with 'older old' consumers and those living with physical, cognitive or sensory disabilities* (2012)
[7] See, for example: First Stop Advice for Older People*, An independent evaluation of local services* (2015); NAB and the Centre for Social Impact, *Financial resilience in Australia 2015* (2016)
[8] See for example: Age UK, *Generation R: risk, resilience, ready for ageing?* (2014); Age UK, *Financial resilience in later life* (2014); NAB and the Centre for Social Impact, *Financial resilience in Australia 2015* (2016)
[9] See, for example: Age UK, *Index of wellbeing in later life (2017)*; Age UK, *Poverty and later life: the facts* (2017); Personal Finance Research Centre (PFRC), *Understanding the profile of those most at risk of detriment as a result of low financial capability* (2015)
[10] See, for example: PFRC, *Understanding the profile of those most at risk of detriment as a result of low financial capability* (2015); PRFC and International Longevity Centre UK (ILC-UK), *Financial well-being in later life: evidence and policy (*2014); PFRC, *The mortgage debt of older households and the effect of age: an analysis of the wealth and assets survey 2008–10* (2013)
[11] See, for example: Age UK, *Age UK's Index of Well-being in Later* Life (2017); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); Productive Ageing Centre and National Seniors Australia, *Financial well-being: concerns and choices among older Australians (*2012); SIFO Consumption Research Norway, *Financial well-being: a conceptual model and preliminary analysis (*2017)
[12] Age UK, *Generation R: risk, resilience, ready for ageing?* (2014)

as they tend to live on lower incomes[13], have the lowest financial skills and knowledge, and be least likely to shop around[14]. Those aged over 75, of either gender, have also been flagged as having lower financial capability, which may relate to cognitive decline and age-related changes in the approach to decision-making; in addition, this age group is the most likely to be digitally excluded which may limit their access to information and services[15].

A number of relevant segmentations were identified during this literature review and each demonstrate the diversity in people's circumstances during later life:

- The first, from Age UK, identified seven distinct clusters among 'Generation R' (people in their 50s and early 60s) in terms of their readiness for ageing, based on indicators relating to health, disability and finances[16].
- The Centre from Ageing Better identified six distinct segments among those aged 50+ based on a variety of factors with an impact on wellbeing including health, income, social connections and housing[17].
- A more recent segmentation, from the Financial Conduct Authority (FCA), identified nine segments aged 55 years or older mapped across the dimensions of affluence (level of total wealth) and age[18].

Aligning with the findings of the FCA segmentation[19] and other published literature[20], the experts we interviewed perceive financial resources to have a strong bearing on the resilience of OPIR. However, it was acknowledged that this is often not straightforward to measure as OPIR may have substantial assets but a constrained income, and their position may also be subject to change, for example due to poor financial decisions or the experience of unexpected events or shocks[21].

Some stakeholders identified the financial position of individuals at the point of entering retirement as a key juncture and useful 'starting point' for considering different potential pathways and financial needs through retirement. It was suggested that a simplified categorisation based on financial resources at point of retirement could be made up of three cohorts:

[13] See, for example: Age UK, *Financial resilience in later life* (2014); Fawcett Society, *Closing the pension gap: understanding women's attitude to saving* (2016); The Pensions Advisory Service (TPAS), *Women and pensions* (2013); UND Human Development Office, *Life cycle transitions and vulnerabilities in old age* (2014);

[14] Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016)

[15] See, for example: Age UK, *Age friendly banking* (2016); FCA, *Ageing population and financial services*, Briefing Paper DP 16/1 (2016); FCA, *Financial lives survey* (2017); Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016); Payments Council, *Consumer research with 'older old' consumers and those living with physical, cognitive or sensory disabilities* (2012)

[16] Age UK, *Generation R: risk, resilience, ready for ageing?* (2014)

[17] Centre for Ageing Better, *Later Life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015)

[18] FCA, *Ageing population and financial services,* Occasional Paper 31, Annex 2 (2017)

[19] Ibid

[20] See, for example: Age UK, *Later life in the UK* (2017); Age UK, *Poverty and Later Life: the facts* (2017); *Age UK, Index of wellbeing in later life* (2017); Age UK, *Financial resilience in later life* (2014); Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016)

[21] This view is also borne out in the literature, e.g. in Demos, *Next steps in financial resilience* (2016)

- ***Those who have very high financial resources***, who are likely to be well equipped to manage most eventualities due to their financial position.
- ***Those who have very low financial resources***, and who consequently will have significant restrictions on their choices. However, it is also felt that there are likely to be fewer complex choices for this group to make involving their own financial resources and they will have more access to financial support from government.
- ***The middle (and expected to be largest) group***, the members of which are unlikely to have sufficient resources to deal with every eventuality so their behaviour and choices they make could have a considerable bearing on their financial wellbeing.

Some stakeholders perceive that financial capability interventions targeting this 'middle group' will be particularly important given its size and anticipated further growth as the number in retirement who have access to a defined benefit pension declines. In addition, people in this group are expected to face a higher level of financial risk due to the complexity of their choices coupled with their financial constraints. This group has also received particular attention is some recent literature[22].

> *"Financial resources are very variable. There's a particular cohort which is reasonably financially prepared. Then there's a group in the middle who is most at risk because they have little or no defined benefit pension and some but not a big defined contribution pot, say around £50,000, and they need to make some very sophisticated decisions. This cohort will be growing as defined benefit dries up and until the younger auto-enrolled cohort comes through."* (Expert from academia/think tank)

> *"There's variability but people currently in retirement are, on average, in a relatively comfortable financial position as many will have a housing asset which has grown substantially and a defined benefit pension. There's a whole different challenge looking to the future given the number expected to have insufficient pension provision. I don't even want to think about that."* (Expert from industry)

However, experts also perceive non-financial factors to have a significant bearing on resilience. They particularly referred to the importance of health and cognitive capacity, financial skills and confidence, social resources and access to advice and support. They believe that these additional factors should be considered in conjunction with financial resources in order to understand financial resilience holistically. These views are also supported by the literature[23].

[22] See, for example: Age UK, *Financial resilience in later life* (2017); FCA, *Retirement outcomes interim report* (2017); ILC-UK, *Here today gone tomorrow: how today's retirement choices could affect financial resilience over the long term* (2015); Pensions Policy Institute (PPI), *Supporting DC members with defaults and choices up to, into, and through retirement* (2015); PPI *How complex are the decisions that pension savers need to make at retirement*? (2014)

[23] See, for example: Age UK, *Later life in the UK,* (2017); Age UK, *Age friendly banking* (2016); Age UK, *Generation R: risk, resilience, ready for ageing?* (2014); Age UK, *Financial resilience in later life* (2014); Alzheimer's Society, *Short-changed: protecting people with dementia from financial abuse* (2011); Citizens Advice, *How people think about older age and pensions* (2015); CPA and NSA, *Financial wellbeing: concerns and choices among older Australians* (2012); FCA, *Ageing population and financial services*, Briefing Paper DP 16/1 (2016); Payments Council, *Consumer research with 'older old' consumers and those living with physical, cognitive or sensory disabilities* (2012)

Key points

- OPIR is a heterogeneous population and many of these differences are believed to have a bearing on financial resilience and wellbeing.
- Some people are likely to be inherently better placed than others to plan for and manage events due to the combination of resources that they are able to draw on.
- An individual's financial position upon entering retirement is considered to be a key determinant of their future pathways and choices.

3.2 What life events will OPIR need to plan for and manage in retirement?

There is broad agreement in the literature and interviews about what life events OPIR may experience during their retirement. In addition to more 'routine' occurrences (such as replacing white goods, undertaking home repairs or helping family members financially), there is an increased likelihood of having major adverse experiences, such as significant health changes and bereavement, as well as general physical and cognitive decline which may lead to increased reliance on third parties[24]. However, as many of these events will be unpredictable at an individual level, it is acknowledged that they can be difficult to plan for. Longer-term planning for later stages of retirement, including care needs, has been identified as a particular area of gap partly for this reason[25].

Another general theme from the literature and interviews is that those OPIR with assets may need to make complex financial decisions about how to use their different sources of wealth and, in so doing, consider not just their current position but also their potential future care needs as well as inheritance considerations[26]. Closely reflecting the literature[27], the experts we spoke to believe that decision-making within retirement is becoming increasingly complicated, particularly since the introduction of pension freedoms which will require many to make ongoing rather than one-off decisions.

Experts also believe that people generally don't know what to expect through the different stages of retirement. This view is supported by the wider evidence base and this has been found to impact on people's ability to estimate future income and outgoings in the context of inherent uncertainty about personal factors, such as health and longevity, as well as wider economic factors, such as inflation and interest rates[28].

> *"People don't know what to expect during retirement, particularly with respect to their potential care needs and the associated costs."* (Expert from government)

The risk of getting it wrong in this environment, particularly for the 'middle group' identified in the previous section, is believed to be high.

[24] See, for example: Age UK, *Later Life in the UK* (2017); Age UK, *Financial resilience in later life* (2014); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); Fawcett Society, *Closing the gender gap: female consumer engagement in financial products* (2017); FCA, *The ageing population: ageing mind literature review report (*2017);Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people (2016)*; Royal London, *Losing a partner the financial and practical consequences,* Parts 1 and 2 (2016)

[25] See, for example: Age UK, *Making the money last* (2017); Aviva, *Voice of new retirement* (2016); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); FCA, *Exploring consumer decision-making and behaviour at the at-retirement landscape* (2014); Money Advice Service, *Financial capability and retirement* (2016); PPI, *The financial resilience of the recently retired* (2014)

[26] See, for example: Age UK, *Later life in the UK* (2017); Age UK, *Financial resilience in later life* (2014); Money Advice Service, *Financial capability and retirement* (2016)

[27] See, for example: Age UK, *Financial resilience in later life* (2014); Money Advice Service, *Financial capability and retirement* (2016); PPI, *The financial resilience of the recently retired* (2014)

[28] FCA, *Exploring consumer decision-making and behaviour at the at-retirement landscape* (2014)

"This is a big ask of any individual. It requires them to be very financially astute and to understand longevity, inflation risk, investment risk etc." (Expert from industry)

A number of experts identified what they believe to be two distinct stages within retirement, each of which are felt to be subject to different financial priorities and pressures:

- ***Early retirement:*** When people are more likely still to be in good health and have aspirations such as spending time with grandchildren and travelling.

  > *"People in this group want to spend and have little incentive to save. They won't accept that something awful may happen so that they may need to pay for care. They have a sense of fatalism and a hedonistic approach to spending money in early retirement. They may feel very wealthy at first but potentially have 40 years ahead of them."* (Expert from industry)

- ***Later retirement (from 75/80 years onward):*** Where health-related restrictions start to apply and individuals may also be experiencing a decline in their cognitive capacity which makes them more reliant on external support, such as from family members.

  > *"They may be reluctant, initially, to spend on things that would prevent them getting worse as they are trying to save everything. Then, when have no choice, they or their family throw everything at the problem meaning that they potentially overspend."* (Expert from industry)

Key points

- There is an increased likelihood compared to other life stages of experiencing major adverse events during retirement, however these are often unpredictable and difficult to plan for.
- There will be need for many to make very sophisticated financial choices in an increasingly complex decision-making environment.
- Early and later retirement can be regarded as distinct stages, each with different priorities and pressures.

3.3 What constitutes good outcomes for OPIR?

When considering desirable outcomes for OPIR, the financial capability literature indicates the importance of a range of specific financial objectives[29], such as:

- maximising income, including by claiming benefit entitlements and shopping around/comparing prices to reduce ongoing living costs;
- ensuring that bills and essentials can be covered throughout retirement;
- managing existing debt (mortgage debt or consumer credit) and minimising future borrowing;
- having a savings buffer against irregular expenses and financial shocks;
- having financial plans for future stages of retirement that take account of the potential for circumstances to change; and
- ultimately, not running out of money.

Some additional outcomes were identified by the interviewees and within the literature[30], which are broader than financial, or relate to end benefits:

- feeling satisfied and not anxious about finances;
- feeling secure and in control financially;
- having sufficient choices available to them;
- making positive and not forced choices;
- making informed and appropriate choices, and taking responsibility;
- achieving aspirations, including to leave an inheritance;
- having sufficient resources (both financial and other) to cope with life events, including shocks;
- remaining independent and in control for as long as possible; and
- maintaining quality of life.

This more holistic view is reflected in recently published research, including Age *UK's Index of wellbeing in later life*[31] and the Money Advice Service *OPIR Financial Capability Outcomes*

[29] See, for example: Age UK, *Financial resilience in later life* (2014); Centre for Ageing Better*, Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016); Money Advice Service, *Financial capability and retirement (*2016); SIFO Consumption Research Norway, *Financial wellbeing: a conceptual model and preliminary analysis* (2017)

[30] See, for example: Age UK, *Financial resilience in later life* (2014); Aviva, *Voice of new retirement*, Aviva (2016); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016); Money Advice Service, *Financial capability and retirement* (2016)

[31] Age UK, *Index of wellbeing in later life* (2017)

Framework[32], both of which identify a range of factors, some of which go beyond purely financial outcomes. For example, the *OPIR Financial Capability Outcomes Framework* includes being 'satisfied and not anxious about their finances', 'feeling secure and in control' and being 'well placed to cope with life events'.

While the literature tends to consider good outcomes in generic terms across the OPIR population, those we spoke to acknowledged that these can vary, for example:

- Between people with different financial resources:

  "For those with low resources it's not losing essential services or housing. For the middle group, there are a lot of 'what ifs' such as the possibility of needing to set aside 50% of the value of the property to pay for their partner's care." (Expert from the third sector)

- Between people at different stages of retirement:

  "People change their views on good as they get older as reality and restrictions kick in." (Expert from industry)

Another point made by one expert is that, from a policy perspective, it is unclear what the government itself regards as good and it was suggested that this should be clarified.

Key points

- The definition, within the financial capability agenda, of good outcomes for OPIR appears to be expanding beyond purely financial considerations to consider wellbeing more holistically.
- While the literature takes a generic view of what good outcomes look like which is applied across the whole of the OPIR population, stakeholders acknowledge that amongst OPIR themselves expectations may differ, for example depending on their circumstances.

[32] Money Advice Service, *Older People in Retirement Financial Capability Outcomes Framework* (2017)

3.4 What are the required behaviours to achieve good outcomes?

The question of what behaviours OPIR require to achieve financial wellbeing can be in part answered by understanding the suboptimal behaviour and risks relevant to this population group, that are widely reported in the published evidence, and how these may be addressed. The main such examples identified in the literature[33] include:

- being unable to identify and secure the best deals, e.g. by not shopping around or making comparisons;
- not claiming benefits they are entitled to;
- for a 'a sizeable minority', struggling with day-to-day expenses and/or debt;
- being reticent to talk about money and ask for help;
- not planning for future expenditure needs, including care, at earlier stages of retirement;
- making poor investment/decumulation decisions;
- falling victim to fraud and scams; and
- generally believing myths and not exploring financial implications of different financial choices.

A range of desirable behaviours for OPIR (as well as those planning for retirement) has also been identified[34]:

- keeping track and staying in control day-to-day (which is also seen to have a bearing on people's longer term position);
- avoiding overspending relative to (current and future) income or paying over the odds for goods and services;
- also avoiding underspending on essentials or items that will enhance the individual's quality of life;
- developing a realistic forecast of likely spending needs during different stages of retirement;
- matching this to a realistic forecast of what pension and other assets will deliver in terms of income;
- making saving and investment choices that match their attitudes to risk;

[33] See, for example: Age UK, *Only the tip of the iceberg: fraud against older people* (2015); Commission for Financial Capability, *New Zealanders aged 50+: perceptions of and expectations for retirement* (2015); ILC-UK, *Here today gone tomorrow: how today's retirement choices could affect financial resilience over the long term* (2015); Money Advice Service, *Understanding retirement: a deep dive into the financial capability of older people in retirement* (2016), PPI, *Myths and rules of thumb in retirement* (2015)

[34] Age UK, *Financial resilience in later life* (2014); Demos, *Next steps in financial resilience* (2016); ILC-UK, *Here today gone tomorrow: how today's retirement choices could affect financial resilience over the long term* (2015); Money Advice Service, *Financial capability and retirement* (2016); Productive Ageing Centre and National Seniors Australia, *Financial well-being: concerns and choices among older Australians* (2012)

- identifying and working towards short and longer-term goals;
- planning ahead whilst in good health; and
- maintaining sufficient liquidity within assets to provide a buffer against shocks.

Whilst not specified in the literature, it can be interpreted that some of these actions will be particularly relevant at early stages of retirement (such as planning and forecasting), while others apply across all stages (such as keeping track and maintaining liquidity).

The new *OPIR Financial Capability Outcomes Framework*[35] particularly identifies the importance of 'making the most of money and assets', which recognises that the opportunity for further accumulation will be limited for most people once retired so making good decisions about investments and decumulation will be critical to make best use of existing resources[36]. In addition, this framework specifically highlights 'actively seeking guidance and regulated advice' as being a required behaviour, which presumably reflects the complexity of decision-making for OPIR as referred to in Section 3.2.

The experts we interviewed agree with the literature on what specific behaviour is required. Maintaining an appropriate balance between short-term and long-term considerations, and between spending and saving, is regarded as being particularly important:

> *"Not eroding savings too much but spending enough and on the right things."* (Expert from Industry)

> *"Being careful about what you spend and save. Being able to trade off immediate consumption for longer-term benefit."* (Expert from government)

While these behaviours are believed largely to apply to the whole OPIR population, for those with low financial resources and vulnerable groups, day-to-day management is felt to be disproportionately important to their overall financial wellbeing:

> *"Setting up direct payments for all bills, understanding priority versus non-priority debts, understanding their rights and responsibilities and being empowered to deal with issues themselves."* (Expert from the third sector)

In addition, the experts we interviewed identified some further behavioural factors that are regarded as being important to OPIR across the board:

[35], Money Advice Service, *Older People in Retirement Financial Capability Outcomes Framework* (2017)
[36] FCA, *Exploring consumer decisions and behaviour at the at-retirement landscape* (2014)

- ***Timing of decisions*** and, in particular, making decisions sufficiently early and pre-emptively rather than at the point of crisis. The kinds of decisions that were referred to included will planning, downsizing, making home adaptations, getting low-level domiciliary care and instituting Power of Attorney (POA) arrangements. This in turn is felt to require initiating early conversations with family about key issues such as inheritance, care preferences etc.

  "No one makes good decisions if they're in a state of emotion. They would feel more proactive if they engaged at an earlier stage." (Expert from industry)

- ***Preventative activity*** generally, including related to general health and wellbeing.

  "It's not just finances but also wellbeing - eating healthily, keeping physically, mentally and socially active. Certain things you can't predict, you can only ensure you stay as good as possible for as long as possible." (Expert from industry)

- ***Being able to adapt to changes***. As mentioned, it is not perceived to be possible to plan for all eventualities so being able to adapt and manage the unexpected is also regarded to be important. However, it is felt that this adaptability could itself be enhanced through early, preventative decision-making. It is also acknowledged that a number of decisions will not be just made on one-off basis but require revisiting and adapting in response to key life events.

- ***Resisting risky decisions and temptations***, such as treating their pension as a windfall in the early stages of retirement (or pre-retirement), gifting assets to family members in order to avoid paying for care, and short-term or fatalistic decisions generally. In addition, scams have been identified as a significant risk for OPIR across the board, so having the awareness and skills to identify potential scams, and the ability to resist the pressure applied, are perceived be important qualities.

However, there was also a view expressed that there are limits on what the majority of individuals can do themselves to achieve positive outcomes due to structural issues and, in particular, the loss of certainty in retirement incomes, with the decline in access to defined benefit index-linked pension. This led to a broader discussion about the financial capability agenda and its perceived limitations.

> *"We've moved from pooled risk to individual risk where people are affected by a number of factors outside their control like market conditions. Investment performance is much more about the environment than people's skills so a lot of what people are conceptualising about financial capability is actually luck. And the majority have modest savings which they need to invest conservatively, so they can't take advantage of the volatility of the stock market."* (Expert from academia/think tank)

Key points

- Overall, good financial behaviour is seen to encompass both managing well day-to-day and being adequately prepared for the future. As such, understanding and balancing short-term vs. longer-term considerations and spending vs. saving has been identified as a key component.
- In addition, stakeholders highlighted the importance of pre-emptive decision-making, preventative activity generally and also adapting to changes.
- Another part of the mix is perceived be having awareness of, and the ability to avoid, the potential decision-making risks relevant to this population group. The risks identified include making short-term and fatalistic decisions relating to assets and also specifically falling victim to scams.
- However, there are perceived to be limits to how much individual behaviour can affect outcomes and some stakeholders feel that efforts to improve financial capability need to be matched with an increased focus on improving the way the financial services market operates.

3.5 What are the enablers and inhibitors of the required behaviour?

There is a lot in the literature about financial capability enablers and inhibitors, and much of this is also relevant to OPIR. This covers personal factors, such as an individual's ability and mindset, as well as external influences[37]. Some of the specific ability-related factors identified by the research as important to OPIR include:

- understanding the factors that may impact on disposable income, including tax liabilities, inflation, life events, health and care needs;
- having an understanding of retirement income products and investment/decumulation options; and
- being aware of the options available to securely delegate payments and financial decisions to third parties.

Crucially, some of the literature indicates a greater influence of 'softer' factors, such as confidence, optimism and motivation, compared to financial skills and knowledge, in determining positive behaviour and outcomes[38]. The literature also highlights the complex and important interplay between health, financial security and social capital in determining levels of wellbeing in later life[39].

The new *OPIR Financial Capability Outcomes Framework*[40] refers to a number of mindset- and ability-related factors that are believed to have a significant bearing on behaviour and outcomes. For example, in order to be prepared for life events it is believed to be important that OPIR consider risks and are adaptable to changes in circumstances. The framework also acknowledges that individuals may not be able to make all of their decisions without help, so it emphasises the need for OPIR to be aware of the guidance and advice options and how to access them, prepared to ask for help, and confident in dealing with external providers of guidance and advice.

[37] See, for example: Age UK, *Later life in a digital world* (2015); Age UK, *Generation R: risk, resilience, ready for ageing?* (2014); NAB and the Centre for Social Impact, *Financial resilience in Australia* (2016); OECD, *Financial education for long term saving and investment* (2015)
[38] See for example: Age UK, *Age UK's Index of wellbeing in later* life (2017); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and* over (2015); Financial Consumer Agency of Canada, *The role of financial education in financial decisions and retirement preparedness among seniors and near-seniors* (2016); Money Advice Service, *Numeracy and financial capability: exploring the links* (2017); Money Advice Service, Understanding *retirement: a deep dive into financial capability among older people* (2016); Money Advice Service, *Financial capability and retirement* (2016); OECD, *Financial education for long term saving and investment* (2015); Think Forward Initiative, *Beyond financial literacy: the psychological dimensions of financial capability* (2017)
[39] See, for example: Age UK, *Age UK's Index of wellbeing in later* life (2017); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); Productive Ageing Centre and National Seniors Australia, *Financial well-being: concerns and choices among older Australians* (2012)
[40] Money Advice Service, *Older People in Retirement Financial Capability Outcomes Framework* (2017)

The experts we spoke to also referred to the importance of people's mindset in either enabling or inhibiting preventative action, as well as in adapting to changes. In particular, having confidence (but not over-confidence), and a positive but realistic attitude, are each felt to have a strong influence on resilience. For example, these qualities are perceived to make people better equipped to consider and plan for subsequent stages within retirement, including potential care needs:

> *"People need to be practical and not to think 'it will never happen to me'."* (Expert from industry)

However, echoing findings of published evidence[41], stakeholders also acknowledge that individuals may not be able to make all key decisions independently, even with high level skills and confidence. As mentioned previously, a key requirement for making informed decisions is believed to be understanding what to expect in retirement, including both short-term and long-term considerations, and the tradeoffs between these. However, this is believed to be particularly challenging for laypeople without expert support as they may 'not know what they don't know'. As such, they need to be willing to talk about money which means not being put off from asking for help by worries about loss of privacy, feeling embarrassed or concerns that they are 'being a burden'.

In addition, both the published literature[42] and expert stakeholders we interviewed referred to the significance of social resources to financial wellbeing and resilience. In particular, experts highlighted the role trusted family members and friends can play[43] by 'doing the little things that will make a difference' in order to help OPIR maintain control and independence for longer, as well as by offering an opportunity to discuss financial decisions and potentially also making 'protective interventions' at critical junctures if the individual is at risk of making poor choices or their own

[41] See, for example: Money Advice Service, *Financial capability and retirement* (2016); PPI, *Consumer engagement – barriers and biases* (2017)
[42] Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015)
[43] See, for example, Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016); National Bureau for Economic Research (NBER), *Financial literacy and planning: implications for retirement wellbeing* (2011)

capacity has become limited. In addition, it was felt that having strong social networks can be helpful in making people aware of their entitlements and tapping them into services, while intergenerational relationships can help older people fill skills gaps around technology and digital services[44]. On the other hand, some financial advisers had experience of clients for whom social and family influence was less positive (e.g. providing incorrect advice or pressure).

Conversely, the expert interviews (and to some extent the literature) referred to a number of what might be regarded as wider structural barriers, rather than purely personal inhibitors, of the required behaviour to achieve financial resilience and wellbeing. For example, there was extensive discussion about current challenges in accessing regulated advice, due to affordability and trust issues, and which has contributed to the so-called 'advice gap'.

Another more systemic barrier is perceived to be the well-reported societal reluctance to consider and discuss care. The combination of this being a generally negative topic, and the bad press specifically around care homes, has meant that it is a 'no go' subject for many, until the point of need. This contributes to low awareness of the current provisions and requirements for personal contribution.

Other perceived broader barriers[45] include:

- the well documented present bias and a reluctance to think too far into the future or acknowledge longevity risk;
- persistently high levels of passivity and inertia;
- risk aversion amongst OPIR, generally, and women in particular; and
- mistrust of financial services products and providers.

A further general challenge identified relates to a view that people's cloth has already been cut to a large extent by what they have accumulated pre-retirement, and there is consequently a limit to what those with insufficient pension savings can do to improve their financial circumstances once in retirement:

> *"£48,000 in a defined contribution pension is not enough and there's a limit on what can be done with this. The clarion call needs to be for people to do more at the pre-retirement stage."* (Expert from government)

[44] Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015)

[45] See, for example: Age UK, *Financial resilience in later life* (2014); Centre for Ageing Better, *Later life in 2015: an analysis of the views and experiences of people aged 50 and over* (2015); Citizens Advice, *How people think about older age and pensions* (2015); Commission for Financial Capability, *New Zealanders aged 50+ perceptions of and expectations for retirement* (2015); Fawcett Society and Pinset Masons, *Closing the gender gap: female consumer engagement in financial products* (2017); Fawcett Society, *Closing the pensions gap* (2016); FCA, *Ageing population and financial services*, Occasional Paper 31 (2017); FCA, *Exploring consumer decision-making and behaviour in the at-retirement landscape (*2014); ILC-UK, *Here today gone tomorrow: how today's retirement choices could affect financial resilience over the long term* (2015); Money Advice Service, *Understanding retirement: a deep dive into financial capability among older people* (2016); Money Advice Service, *Financial capability and retirement* (2016); PPI, *Consumer engagement: barriers and biases* (2017); PPI, *Supporting DC members with defaults and choices up to, into, and through retirement* (2015)

In addition, experts believe that a range of abilities (e.g. financial and digital literacy, general planning skills etc.) are learned at earlier life stages and unlikely to be first developed or significantly improved during retirement.

> *"People don't change, their behavioural characteristics don't change. So those who applied the right behaviours pre-retirement will also do this post-retirement, not withstanding changes in cognitive capacity. Planners likely to be better placed as they're thinking ahead all the time and they don't have their head in the sand."* (Expert from government)

Key points

- Potential influences on the behaviour of OPIR are many and varied, and include factors related to individuals' mindset and ability levels, as well as wider structural and systemic considerations.
- The factors identified relate not only to independent decision-making but also to being aware of, prepared to seek, and confident in dealing with, external guidance and advice where required.
- The role of social resources and, particularly, informal support from family members, has been highlighted as an important enabler (as well as an occasional risk).
- On the other hand, a number of wider barriers to financial resilience and wellbeing have been identified, including the well-reported (regulated) advice gap and the societal reluctance to consider care needs.
- In addition, an individual's position in retirement will to a large degree be shaped by the resources they have built up and abilities they have acquired in earlier life stages. Consequently, there is a limit to how much an OPIR can change their course. This is also relevant to the next section on what external interventions could help.

3.6 What could help make a positive difference?

As other literature reviews have identified, there is little in the way of high validity studies that evaluate the impact of relevant interventions[46], however there is some anecdotal evidence which can be used to build a picture of what could help make a positive difference. It is worth noting, however, that the main focus in the literature is on interventions targeting vulnerable consumers in retirement.

The published research[47] and expert interviews suggested some generally desirable qualities of interventions, which include:

- Tapping into 'teachable moments' when people are more likely to be receptive and to engage. These could even be challenging life events, such as bereavement or time in hospital, if they provide the impetus for personal reflection. Evidence also suggests that housing-related changes and decisions related to home adaptations for independent living can provide a trigger for financial capability interventions targeting OPIR.
- A range of organisations, especially those that already have a working relationship with older people, taking an active role in the proactive identification of people who are likely to be in need and referring them to appropriate services.
- Building on family, friendship and peer networks as trusted sources of information and advice.
- Services themselves being provided face-to-face on an outreach basis so that they are accessible, and over a sufficiently long period to effect change.
- Approaches that are dynamic, flexible and able to take a 'whole-person' approach as the presenting question does not always reveal the underlying need and the solution may require co-ordination of several elements.
- Careful framing of information, options and choices to maximise engagement and increase the likelihood of OPIR adopting desirable behaviours.
- Interventions being designed to build confidence, support autonomy and, ideally, equip people with the tools to take the next step themselves.

One study worth highlighting is a randomised control trial designed to assess the impact of financial coaching on the financial wellbeing of individuals in the US. It concluded that the coaching model –

[46] See for example: Money Advice Service, *What works? A review of the evidence on financial capability interventions and older people in retirement* (2016); Money Advice Service, *Financial capability and retirement* (2016)

[47] See, for example: Age UK, *Financial resilience in later life* (2014); Care and Repair, First Stop Advice for Older People*, An independent evaluation of local services*; Citizen's Advice, *How people think about older age and pensions* (2015); FCA, *Exploring consumer decision-making and behaviour at the at-retirement landscape (*2014); Financial Consumer Agency of Canada, *The role of financial education in financial decisions and retirement preparedness among seniors and near-seniors* (2016); Money Advice Service, *Financial capability and retirement* (2017); Money Advice Service, *What works? A review of the evidence on financial capability interventions and older people in retirement* (2016); Money Advice Service, *Financial capability and retirement* (2016); PPI, *Consumer engagement: the role of policy through the life course* (2017)

whereby the approach is adapted according to the priorities, strengths and weaknesses of individual participants – distinct from models based on teaching methods, is successful in supporting behaviour change and improving financial wellbeing[48]. While this intervention was focused on working-aged people rather than OPIR there may be some read across.

Technology is also seen to have a role to play for those able to 'self-serve', at both pre- and post-retirement lifestages. For example, development of digital tools and portals enabling more personalised information to be made available, as well as better tools for comparing retirement income products, is identified in the literature as having merit[49]. However innovations in these areas will only be useful to those who are digitally confident, financially skilled and already engaged.

In the interviews an opportunity was identified for proactive interventions that are specifically directed at raising awareness of the different stages in later life and associated considerations, including with respect to care.

> *"The first step is being aware of the options and requirements. This will mean people will be more mindful and likely to make an informed decision. Some people haven't ever looked at the care world so they're angry and frustrated rather than accepting of the situation. They should regard care planning as part of general retirement planning."* (Expert from industry)

There is a strong view that tailored interventions rather than generic guidance will be most helpful to OPIR due to the complexity of decisions they will be faced with, as reported in the previous sections. Financial advisors have been identified as a trusted intermediary for some OPIR and as being well-placed to 'nudge' consumers to consider their later life needs, such as the potential for future ill-health, the need for long-term care and/or reliance on third parties for help with financial matters[50]. However, experts noted the regulated advice gap and a couple suggested that there is an opportunity for an additional service which represents a 'half-way house' between regulated advice and guidance:

> *"People for whom regulated advice is not cost effective still need more than guidance so they get help from someone who can put all of the bits together for them in more than just a 45 minute call."* (Expert from industry)
>
> *"The issue is that guidance is completely generic but advice has a very high compliance bar so it's expensive to provide. There's scope for a category in between, which takes personal circumstances into account but bar isn't as high as for regulated advice."* (Expert from industry)

[48] Consumer Financial Protection Bureau, *Financial coaching: a strategy to improve financial wellbeing* (2016). It should be noted, however, that this study did not compare financial capability outcomes from teaching and coaching approaches.
[49] See, for example, Citizens Advice, *How people think about older age and pensions* (2015); PPI, *Consumer engagement – barriers and biases* (2017)
[50] FCA, *Ageing population and financial services,* Occasional Paper 31 (2017)

The Pensions Policy Institute makes a persuasive argument for the development of 'rules of thumb' around retirement saving to fill the advice gap that, while not personalised, offer a broad guide to people around actions they can take and are designed to benefit most people, most of the time[51].

In addition, there was a view expressed that more could be done to alert people to retirement considerations in the pre-retirement stages, when people will have more opportunity to influence their financial position by making appropriate accumulation decisions. One of the experts interviewed for this research believed there could be merit in revisiting and developing the idea of a 'midlife MOT'. One evidence source similarly suggested that people could be prompted to think about longer-term planning and pension choices at points such as when claiming or discontinuing a benefit, buying a house, or experiencing a change in their relationship or employment status[52].

Not all suggestions, however, related to ways of improving individuals' financial capacity. Drawing on learning from behavioural economics (e.g. about people's tendency for inertia and lack of engagement with financial services), it was felt by some that changes to the choice architecture would also be needed to improve outcomes for OPIR:

> *"Choices need to be really simple. Ideally, there should be good standard products, that aren't dangerous, are well costed and give a reasonable return, that people can select as a default. It drives me bananas how savings rates revert to zero after an introductory period as this makes even decisions on bank savings products more complex than they should be. There should be effort to limit the extent to which people have to return to decisions."*
> (Expert from academia/think tank)

This fits with Age UK's own view that efforts on improving financial capability need to be matched with an increased focus on improving the way the financial services market operates, such as by:

> *"…providing products and services which go with the grain of consumer behaviour rather than expecting people to become that mythical being, the 'perfect consumer'."* [53]

[51] PPI, *Myths and rules of thumb in retirement* (2015)
[52] Citizens Advice, *How people think about older age and pensions (*2015)
[53] Age UK, *Financial resilience in later life* (June 2014)

Key points

- There is little definitive within the literature about impactful interventions but anecdotal evidence suggests characteristics of interventions that are likely to be effective.
- The experts felt that tailored support that considers the individual's circumstances holistically will have most value to OPIR, given the range and complexity of choices that they face. However, it is acknowledged that there is a gap in the provision of this type of service outside the formal regulated advice sector.
- An important initial objective for external intervention is perceived to be raising people's awareness of the different stages of later life and what to expect during these.
- Tapping into teachable moments has been identified, both by the literature and experts, as an opportunity, and this could include suitable junctures in pre-retirement.
- However, increasing the financial resilience and wellbeing of OPIR is regarded by stakeholders to require more than just efforts to increase their financial capability. Improving the way financial markets operate, and providing products and services that go with the grain of consumer behaviour, are regarded as being equally if not more important.

4. Initial conclusions

As there will be second stage of research, involving qualitative research with consumers, the focus of these conclusions is on identifying learning from Stage 1 that is relevant to this next stage:

- Findings from Stage 1 support the intention to treat wealth and stage of retirement as the main socio-demographic distinctions in the sample. We recommend using income as the main measure of wealth, as other similar research studies have done, to recognise that some people may be asset rich but income poor. Findings from stage 1 suggest that less than 10 years/10 years+ and/or 75 /75+ years of age may be appropriate distinctions with respect to stage of retirement.
- The sample for stage 2 will also split out people who are defined as being more and less well placed to deal with life events. The evidence from Stage 1 suggests that the screening questions used to classify respondents on this basis should include a mix of questions including measures relating to day-to-day financial management, financial confidence, considering the future/planning ahead and having resources to cope with unexpected events.
- The findings from Stage 1 also suggest some fertile territory for the discussion questions, including to test hypotheses from the initial research. Some initial suggestions for consideration are provided below:
    - What are the best things / main challenges /biggest shocks participants have experienced so far?
    - How does the experience so far compare to what they thought retirement would be like?
    - Most significant decisions/actions they have taken so far – both to plan ahead and adapt to/cope with unexpected events - and who was involved
    - What has been most helpful to them in dealing with events so far?
    - What they wish they would have done / done differently?
    - What help/support do they wish they had access to?
    - What do they expect from the future?
    - What, if any, forward plans/provisions do they have in place?
    - What more do they feel they need to do and how easy/difficult is it to do this?
    - Overall, how would they define ‘good outcomes’ for older people during retirement (and how does this compare with the literature/expert view)?
    - Overall, how would they characterise a retired person who is ‘well placed to deal with life events’ during retirement and how similar/different is this person to them?

(We may wish to ask consumers to populate their own financial capability framework as an exercise.) What are the most important among these factors?

- What is the one thing that would make most difference to how well placed they feel to deal with future event life events?
- What advice would they give others entering retirement with respect to being well placed to deal with life events?

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56. UND Human Development Office, *Life cycle transitions and vulnerabilities in old age* (2014)

Appendix 2 – Interviewee list and discussion guide

A2.1 Interviewee list

Name	Role / relevant experience
1. Caroline Bielanska	Solicitor and Consultant
2. Brian Calvert	Financial Advocate, Advice Services Age UK Croydon
3. Tim Fassam	Head of Public Policy at Prudential
4. Katherine Hill	Senior Research Associate at Centre for Research in Social Policy
5. Robin Keyte	Independent Financial Adviser
6. Sarah Luheshi	Deputy Director of The Pensions Policy Institute
7. Catriona Lumiste	Later Life Adviser & Care Fees Planning Specialist
8. Lee McGill	Senior Policy Manager, Social Care Funding Reform & Charging, at Department of Health
9. Debora Price	Professor of Social Gerontology at University of Manchester
10. Chris Quince	Head of Consumer Affairs at Barclays
11. Melinda Riley	Head of Policy, Technical and Advocacy at the Pension Advisory Service
12. Andrea Rozario	Chair of Bower Retirement (Independent Equity Release Advisers)
13. Jackie Wells	Independent Policy and Strategy Consultant (has conducted research on later life borrowing for Council of Mortgage Lenders)

We would like to thank all of these experts for taking part in this research.

A2.2 Discussion guide

<table>
<tr><td>Introduction</td><td><u>Explanation of the research:</u>
Age UK has commissioned this review of financial resilience in retirement. It is particularly looking to identify what constitutes a retired person who is ‘well placed’ to deal with life events during retirement. Emphasise that our interest is in the time from retirement onwards (and not pre-retirement). Also clarify that we are interested in all life events, both major and day-to-day
Collaborate Research is an independent research agency and we have been tasked with supporting Age UK in this review, which will include a rapid evidence assessment of the available literature supplemented by a small number of interviews with experts in the field.
The learning from this work will feed into the Money Advice Service’s Older People in Retirement Steering Group which is advising on the Financial Capability Strategy for the UK.
The outputs will be an internal presentation and report for publication. We will seek permission for any content we would wish to attribute to you, and check the specific wording with you.
<u>Participant introduction:</u>
Name, role, length of time in post, previous relevant roles.
Which OPIR cohorts do you have particular experience of (different demographic groups, stages of retirement, personal circumstances or resources)?</td></tr>
<tr><td>Context and desirable outcomes</td><td>What can an individual realistically expect in retirement? Probe for both positive events/aspirations and challenges/shocks? Probe: different types of life events, both major (e.g. bereavement, separation, moving house, needing care, significant health changes etc.) and day-to-day (e.g. white good replacement, helping family etc.)
What are the possible stages/pathways within the retirement journey for your cohort/for different types of retirees? Probe: (a) the types of event that certain cohorts are more likely to experience; and (b) the different resources they have available to respond to those events
What does good (and not good) look like in terms of financial resilience/wellbeing outcomes in retirement for your cohort/for different groups of retirees? Probe:</td></tr>
</table>

	○ Day-to-day financial security ○ Achieving goals and aspirations ○ Longer-term financial security ○ Financial resilience/adaptability • To what extent are these desirable outcomes consistent with other life stages and how do they differ? Look out/probe for management of existing resources and decumulation; u-shaped spending curve; preparation for care needs; response to shocks such as ill health, bereavement; access to information and advice
Required behaviour	• What sorts of specific behaviours are needed to achieve these positive outcomes, bearing in mind there may be more than one way to being successful? Probe: ○ Actions taken prior to retirement/previous behaviour ○ One-off actions during retirement ○ Ongoing behaviour/habits during retirement ○ Plans and preparations ○ Response to unexpected events • If/how do required behaviours differ between people with different resource levels (e.g. income/wealth – high/average/low, stage of retirement, health and social resources)? And if/how would they vary between people experiencing different circumstances/life events through retirement? • Do you have any specific examples (pen portraits) of good (or bad) practice among people in retirement that you are drawing from in determining these required behaviours? (Look out/probe for mentions of shopping around, claiming benefits, paying bills, repaying debts/mortgages, preparedness to talk about money, planning for care needs and other eventualities, response to unexpected)
Factors influencing behaviour, including enablers and inhibitors	• To what extent are these required behaviours consistent with other life stages and how do they differ? • If/how do required behaviours differ between day-to-day vs. longer-term financial management? • Is there a hierarchy of importance among these required behaviours? How would you prioritise them? Which are most important overall?

	• What are the main factors that can either enable or inhibit the required behaviours? Probe: ○ Automated behaviours including habits, rules of thumb and cognitive biases ○ Skills & knowledge including numeracy, digital literacy/connectivity etc. ○ Attitudes, motivations and mindset, including levels of financial interest, confidence and realism etc. ○ Circumstances and resources, including income/wealth, physical and cognitive health, support networks; access to information/advice etc. – and how do different circumstances/resources interact with other potential enablers/inhibitors above? ○ Specific triggers or barriers to considering financial plans • Do you have any specific examples (pen portraits) of enablers and inhibitors in action? • Taking account of individuals' different circumstances and resources, what could be done to help retirees overcome inhibitors and barriers? Probe fully • What sorts of interventions and intermediaries can make a positive difference? Any existing evidence on what works?
Summing up, existing evidence and gaps	• Sum up what you believe is already known about the characteristics of someone who is well placed for later life? What is the key existing literature/evidence (including any unpublished reports/research, including segmentations of the cohorts you work with)? Can you send/point us to these sources? • What more do we need to know to determine the qualities of someone who is well placed for later life? Where are the evidence gaps? • Thank and close – remind participant about seeking permission for any attributed content