Office for National Statistics

Article

Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, credit commitments and debt burden, July 2014 to June 2016

Preliminary estimates for Great Britain from the Wealth and Assets Survey using attitudinal data which are not dependent on the thorough checking and imputation methodology required for the production of the main wealth estimates from the survey.

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Release date:
9 March 2017

Next release:
28 June 2017 (provisional)

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1 . Main points

- In the period July 2014 to June 2016, of all adults questioned, 40% believed employer pension schemes were the safest way to save for retirement, broadly similar to 2012 to 2014 (39%), though an increase on 2010 to 2012 (35%).

- 46% considered that property would make the most of their money in 2014 to 2016, an increase on 2012 to 2014 when this figure was 43%.

- Almost a third (32%) of those who expected occupational or personal pensions to provide income in retirement were not currently contributing to a pension with almost half of them (46%) reporting “low income, not being in work or still in education” as the reason.

- Over half (51%) of adults questioned in July 2014 to June 2016 were confident that their retirement income would give them the standard of living they hope for, a figure that has increased from 41% in July 2012 to June 2014.

- In July 2014 to June 2016, the percentage of adults who were able to keep up with bills and credit commitments without any difficulty increased to 59%, from 52% in 2012 to 2014.

- The percentage of adults who did not consider their non-mortgage debt to be a problem at all increased from 66% in July 2012 to June 2014 to 70% in July 2014 to June 2016.

2 . Things you need to know about this release

The Wealth and Assets Survey (WAS) is a longitudinal survey carried out by the Office for National Statistics (ONS), which aims to address gaps identified in data about the economic well-being of households in Great Britain. It gathers information on, among others: level of assets, savings and debt; saving for retirement; how wealth is distributed among households or individuals; and factors that affect financial planning.

Respondents are questioned every 2 years with each 2-year period forming a “wave”. Wave 1 covered the period July 2006 to June 2008, with subsequent waves carrying on continuously from this date. Wave 5 of the survey covers the period July 2014 to June 2016. The survey is currently in its sixth wave of interviewing.

The main results from wave 5 will be published around December 2017. This publication is intended to provide more timely metrics and add value before the main delivery of data.

Early indicators are derived from simple frequency counts of variables included in the questionnaire. They are produced before any imputation is carried out. Imputation is crucial to the estimation of wealth measures, therefore, at present, measures of wealth will not be provided. The questions best suited to be used as early indicators are “opinion” questions or those relating to “ownership” of a particular asset. The set of indicators included in this release is not fixed and will be varied over time, taking into account the views and priorities of main users.

Unless otherwise stated, questions were asked of all non-proxy eligible adults (those aged 16 or over and not in full-time education who responded in person to the questionnaire).

Full weighting of respondents has been applied to the data in this release to take account of the varying sampling probabilities and attrition between waves. For waves 4 (July 2012 to June 2014) and 5 (July 2014 to June 2016), the non-proxy respondents have been grossed up to recognised population totals. For wave 3 (July 2010 to June 2012), the weighting grossed all respondents, including proxies, to recognised population totals. While this makes relatively little difference to the percentages in each category, it impacts on the weighted frequencies in the accompanying data tables.

No significance testing has been carried out on these data.

Additional tables and data

The data tables accompanying this release contain some more detailed estimates, including quarterly time series and cumulative data, as well as the weighted frequencies of each of the relevant categories.

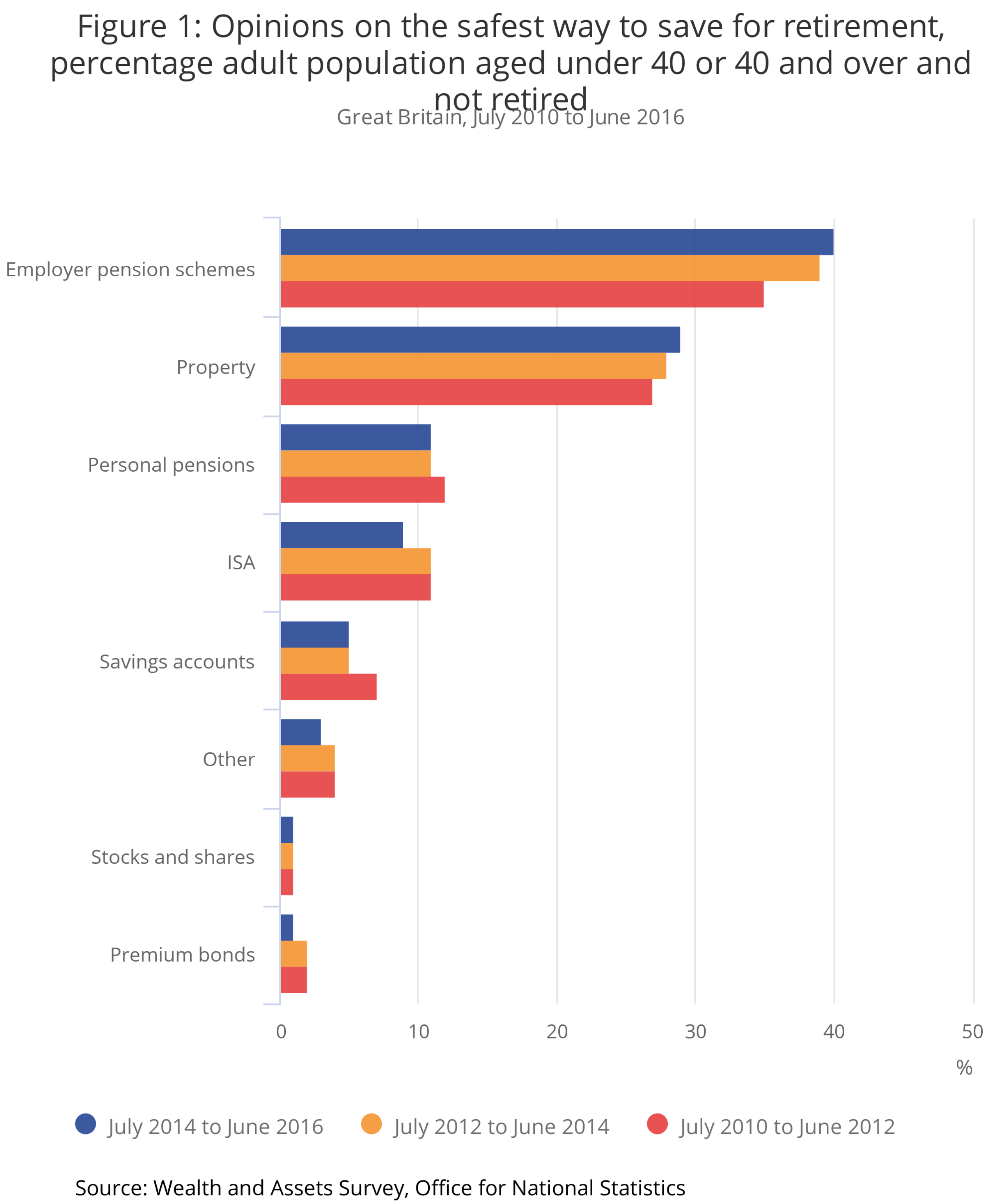
3 . Attitudes towards saving for retirement

Sources of savings for retirement

There are a variety of ways in which people can save for their retirement including pension schemes, savings accounts, investment in property and other investments. Wealth and Assets Survey respondents aged under 40 or 40 and over and not retired are asked to choose one option from a list of possible options to identify the one they consider to be the safest way to save for retirement (see Annex 1 for full details of the questions and answer options). In a separate question, they are also asked to select from the same list, the one option which they consider will make the most of their money.

Figure 1: Opinions on the safest way to save for retirement, percentage adult population aged under 40 or 40 and over and not retired

Great Britain, July 2010 to June 2016

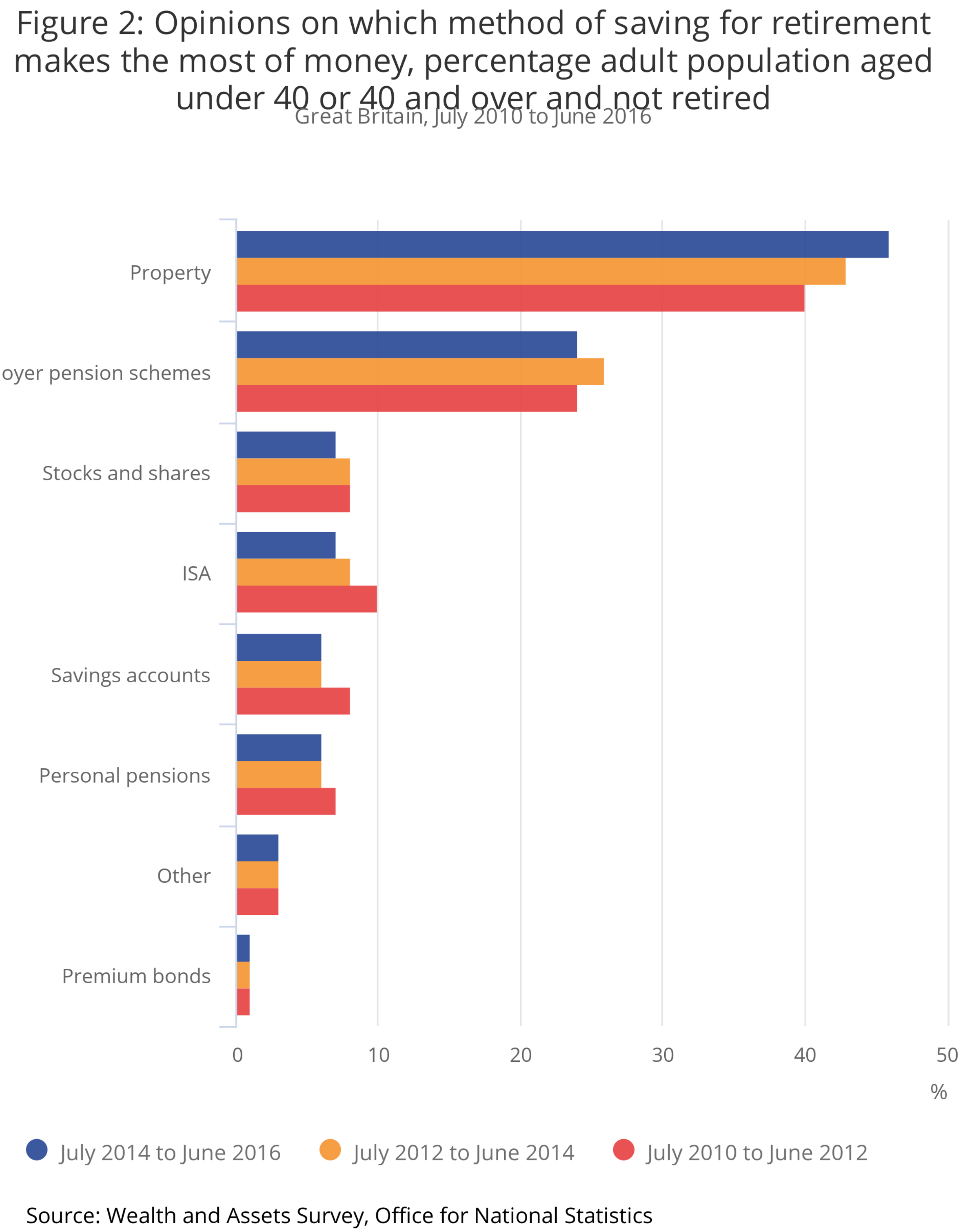


Source: Wealth and Assets Survey, Office for National Statistics

In the period July 2014 to June 2016, employer pension schemes were considered to be the safest way to save for retirement with 40% identifying this as the safest way, compared with 29% for property, the next most popular option (Figure 1). These have been the top 2 options since July 2010, though with the percentage of individuals choosing these options increasing over time. While for property the percentage of people holding this opinion has increased consistently, for employer pension schemes there was a sharp increase in people holding this opinion between July 2010 to June 2012 and July 2012 to June 2014, from 35% to 39%, but this has remained broadly similar since then. Stocks and shares and premium bonds were considered the safest options by the fewest number of people.

Figure 2: Opinions on which method of saving for retirement makes the most of money, percentage adult population aged under 40 or 40 and over and not retired

Great Britain, July 2010 to June 2016

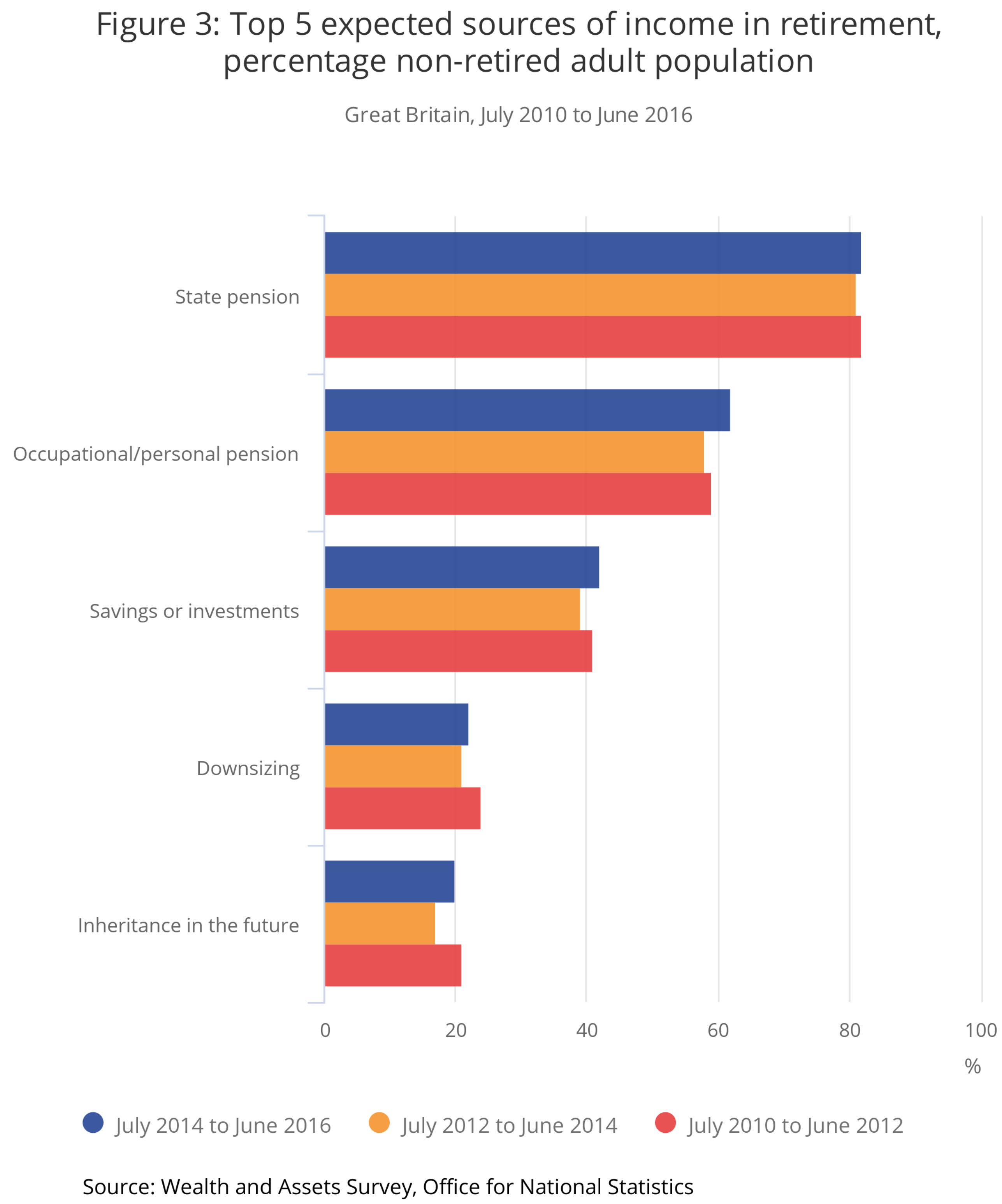


Source: Wealth and Assets Survey, Office for National Statistics

When considering which method of saving will make the most of an individual's money, property was the most popular option, chosen by 46% of the population in July 2014 to June 2016, compared with 24% for employer pension schemes (Figure 2), the second most popular option. Over the last 6 years, as with opinions over the safest way to save for retirement, the percentage of people identifying property as making the most of their money has been increasing, which may reflect a growing confidence in property prices since July 2010. In contrast, the popularity of ISAs and savings accounts has been decreasing, possibly reflecting low interest rates over this period affecting people's attitudes towards these types of investments.

Figure 3: Top 5 expected sources of income in retirement, percentage non-retired adult population

Great Britain, July 2010 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

Figure 3 shows the top 5 expected sources of income in retirement. Respondents who have not yet retired were asked to select all the sources they expect to provide income in their retirement from a list of 15 options. The State Pension has been the top option consistently since July 2010 with a broadly similar percentage of respondents selecting this option throughout the period.

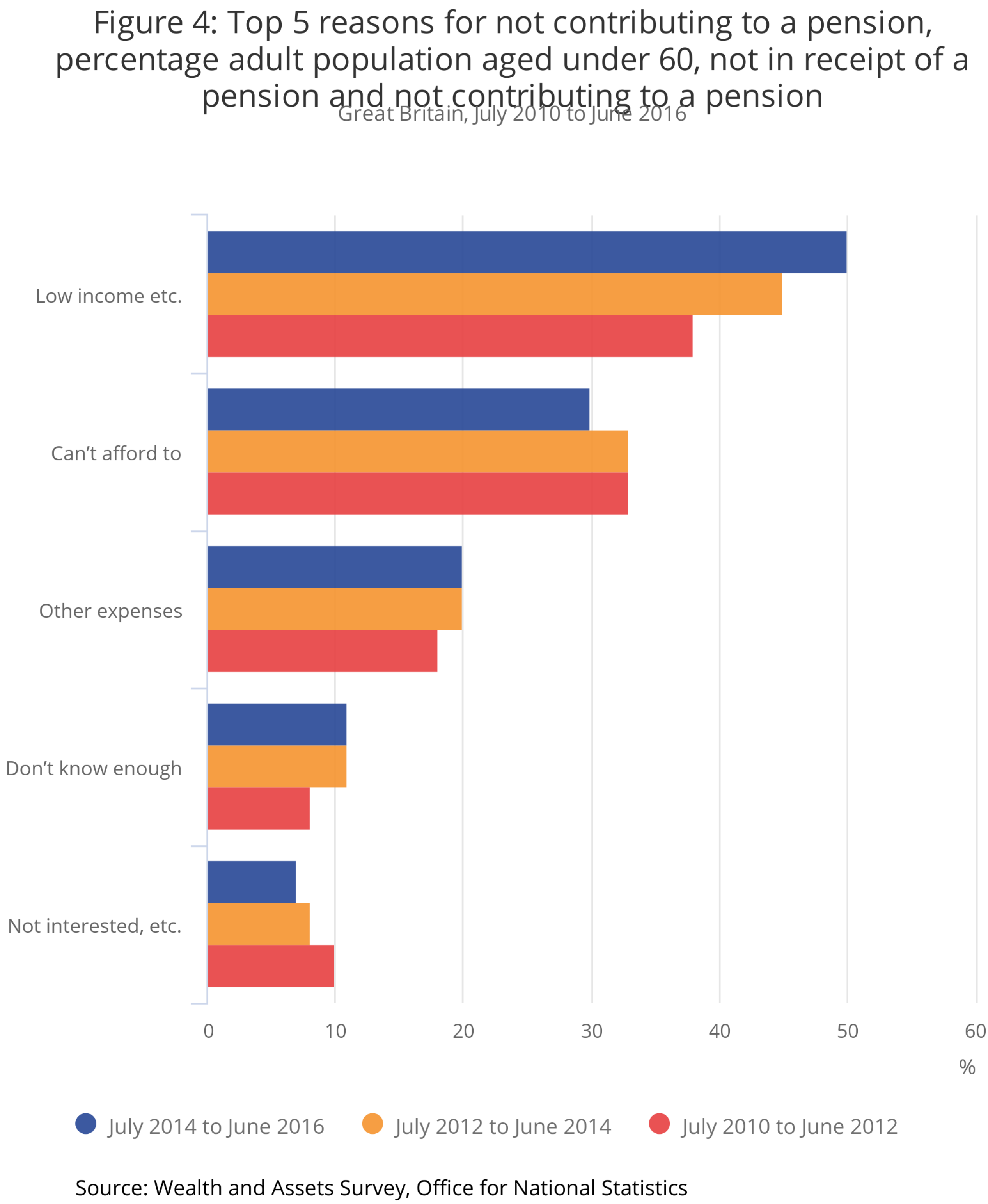
The next most popular option was occupational or personal pensions. Although 62% of respondents in July 2014 to June 2016 expected occupational or personal pensions to provide money for their retirement, almost a third of these (32%) were not currently contributing to a pension. It is therefore important to understand people's reasons for not contributing to a pension and whether these are changing.

Respondents aged under 60, not in receipt of a pension and not currently contributing to a pension were asked to select all their reasons from a list of 15 possible reasons for not contributing to a pension. Between July 2014 and June 2016, the most frequently reported reason was "low income or not working or still in education" with 50% of respondents selecting this option (Figure 4). Although this has been the most frequently chosen reason since July 2010, the percentage of people choosing this option has been increasing over the period.

In contrast, in July 2014 to June 2016 there was a decline in the percentage of people reporting that they can't afford to contribute to a pension, 30% down from 33% in July 2010 to June 2012. There has also been a decline in the percentage of people identifying "not interested, not thought about it or got round to it" as a reason, from 10% in July 2010 to June 2012 to 7% in July 2014 to June 2016.

Figure 4: Top 5 reasons for not contributing to a pension, percentage adult population aged under 60, not in receipt of a pension and not contributing to a pension

Great Britain, July 2010 to June 2016

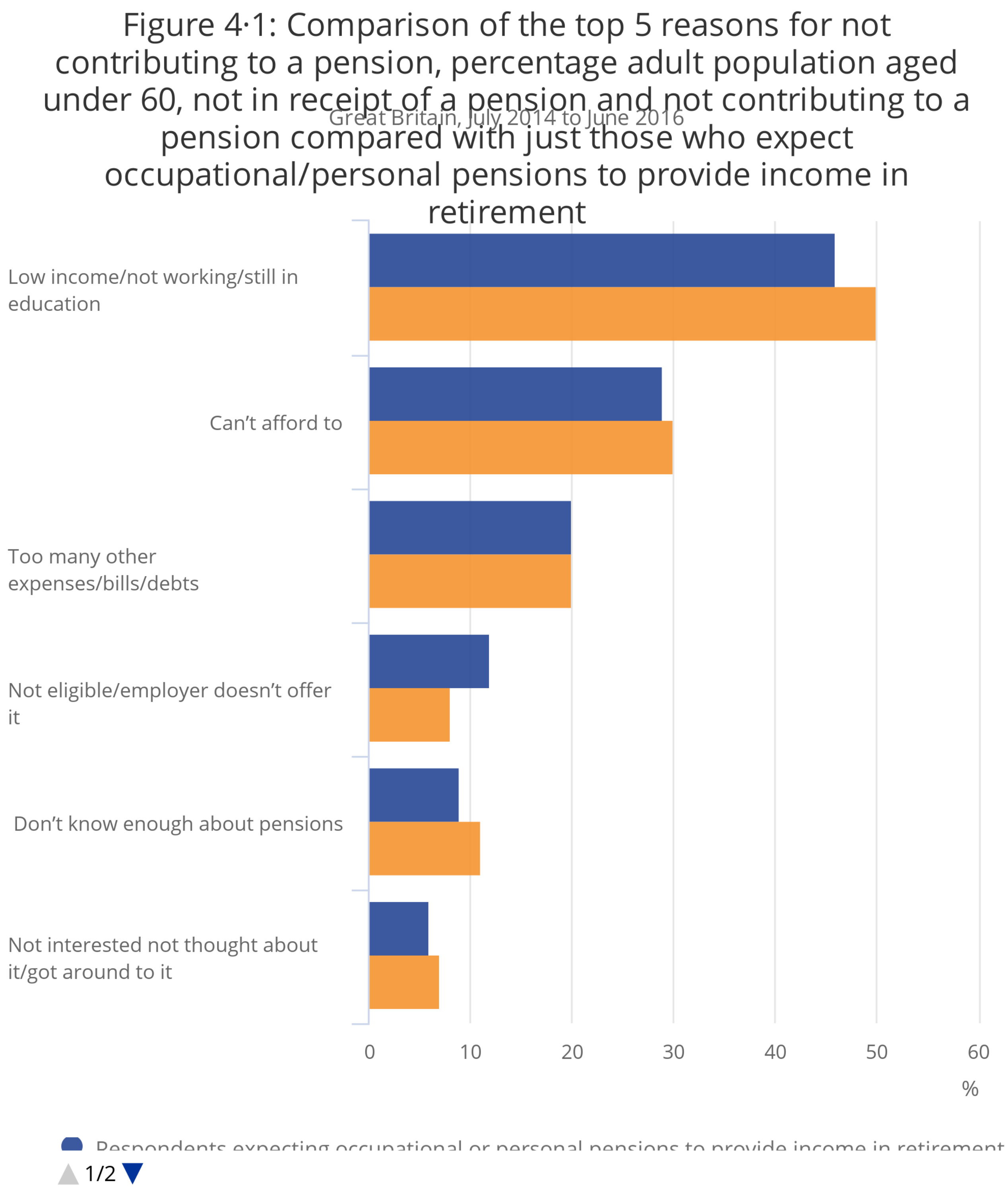


Source: Wealth and Assets Survey, Office for National Statistics

When considering just those respondents to this question who expect occupational or personal pensions to provide income in their retirement in July 2014 to June 2016, the top 5 reasons for not contributing are similar (Figure 4.1). In this case, while the top 2 reasons are the same, the third most commonly selected option by those expecting occupational or personal pensions to provide income in their retirement was that they are “not eligible or employer doesn’t offer it”, with 12% of these respondents selecting this option compared with 8% for all respondents to this question.

Figure 4·1: Comparison of the top 5 reasons for not contributing to a pension, percentage adult population aged under 60, not in receipt of a pension and not contributing to a pension compared with just those who expect occupational/personal pensions to provide income in retirement

Great Britain, July 2014 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

Source: Wealth and Assets Survey, Office for National Statistics

In 2012, the government introduced major workplace pension reforms, known as automatic enrolment, to encourage more people to save for their retirement. This means that eligible employees are automatically enrolled into an employer pension scheme. The changes in the reported reasons for not contributing to a pension may have been affected by these reforms.

A recent Department for Work and Pensions publication, Automatic Enrolment evaluation report 2016 reports an increase in the number of UK employees participating in a workplace pension between the introduction of the reforms in 2012 and 2015. This means that people are more likely to be contributing to a pension in July 2014 to June 2016 than they were before this. As those who have started a pension between successive periods are then excluded from the data, the composition of the remaining sample changes. As a result, the number who are not eligible for automatic enrolment, due to low income, not being in work or being in education, is likely to increase as a percentage of the lower number not in a pension scheme.

Expectations of retirement

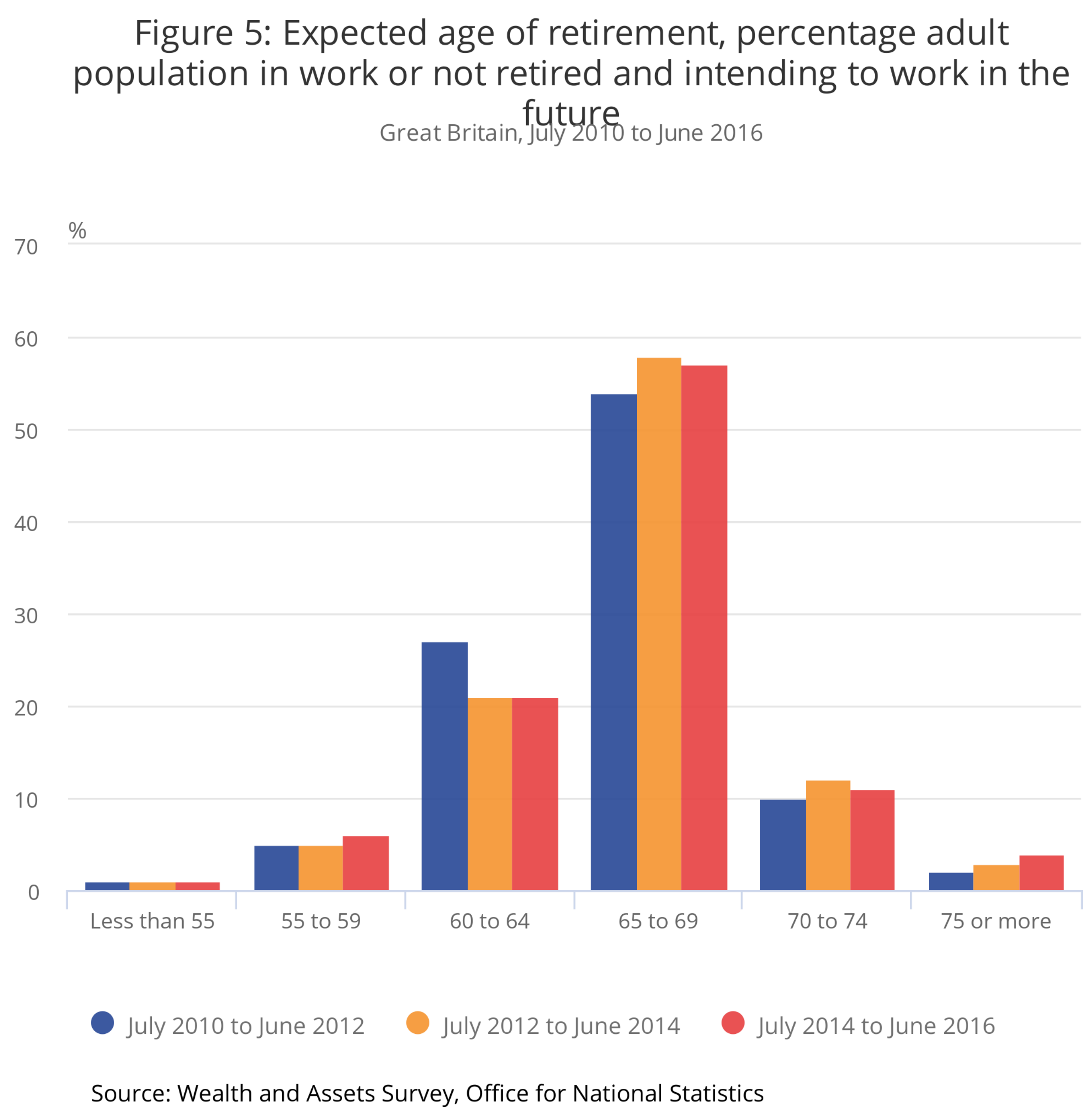
The Wealth and Assets Survey includes a number of questions relating to expectations of retirement, specifically the expected age of retirement, the expected duration of retirement and the level of confidence in the standard of living that will be afforded by retirement income.

Expected age of retirement

In July 2014 to June 2016, a majority of those currently in work or not retired and intending to work in the future (57%) expected to retire between ages 65 and 69 (Figure 5). This has been the most commonly reported expected age of retirement since July 2010. There was a sharp decline in the percentage of people expecting to retire between 60 and 64 between July 2010 to June 2012 and July 2012 to June 2014, from 27% to 21%, accompanied by increases in percentages expecting to retire in the older age groups. Since then expectations have remained fairly stable.

Figure 5: Expected age of retirement, percentage adult population in work or not retired and intending to work in the future

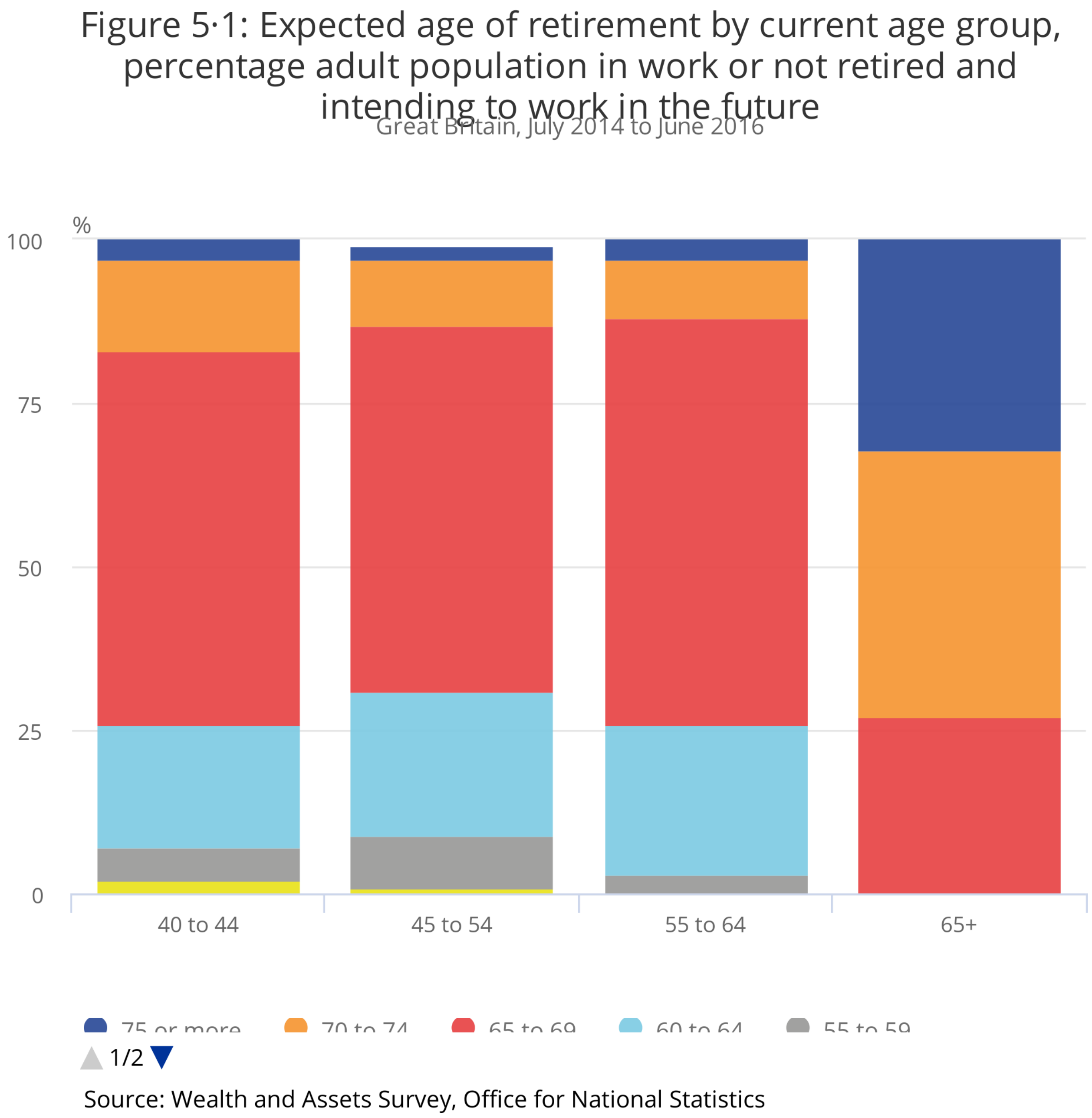
Great Britain, July 2010 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

Figure 5·1: Expected age of retirement by current age group, percentage adult population in work or not retired and intending to work in the future

Great Britain, July 2014 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

Notes:

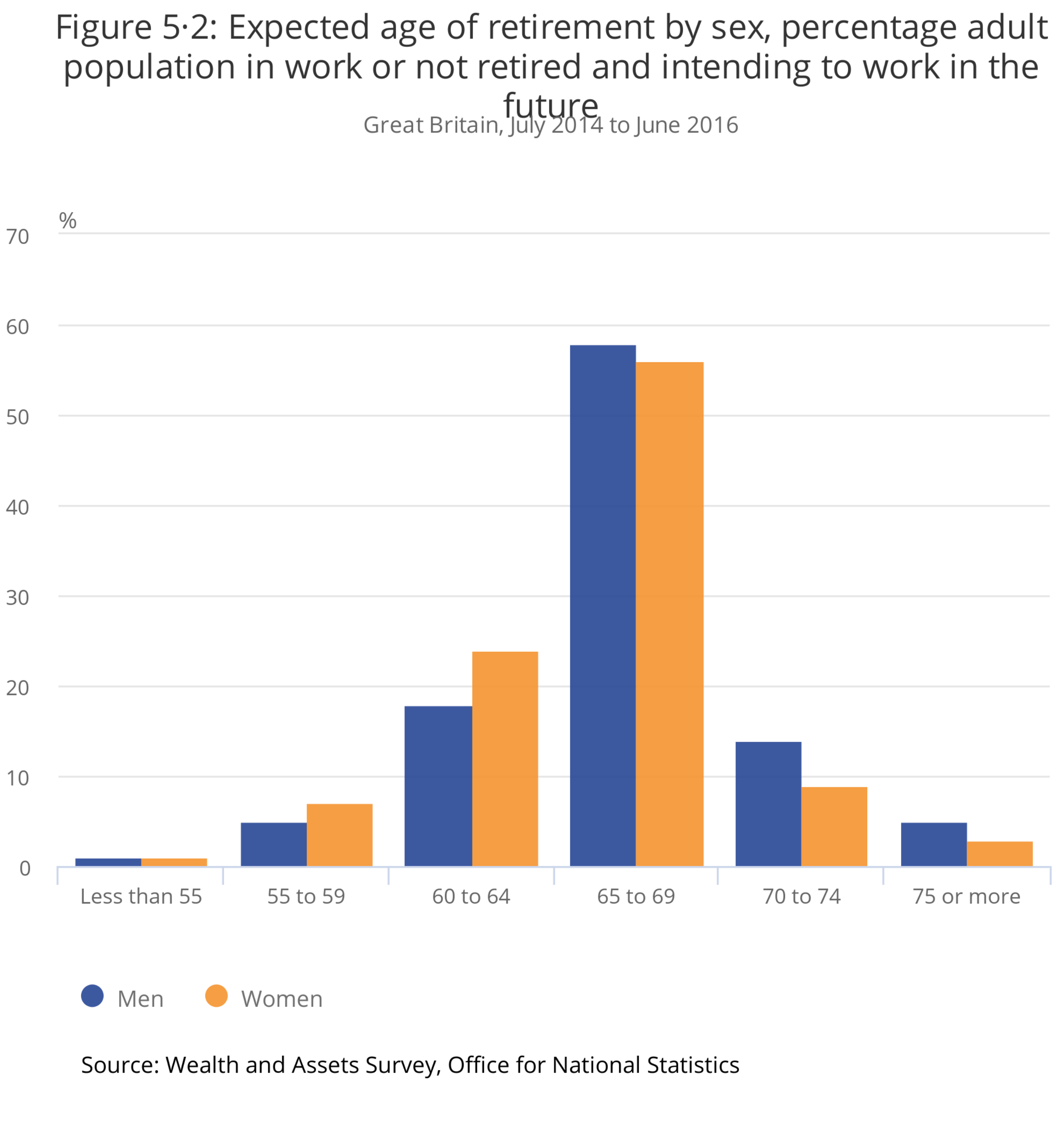
1. Figures may not sum to totals due to rounding

In July 2014 to June 2016, most people aged between 40 and 64 expected to retire when they are aged between 65 and 69 (Figure 5.1). The results for the 65 and over age group reflect the fact that these respondents are already aged 65 or over and are currently in work or not retired and intending to work in the future. Combined with a smaller number of applicable respondents in this age group compared with the other age groups, this gives rise to a different pattern of expected age of retirement. Of all those aged 65 or over, 40% expected to retire aged 70 to 74 and a further 32% expected to work until aged 75 or more.

In general, men expected to retire later than women, with 76% of men expecting to retire over the age of 64 in July 2014 to June 2016 compared with 68% of women (Figure 5.2). Similarly a higher percentage of women expected to retire between 60 and 64 (24%) than men (18%).

Figure 5·2: Expected age of retirement by sex, percentage adult population in work or not retired and intending to work in the future

Great Britain, July 2014 to June 2016

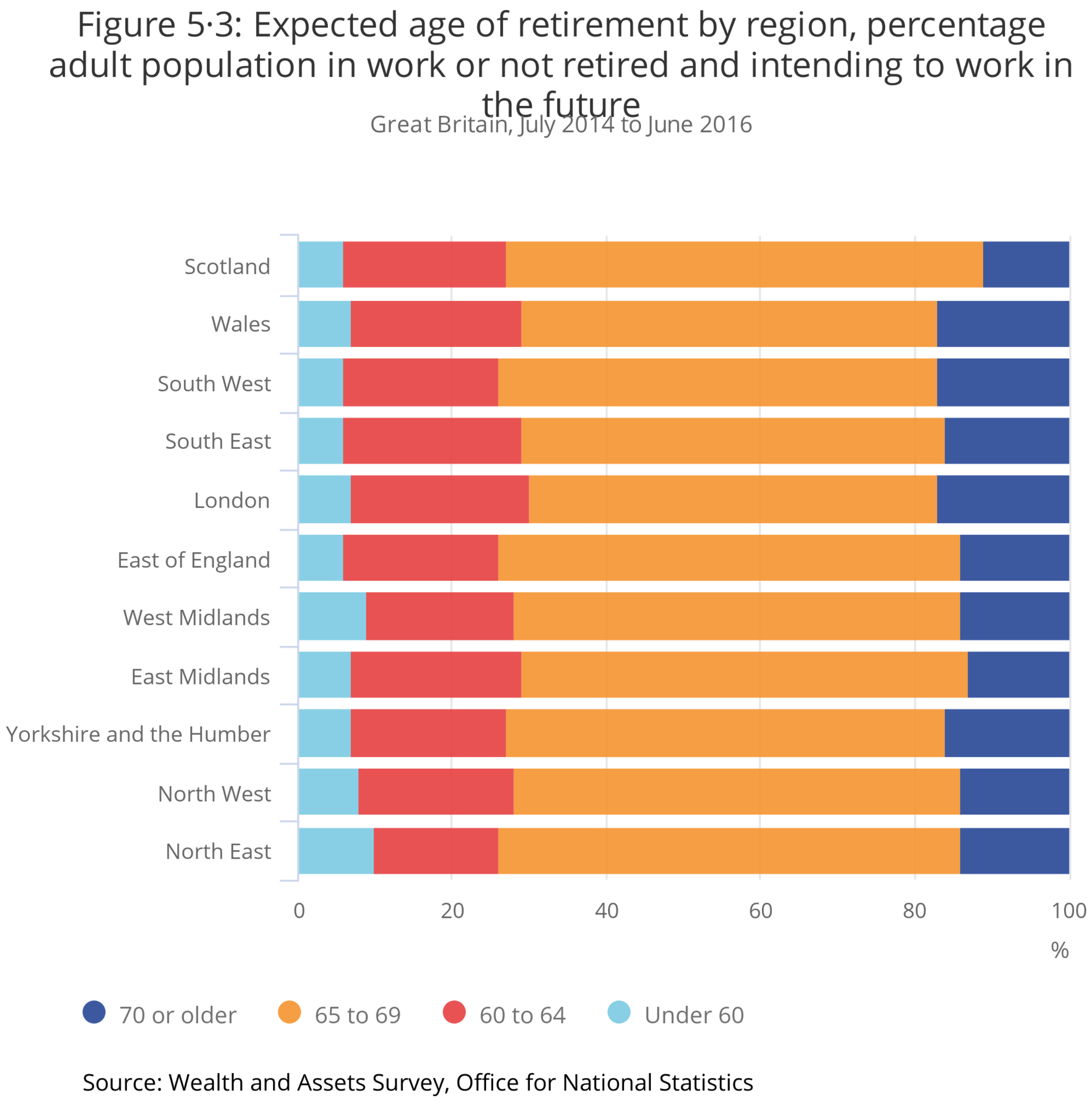


Source: Wealth and Assets Survey, Office for National Statistics

When looking at responses by region (Figure 5.3), Wales had the highest percentage expecting to retire aged 70 or over (18%) followed by London and the South West, both with 17%. Scotland had the lowest percentage in this category with 11%.

Figure 5·3: Expected age of retirement by region, percentage adult population in work or not retired and intending to work in the future

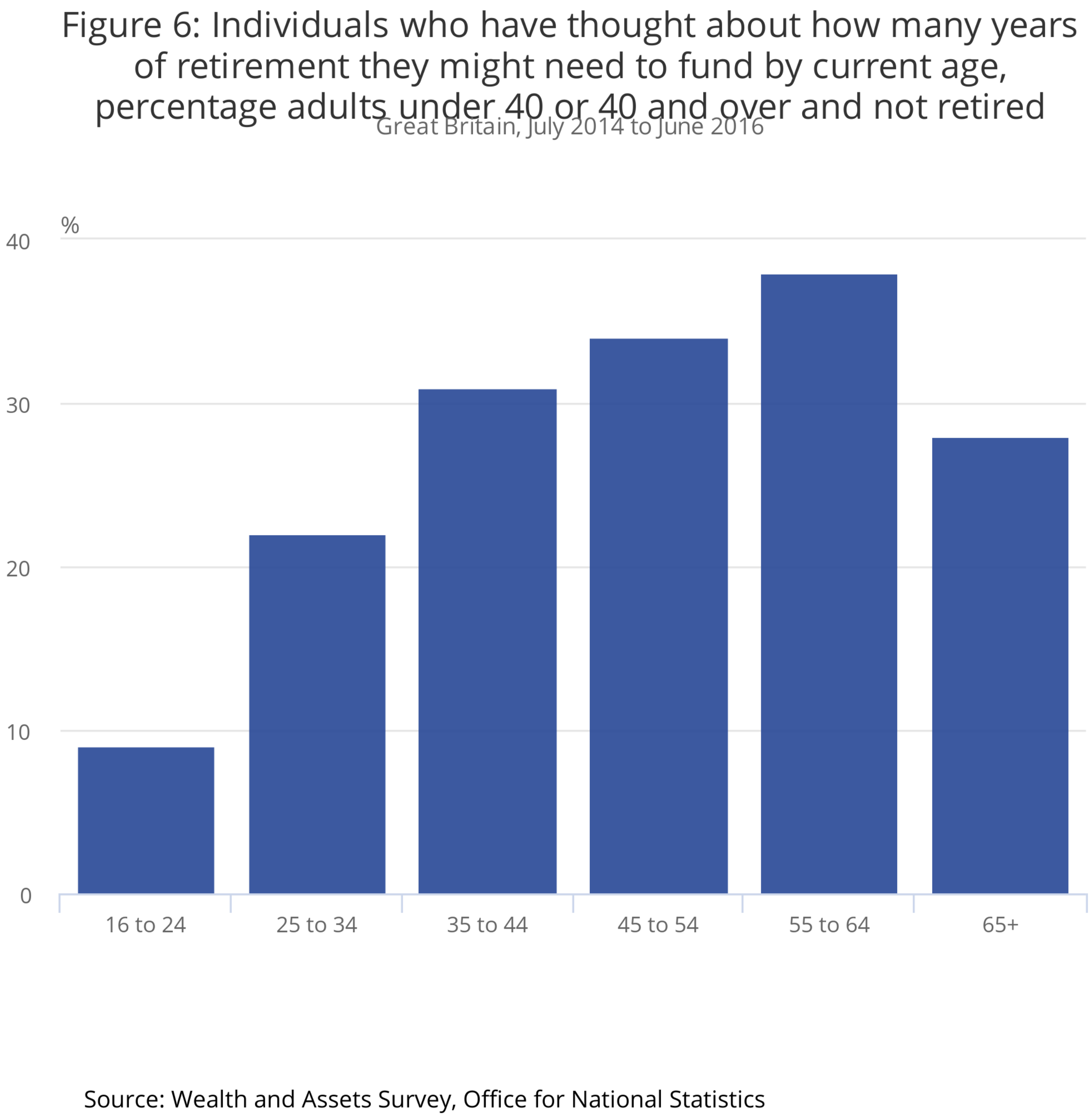
Great Britain, July 2014 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

Figure 6: Individuals who have thought about how many years of retirement they might need to fund by current age, percentage adults under 40 or 40 and over and not retired

Great Britain, July 2014 to June 2016



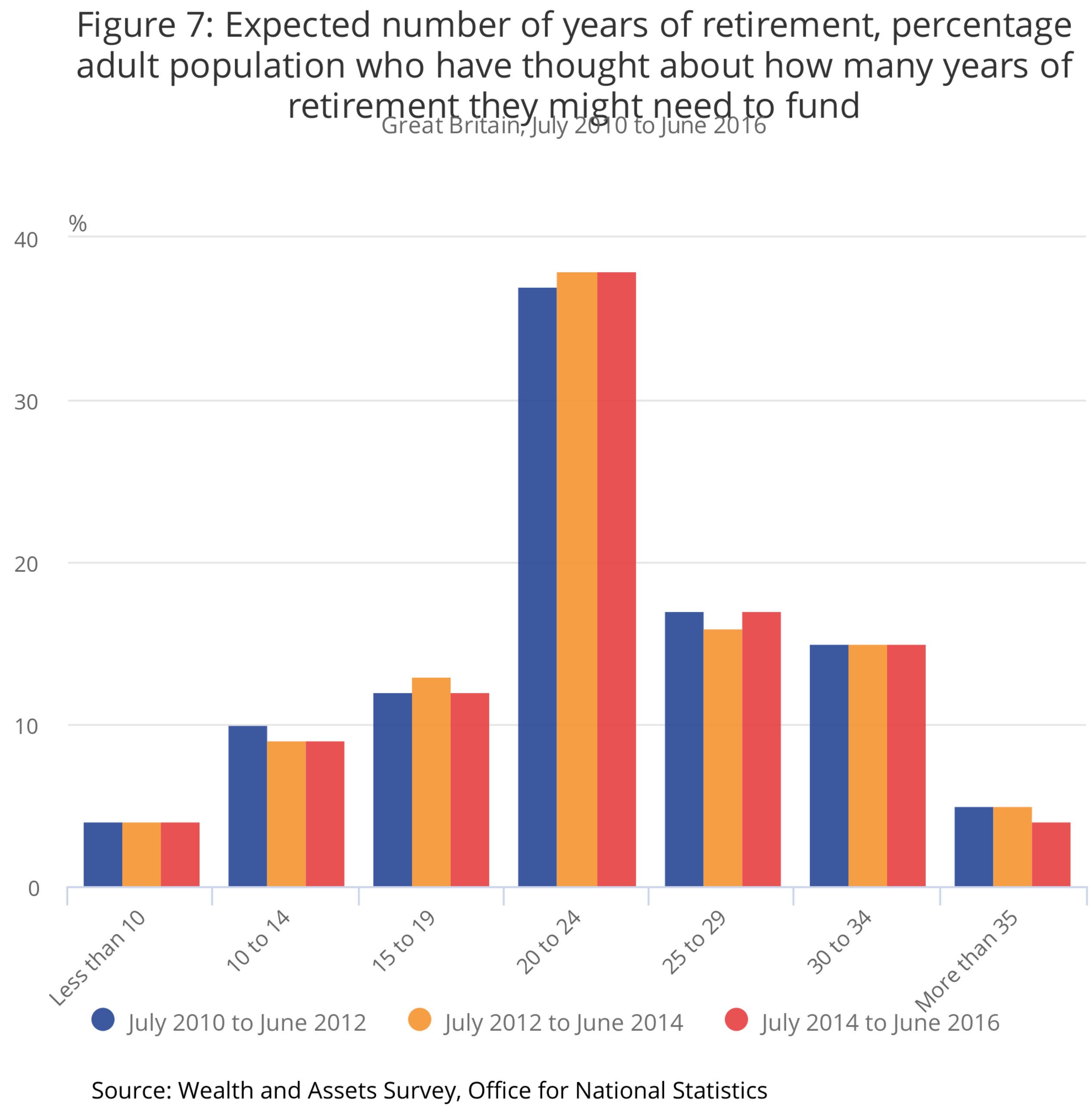
Source: Wealth and Assets Survey, Office for National Statistics

In July 2014 to June 2016, of those aged under 40 or those aged 40 and over and not retired, 29% had thought about how many years of retirement they might need to fund, a percentage that has remained almost constant since July 2010. As might be expected, the percentage who have thought about this increases as age increases up to age 65 (Figure 6). While only 9% of those aged 16 to 24 reported that they had thought about it, 38% of those aged 55 to 64 reported that they had.

Of respondents who have thought about how many years of retirement they might need to fund, 38% expected to be retired for between 20 and 24 years in July 2014 to June 2016, a percentage that has remained broadly similar since July 2010 (Figure 7).

Figure 7: Expected number of years of retirement, percentage adult population who have thought about how many years of retirement they might need to fund

Great Britain, July 2010 to June 2016



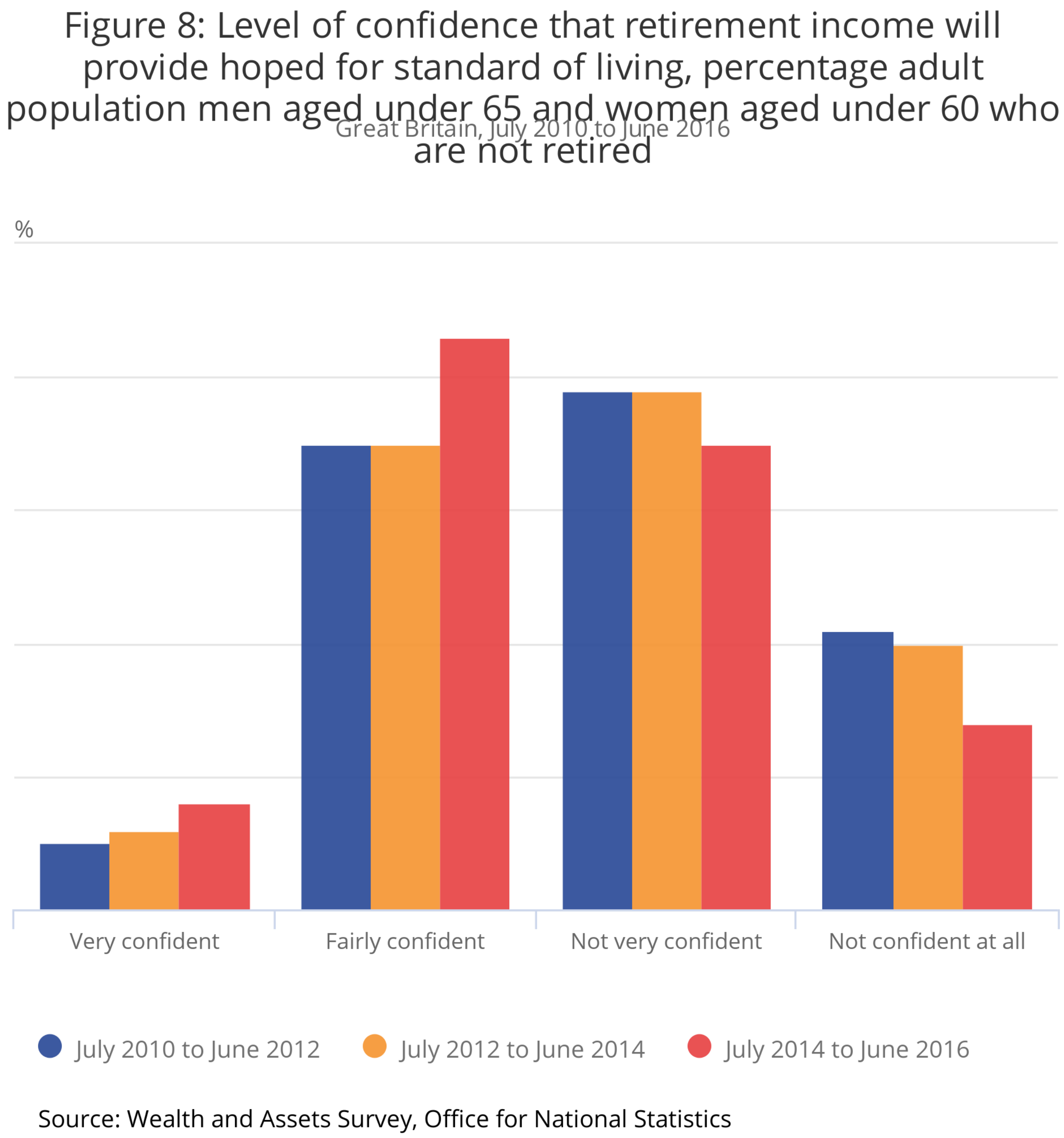
Source: Wealth and Assets Survey, Office for National Statistics

Standard of living in retirement

Among men aged under 65 and women aged under 60, in July 2014 to June 2016 confidence that their income in retirement will provide the standard of living that they hope for increased sharply (Figure 8). In this period, 51% reported being fairly or very confident, compared with a figure of 41% in 2012 to 2014 and 40% in 2010 to 2012.

Figure 8: Level of confidence that retirement income will provide hoped for standard of living, percentage adult population men aged under 65 and women aged under 60 who are not retired

Great Britain, July 2010 to June 2016

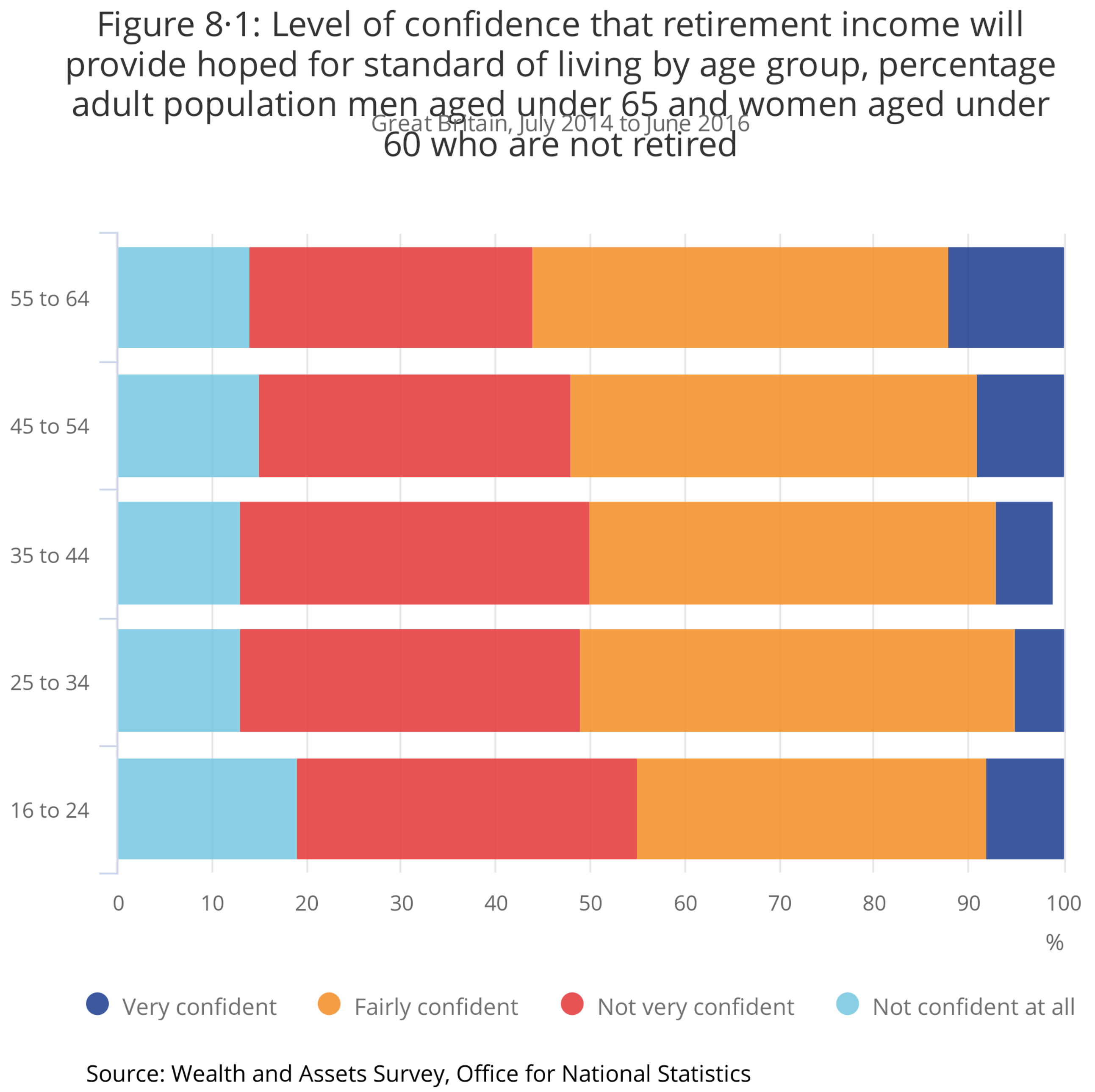


Source: Wealth and Assets Survey, Office for National Statistics

When this is broken down by age group (Figure 8.1), 55 to 64 year olds were the most confident, while 16 to 24 year olds were the least confident. In this youngest age group 19% reported being “not confident at all” compared with 15% or less for the other age groups.

Figure 8·1: Level of confidence that retirement income will provide hoped for standard of living by age group, percentage adult population men aged under 65 and women aged under 60 who are not retired

Great Britain, July 2014 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

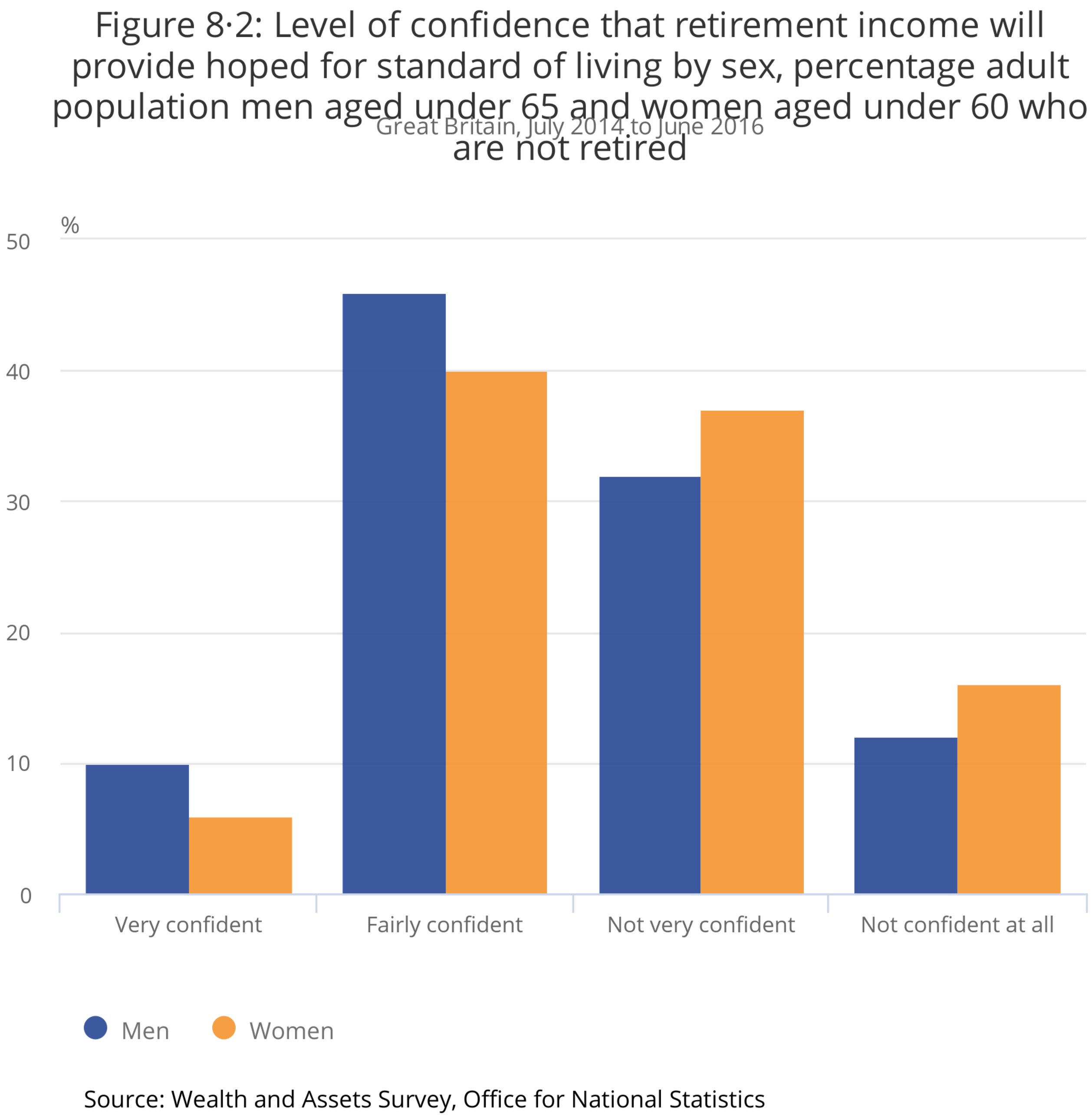
Notes:

1. Figures may not sum to totals due to rounding

Considering the level of confidence by sex (Figure 8.2), men were more confident than women. In the period July 2014 to June 2016, 56% of men were very or fairly confident compared with 46% of women.

Figure 8·2: Level of confidence that retirement income will provide hoped for standard of living by sex, percentage adult population men aged under 65 and women aged under 60 who are not retired

Great Britain, July 2014 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

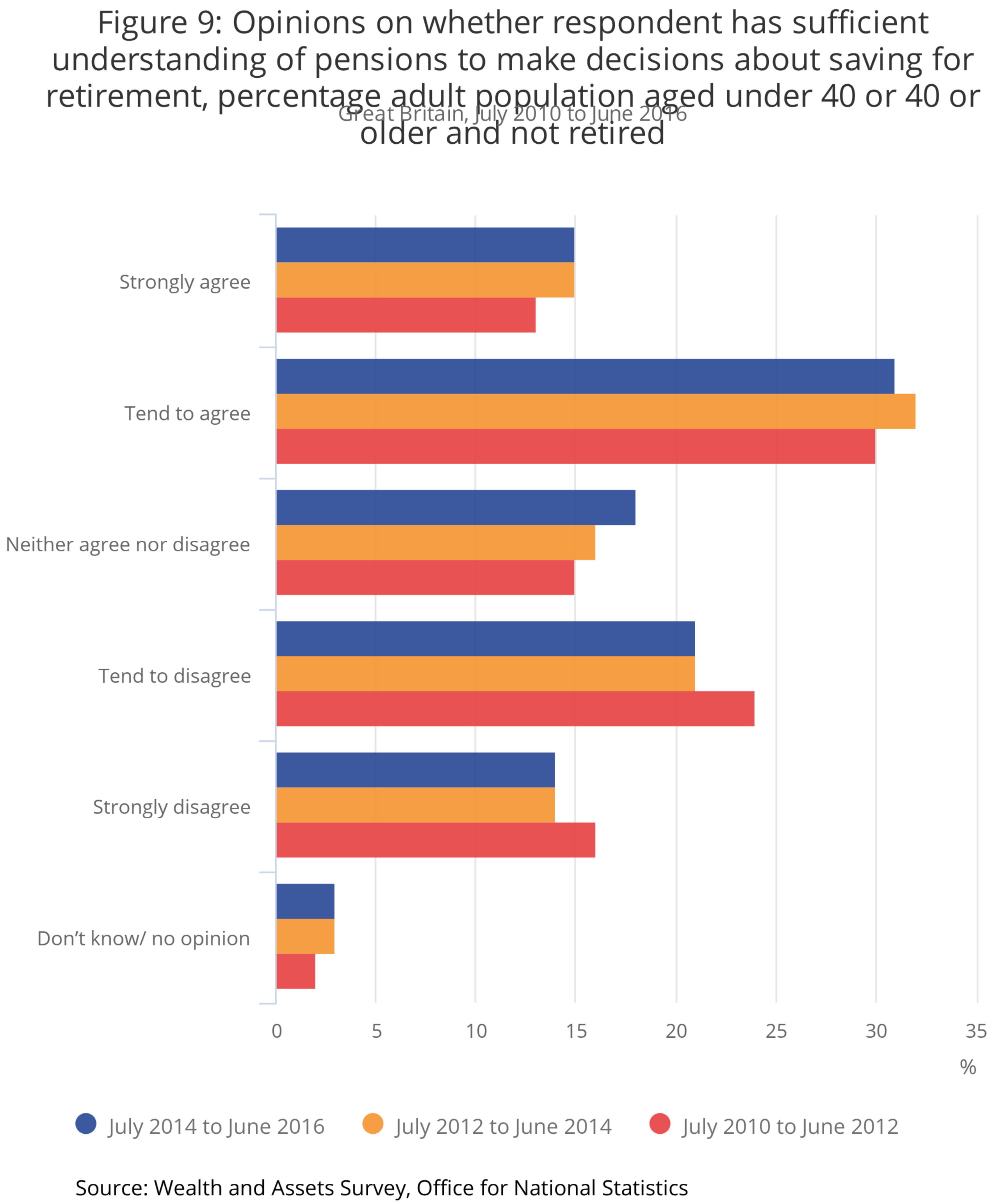
Understanding of pensions

With the introduction of major pension reforms in recent years, the survey collects a number of questions to assess respondents' level of understanding of pensions and the reforms and to gauge the extent to which external factors influence respondents' decisions on pensions, savings or investments. These can help determine if the current amount and type of information provided is effective.

In the period July 2014 to June 2016, less than half (46%) of adults aged under 40 or those aged 40 and over and not retired agreed (strongly or tended to agree) that they knew enough about pensions to make decisions about saving for retirement (Figure 9). This is broadly similar to those in the period July 2012 to June 2014 (47%), but an increase since July 2010 to June 2012 when only 43% were in these categories.

Figure 9: Opinions on whether respondent has sufficient understanding of pensions to make decisions about saving for retirement, percentage adult population aged under 40 or 40 or older and not retired

Great Britain, July 2010 to June 2016



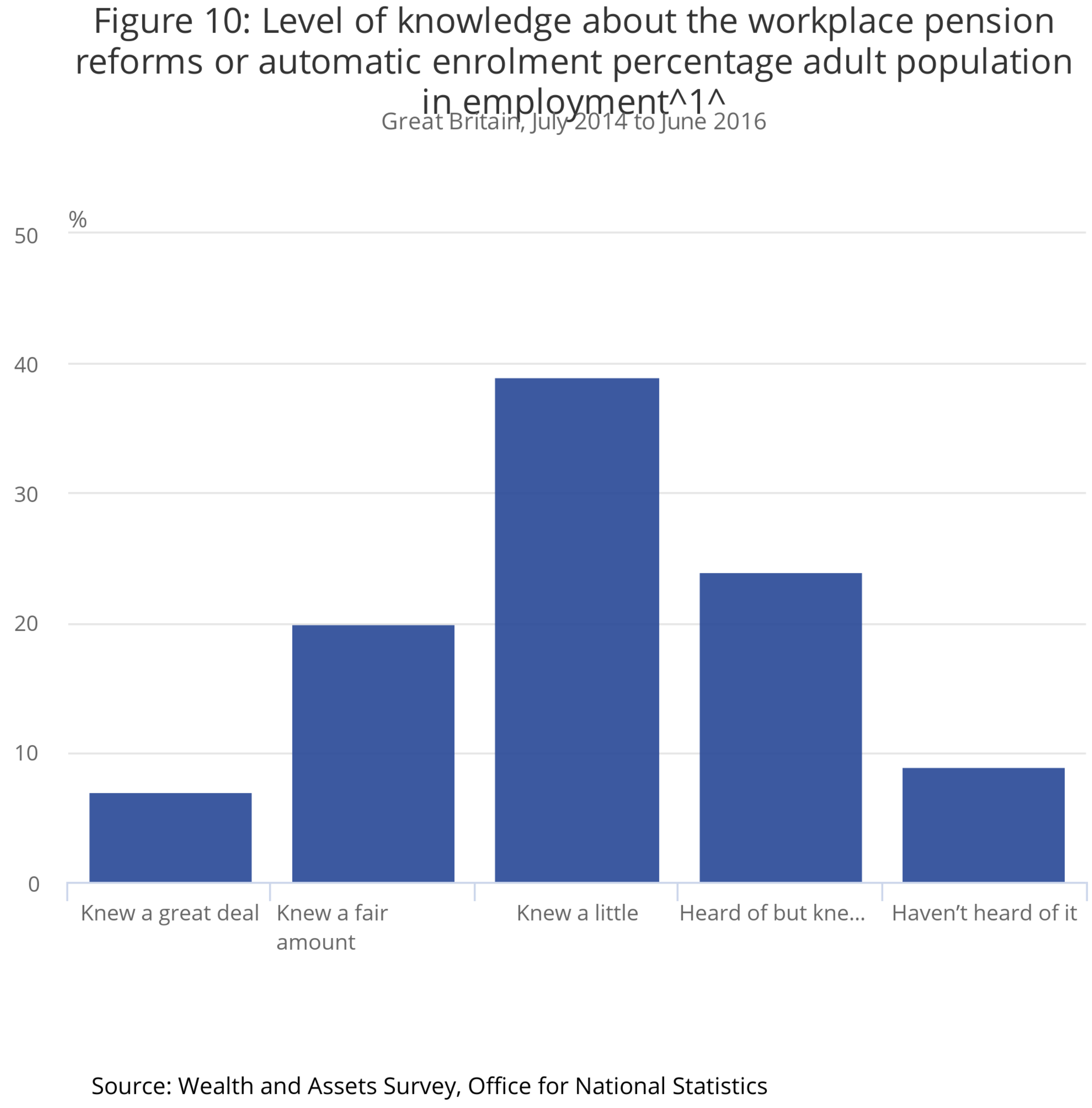
Source: Wealth and Assets Survey, Office for National Statistics

In order to give an indication of the public's awareness of the workplace pension reforms, a question was introduced in 2012 to assess how much people felt they knew about them.

In July 2014 to June 2016, of all those in employment, 66% reported at least some knowledge of the workplace pension reforms or automatic enrolment, although only 27% knew more than a little about them (Figure 10). A further 9% reported that they hadn't heard of them.

Figure 10: Level of knowledge about the workplace pension reforms or automatic enrolment percentage adult population in employment[1]

Great Britain, July 2014 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

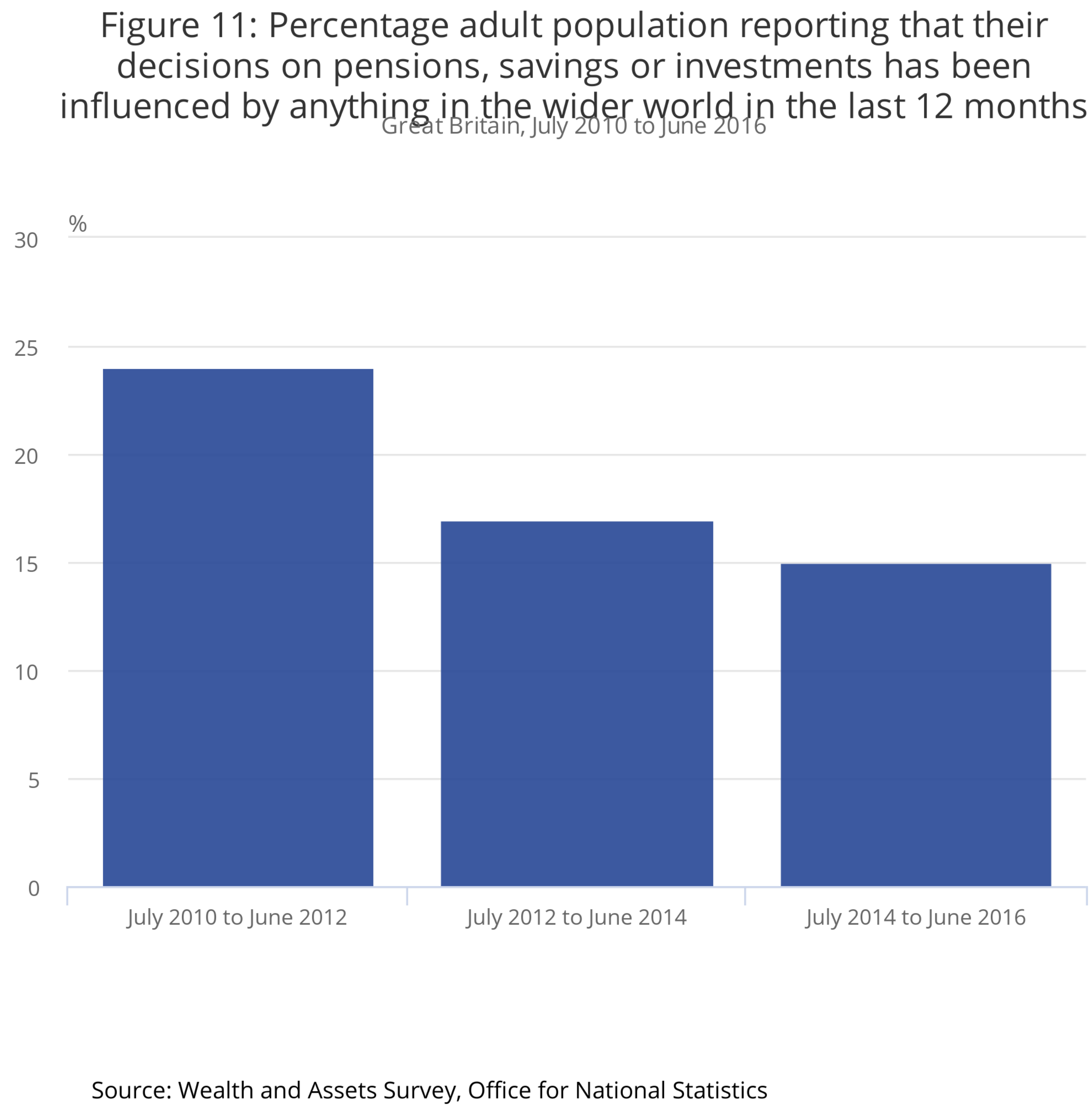
Notes:

1. In July 2014 to June 2016 this question was asked of all those in employment. Prior to this it was asked only of those in employment who indicated that something in the wider world or outside their household had influenced their decisions on pensions, savings and investments. Because of this difference it is not possible to provide a comparison over time.

The percentage of adults who report that their decisions on pensions, savings or investments have been influenced by anything in the wider world has declined over the period since July 2010, from 24% to only 15% in July 2014 to June 2016, with the biggest change occurring between July 2010 to June 2012 and July 2012 to June 2014 (Figure 11). This may reflect the timing of the economic recession.

Figure 11: Percentage adult population reporting that their decisions on pensions, savings or investments has been influenced by anything in the wider world in the last 12 months

Great Britain, July 2010 to June 2016



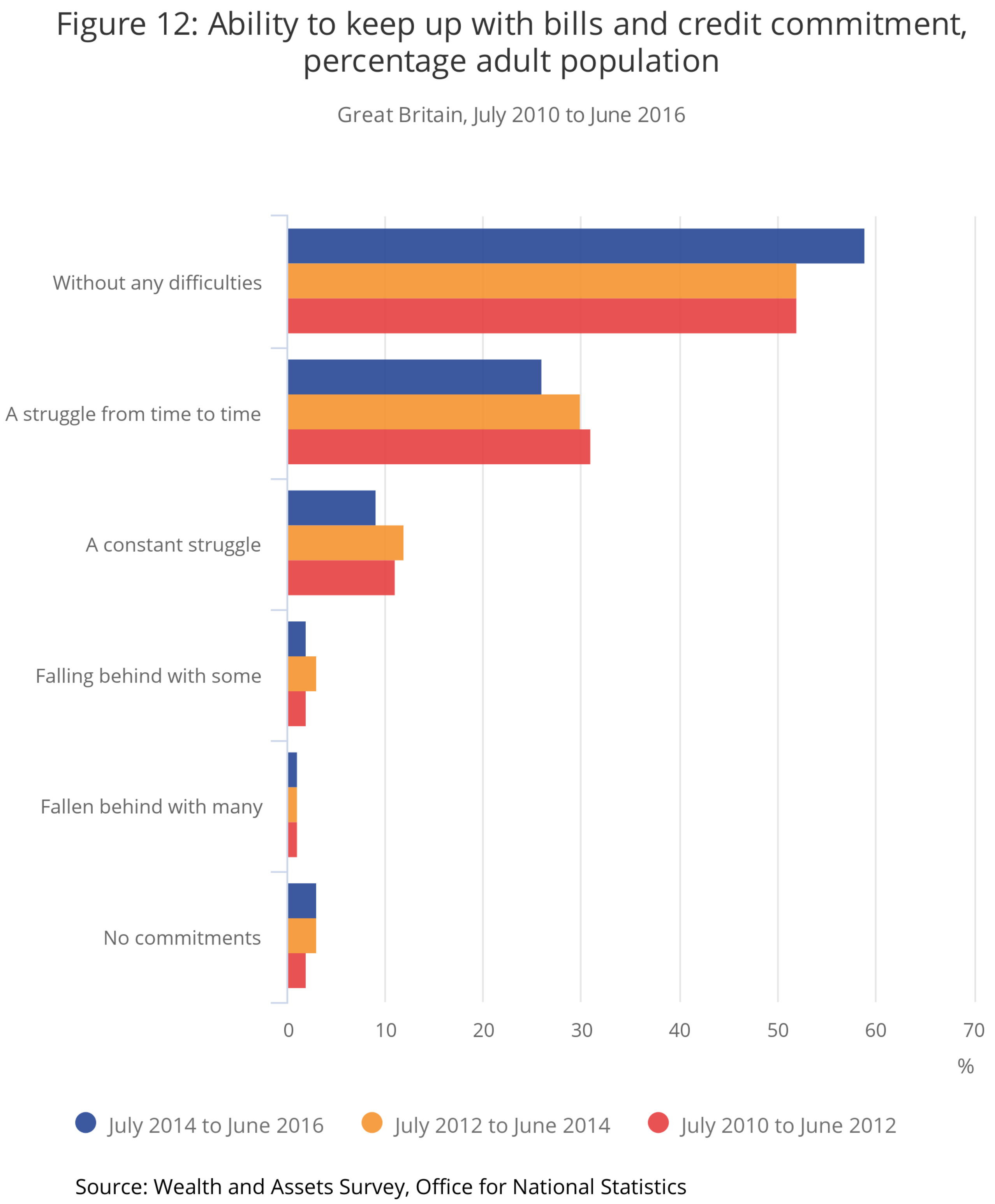
Source: Wealth and Assets Survey, Office for National Statistics

4 . Attitudes towards credit commitments

In the period July 2014 to June 2016, of all adults, 59% reported that they were able to keep up with bills and credit commitments without any difficulty, an increase from 52% in July 2010 to June 2012 (Figure 12).

Figure 12: Ability to keep up with bills and credit commitment, percentage adult population

Great Britain, July 2010 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

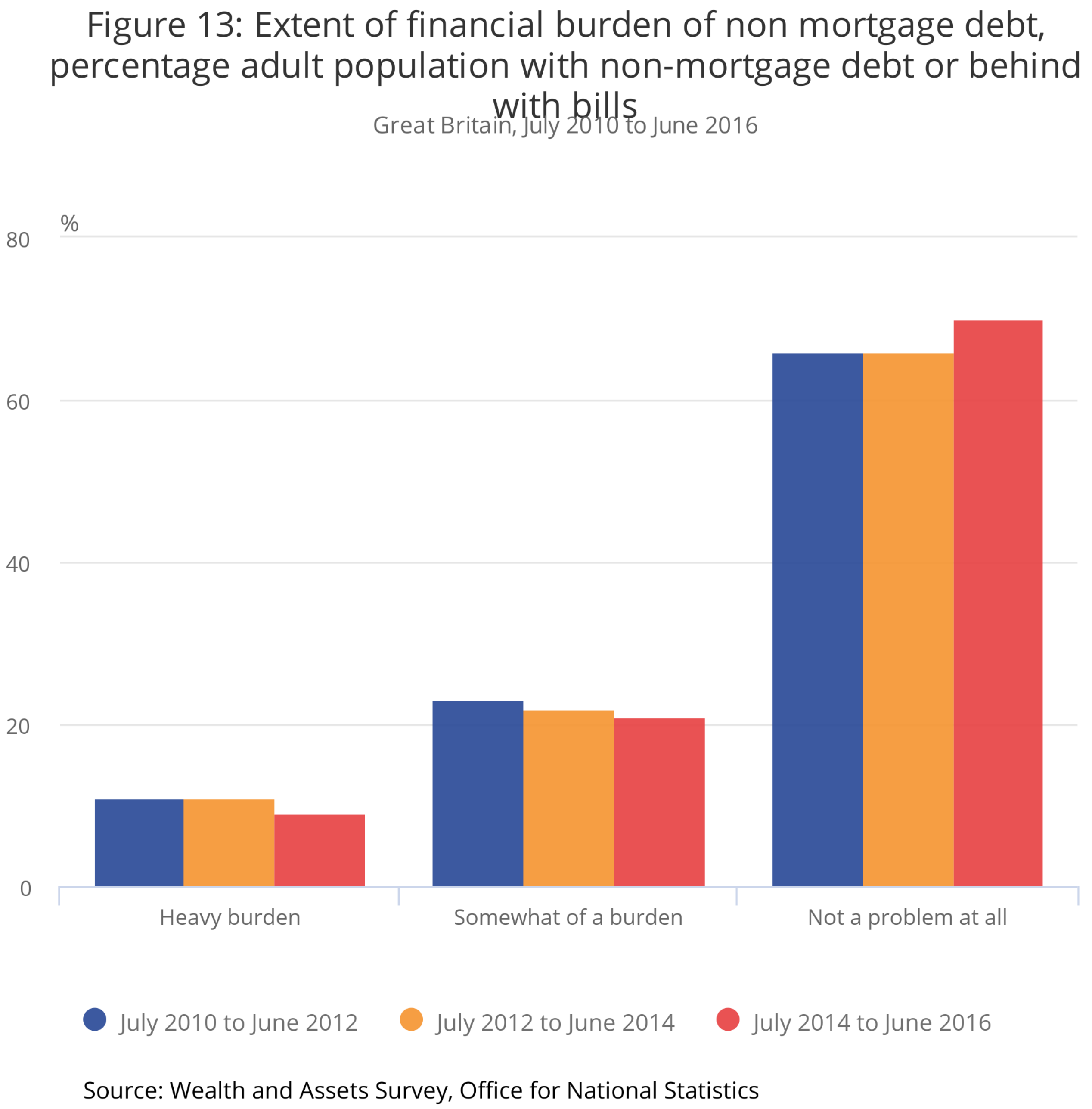
5 . Opinions on debt burden

There has been a decline in the proportion of adults in debt on bank accounts, credit or store cards, mail order catalogues, hire purchase agreements or loans or those falling behind with bills who feel that their debt is a burden in the period July 2014 to June 2016 (Figure 13). Just over a third of respondents (34%) in the period July 2010 to June 2012 felt it was either a heavy burden or somewhat of a burden, compared with 30% in the period July 2014 to June 2016.

In July 2014 to June 2016, only 4% of people with non-mortgage debt or behind with bills had sought help and advice because of their debt, a percentage that has remained broadly similar throughout the period since July 2010.

Figure 13: Extent of financial burden of non mortgage debt, percentage adult population with non-mortgage debt or behind with bills

Great Britain, July 2010 to June 2016



Source: Wealth and Assets Survey, Office for National Statistics

Notes:

1. Numbers may not sum to totals due to rounding

6 . Links to related statistics

- Wealth in Great Britain Wave 4 July 2012 to June 2014
- Financial capability in Great Britain: 2010 to 2012
- Early indicator estimates from the wealth and assets survey July 2014 to December 2015

7 . Quality and methodology

The Wealth and Assets Survey Quality and Methodology Information document contains important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- how the output was created
- the quality of the output including the accuracy of the data

8. Annex – questions and answer options

Table 1: Question name: OSafeRet

Asked of: non proxy adults aged under 40 or 40 and over and not retired
Which of the options on this card do you think would be the safest way to save for retirement?   **CODE ONE ONLY**
1. Paying into an employer pension scheme
2. Paying into a personal pension scheme
3. Investing in the stock market by buying stocks or shares
4. Investing in property
5. Saving into a high-rate savings account
6. Saving into an ISA (or other tax-free savings account)
7. Buying Premium Bonds
8. Other

Source: Office for National Statistics

Table 2: Question name: OMakeMost[1]

Asked of: non proxy adults aged under 40 or 40 and over and not retired
And which do you think would make the most of your money?   **CODE ONE ONLY**
1. Paying into an employer pension scheme
2. Paying into a personal pension scheme
3. Investing in the stock market by buying stocks or shares
4. Investing in property
5. Saving into a high-rate savings account
6. Saving into an ISA (or other tax-free savings account)
7. Buying Premium Bonds
8. Other

Source: Office for National Statistics

Notes:

1. The variable OMakeMost was previously named OSafeRe2. The survey question remains the same as only the variable name was changed.

Table 3: Question name: OExpinc

Asked of: non proxy adults aged under 40 or 40 and over and not retired
Which of the options on this card do you expect to use to provide money for your retirement? **CODE ALL THAT APPLY**
1. State retirement pension, including Second State Pension (S2P, formerly the State Earnings Related Pension Scheme SERPS)
2. Occupational or personal pension (including one from scheme not yet started)
3. Savings or investments
4. Downsizing or moving to a less expensive home
5. Borrowing against the value of home
6. Renting out rooms in your house
7. Selling or renting out another property (other than your main home)
8. Income from your own or partner's business or sale of business
9. Sale of valuables (including art, jewellery, antiques, etc)
10. Inheritance in the future
11. Pension or financial support from family or current partner
12. Pension or financial support from former partner or someone in another household
13. Earnings from work (including part-time or freelance)
14. State benefits or tax credits (including Pension Credit)
15. Other
16. Don't know or no opinion

Source: Office for National Statistics

Table 4: Question Name: Opens

Asked of: non proxy adults aged under 60 not receiving a pension and not currently contributing to a pension
Sometimes people save towards retirement, at different times and in different ways. What are your reasons for not currently contributing towards a pension? **CODE ALL THAT APPLY**
1. Low income or not working or still in education
2. Too many other expenses, bills or debts
3. Can’t afford to (general)
4. Too early to start a pension
5. Too late to start a pension
6. Don't know enough about pensions
7. Not interested or not thought about it or got around to it
8. Prefer alternative forms of saving
9. Not eligible or employer doesn't offer a pension scheme
10. Employers scheme not attractive or generous
11. Not staying with employer or looking for a new job or recently changed jobs
12. Past pension arrangements are adequate
13. Don't think I will live that long
14. Do not trust pension companies or schemes
15. Other
16. Don't know (SPONTANEOUS ONLY)

Source: Office for National Statistics

Table 5: Variable Name: PExpRet

Asked of: adults who are working or not retired and intending to work in the future
At what age do you expect to retire (from your main job)? **ENTER AGE**
Less than 55
55 to 59
60 to 64
65 to 69
70 to 74
75 or more

Source: Office for National Statistics

Table 6: Question name: OLong

Asked of: non proxy adults aged under 40 or 40 and over and not retired
Have you ever thought how many years of retirement you might need to fund?
1. Yes
2. No

Source: Office for National Statistics

Table 7: Question name: OLongYr

Asked of: all adults who have thought about how many years of retirement they might need to fund.
For how many years do you think you will be retired?
ENTER AGE
Less than 10
10 to 14
15 to 19
20 to 24
25 to 29
30 to 34
35 or more

Source: Office for National Statistics

Table 8: Question name: OStandL

Asked of: non-retired males aged under 65 or non-retired females aged under 60
How confident are you that your income in retirement will give you the standard of living you hope for?
Would you say you were…
1. Very confident
2. Fairly confident
3. Not very confident, or
4. Not at all confident?

Source: Office for National Statistics

Table 9: Question name: OUnder

Asked of: non proxy adults aged under 40 or 40 and over and not retired
I feel I understand enough about pensions to make decisions about saving for retirement.
1. Strongly agree
2. Tend to agree
3. Neither agree nor disagree
4. Tend to disagree
5. Strongly disagree
6. Don’t know or no opinion (SPONTANEOUS ONLY)

Source: Office for National Statistics

Table 10: Question name: KnowWPR

Asked of: all adults in employment
In 2012 the government introduced a new way to encourage more people to save for their retirement. This is referred to as the “workplace pension reforms” or ”automatic enrolment”.   **How much, if anything, would you say you knew about the workplace pension reforms or automatic enrolment?**
1. Knew a great deal
2. Knew a fair amount
3. Knew a little
4. Heard of but knew nothing
5. Haven't heard of it

Source: Office for National Statistics

Table 11: Question name: OSavExt

Asked of: all non proxy adults
Thinking back over the last 12 months, has anything in the wider world, or outside your household, influenced your decisions on pensions, savings or investments?
1. Yes
2. No

Source: Office for National Statistics

Table 12: Question name: Commi

Asked of: all non proxy adults
Which of the following statements best describes how well you are keeping up with your bills and credit commitments at the moment. **Are you…**
1. Keeping up with all of them without any difficulties
2. Keeping up with all of them but it is a struggle from time to time
3. Keeping up with all of them but it is a constant struggle
4. Falling behind with some of them
5. Having real financial problems and have fallen behind with many of them
6. Don't have any commitments

Source: Office for National Statistics

Table 13: Question name: DBurd

Asked of: all non proxy adults with debt on bank accounts, credit or store cards, mail order catalogues, any hire purchase agreements or loans or is behind with bills
Thinking about the non-mortgage debt you have just told me about, to what extent is keeping up with the repayment of them and any interest payments a financial burden to you?
1. Heavy burden
2. Somewhat of a burden
3. Not a problem at all

Source: Office for National Statistics

Table 14: Question name: DBurdA

Asked of: all non proxy adults with debt on bank accounts, credit or store cards, mail order catalogues, any hire purchase agreements or loans or is behind with bills
Have you sought any help or advice because of debt in the last two years?
1. Yes
2. No

Source: Office for National Statistics