Statistical bulletin

Saving for retirement in Great Britain: April 2018 to March 2020

Private pension wealth in Great Britain, April 2018 to March 2020, taken from the seventh round of the Wealth and Assets Survey.

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1 . Main points

- Between April 2018 and March 2020, more people below State Pension age (57%) were actively saving for retirement using private pensions than before automatic enrolment was introduced in 2012 (43%); however, there was still much inequality in pensions wealth in Great Britain.

- Among working-aged people yet to retire, those who were self-employed (compared with employees), had a long-standing illness or disability (compared with no disability), or were from minority ethnic groups, had lower pension wealth on average than their counterparts because of lower participation rates and smaller pension pots.

- Almost a third of people did not expect to have any pension provision beyond the State Pension when they retired.

- Having low income or not working was the most common reason for not paying into a pension (54%); self-employed people were more likely to say they could not afford to contribute (39% versus 26% employees) or preferred alternative forms of saving (17% versus 9% employees).

- Among those approaching State Pension age and yet to retire, some groups had relatively low average wealth of any kind (for example, Black, Mixed or Other ethnic groups) while others had higher average net property wealth (for example, Asian and self-employed groups) that may offer an alternative source of income in retirement.

2 . Inequality in private pension wealth

Wealth is unequally shared across the population of Great Britain and there is more inequality in private (non-state) pension wealth than total net wealth.

Figure 1 shows how wealth is shared between individuals when split into 10 equally sized groups (deciles), sorted by private pension wealth or total net wealth. Between April 2018 and March 2020, the top decile held 64% of all private pension wealth while the bottom five deciles held less than 1%. Median private pension wealth in the top decile was £637,500 compared with £0 in the first three deciles, £1,200 in decile 4 and £7,800 in decile 5.

Figure 1: One-tenth of the population held more private pension wealth than the rest collectively

Percentage of total private pension wealth and net total wealth held by individuals in each respective wealth decile, Great Britain, April 2018 to March 2020

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In this bulletin we consider who has private pension wealth and how these savings are accumulated in the run-up to retirement. How large your pension pot needs to be will depend on the type of lifestyle and expenses you expect in retirement, how many years you will need to fund and other sources of income available to you (for example, State Pension, investments or property). There are tools available to help understand how much you need in retirement such as the Money Helper pension calculator provided by the Money and Pensions Service.

3 . Paying into pensions to save for retirement

Private pensions, including occupational and personal pension schemes, are a popular way to save money for retirement. More people have been saving this way since the government introduced auto-enrolment in 2012, which increased workplace pension participation for eligible employees.

Between April 2018 and March 2020, 57% of people aged 16 years to State Pension age were contributing to a private pension compared with 43% between July 2010 and June 2012. This growth has been driven by more people, particularly private sector employees, paying into defined contribution pension schemes, the kind typically offered under auto-enrolment.

For the first time, people were more likely to only pay into a defined contribution pension (26%) than a defined benefit pension (23%) between April 2018 and March 2020. Although similar growth in defined contribution pensions was seen for both sexes, defined benefit pensions remained more common than defined contribution pensions among women (25% versus 23%). This is likely because of higher representation of women in the public sector and continued dominance of defined benefit schemes in this sector.

Figure 2: People were more likely to only pay into a defined contribution pension than a defined benefit pension in the most recent survey period

Percentage of people aged 16 years to State Pension age contributing to different pension types, Great Britain, July 2006 to March 2020

Notes:

1. Survey periodicity changes mean estimates moved from starting in July to April.

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Auto-enrolment only applies to eligible employees so growth in pension membership has not been seen across all workers. Proportionally fewer self-employed people pay into private pensions and the gap between employed and self-employed groups has widened since 2006.

Between April 2018 and March 2020, only 20% of self-employed people were paying into a pension compared with 80% of employees. Though still a tax efficient way of saving, there may be less incentive for self-employed people to pay into pensions because they do not receive employer contributions.

Figure 3: Self-employed people were less likely to contribute to private pensions than employees and this gap has increased over time

Percentage of people aged 16 years to State Pension age contributing to different pension types by employment status, Great Britain, July 2006 to March 2020

Notes:

1. Survey periodicity changes mean estimates moved from starting in July to April.

2. Results have been suppressed where there were fewer than 30 unweighted cases. Full detail is available in the associated dataset.

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The average size of pension pots for employees actively contributing to private pensions has decreased in recent years. This is partly because auto-enrolment has led to an influx of new savers who have only recently begun to build their pension pots. It has also led to more young people and lower paid workers joining pension schemes.

Valuation of defined benefit pensions has also fallen in recent years. By contrast, median pot sizes have increased over time among the smaller group of self-employed people who paid into private pensions.

Average active pension pot sizes have remained higher among men than women whether employed or self-employed. This gap is likely linked to differences in working patterns and the gender pay gap.

Figure 4: Average active pension pot sizes have fallen among employees contributing to private pensions but grown among the self-employed

Median pension pot size for people aged 16 years to State Pension age contributing to a pension by sex and employment status, adjusted for inflation, Great Britain, July 2006 to March 2020

Notes:

1. Survey periodicity changes mean estimates moved from starting in July to April.

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4 . Building pension wealth over a lifetime

Many people build their pension savings gradually over their working life, before drawing on them to support life in retirement. The closer people get to retirement the more likely they are to have pension savings waiting to be drawn and the more valuable these typically are. In this section we consider all pensions that have not been accessed, including pensions that people are actively paying into (active) and those they have paid into in the past (preserved).

Between April 2018 and March 2020, 33% of people aged 16 to 24 years had pensions not yet in payment and these pensions were worth £2,700 on average (median). Pensions not in payment were most common in the 45 to 54 years age group (78%) and most valuable in the 55 to 64 years group (median £107,300). Proportionally fewer 55- to 64-year-olds having pensions not in payment (66%) may be explained by some retiring early and accessing their pension pots before State Pension age. More detail is available in Pension wealth in Great Britain, Table 6.8.

Combining these estimates to describe how much pension wealth people yet to retire had waiting to be accessed (including those without any), showed median wealth increased from £500 among people aged under 35 years to £37,600 for those aged 55 years to State Pension age.

To put this in context when considering what regular income could be purchased with a pension pot, the Pension and Lifetime Savings Association estimate the amounts needed to fund different standards of living in retirement.

Figure 5: People yet to retire who are self-employed, have disabilities, or from ethnic minority groups typically had lower pension savings

Median value of pensions not in payment by characteristic for people who have not yet retired up to State Pension age (SPA), Great Britain, April 2018 to March 2020

Notes:

1. Private pensions that people are actively paying into (active) and those they have paid into in the past but not yet accessed (preserved) are referred to as pensions not in payment.

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How much wealth people had built in pensions not in payment differed by other personal and economic characteristics:

- compared with the White ethnic group, Asian, Black, Mixed and Other ethnic groups had less on average; median wealth held in pensions not in payment for people aged 55 years to State Pension age and yet to retire was at least three times as high in the White group as any other ethnic group

- people with long-standing illness or disabilities had less on average than those without; median wealth held in pensions not in payment for people aged 55 years to State Pension age and yet to retire was £13,000 for those with long-standing illness of disabilities compared with £70,000 for those without

- self-employed people had less on average than employees; median wealth held in pensions not in payment for self-employed people aged 55 years to State Pension age was £16,100 compared with £91,400 for employees

These differences were because of both lower pension membership and pensions being worth less on average among those that had them. Employment rates and pay gaps associated with ethnicity and disability may contribute to these findings.

5 . Opinions on saving for retirement

When asked what they expected their largest source of income to be during retirement, people yet to retire most commonly said occupational or personal pensions (46%). However, 31% did not expect any support from these private pensions. Some people may be unable to build pension savings because they are ineligible to join a pension scheme, or they cannot afford to contribute to them. Others may prefer other forms of saving and plan to fund their retirement in other ways.

The White ethnic group was the most likely to expect private pensions to be their main financial support in retirement (47% versus 31% to 38% across other ethnic groups). Compared with the White group, the Asian and Other ethnic groups more commonly reported property as the safest way to save for retirement (24% White, 36% Asian, 33% Other) and expected property-related sources, such as rental income or downsizing, to be their main fund for retirement.

People with long-standing illness or disabilities were less likely to expect private pensions to be the main fund for retirement than those without (39% versus 48%) and more likely to rely on state pensions and other benefits or tax credits (33% versus 18%). Most people with long-standing illness or disabilities not contributing to pensions said this was because they were not working or had low income (63% versus 49% of those without).

Self-employed people not contributing to pensions were more likely to say they had too many other expenses or generally could not afford to contribute (39% versus 26%) or that they preferred other forms of saving (17% versus 9%) than employees. The self-employed group were less likely to expect private pensions to be their main source of retirement funding (23% versus 52% for employees). Investments, earnings or income from a business (23%) or property (20%) were more commonly reported by self-employed people than employees.

Since these data were collected, the coronavirus (COVID-19) pandemic and increases to the cost of living have impacted many people's ability to save.

Figure 6: People who were self-employed were less likely to expect private pensions to be their main source of retirement income

Largest source of income expected in retirement by characteristic (%), Great Britain, April 2018 to March 2020

Notes:

1.Results for other ethnic groups are not shown because of low sample sizes. Full detail is available in [the associated dataset].

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Figure 7: People who were self-employed or had disabilities were more likely to report not contributing to a pension because they had too many expenses or cannot afford to

Reasons for not contributing to a pension by characteristic (%), Great Britain, April 2018 to March 2020

Notes:

1. Results for other ethnic groups are not shown because of low sample sizes. Full detail is available in [the associated dataset].

Download the data

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6 . Other forms of wealth that could support retirement

To put patterns of private pension wealth into context, we considered other forms of wealth that could be used to support life in retirement among people aged 55 years to State Pension age who have not yet retired. In this population, people with long-standing illness or disabilities had lower median net financial and net property wealth than those without, as well as lower private pension wealth.

Median net financial wealth was lower in the Asian, Black, Mixed or Other ethnic groups than the White group approaching State Pension age and not yet retired. However, median net property wealth was higher in the Asian (£195,000) than White (£100,000) group. Proportionally more of the Asian group lived in homes that were mortgaged or owned outright (85% versus 72%) and owned property other than their main residence (23% versus 13%) than the White group.

Self-employed people approaching State Pension age also had higher median net property wealth (£168,000) than employees (£112,600), with 25% of self-employed people owning property other than their main residence compared with 15% of employees.

Figure 8: Many unretired groups approaching State Pension age with relatively low average private pension wealth also had lower average net financial and net property wealth

Median private pension, net financial and net property wealth among people aged 55 years to State Pension age yet to retire by characteristic, Great Britain, April 2018 to March 2020

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7 . Saving for retirement in Great Britain data

Saving for retirement in Great Britain
Dataset | Released 17 June 2022
The percentage of individuals actively contributing to private pensions and the value of pension pots not yet in payment for those below State Pension age and not yet retired. Data from the seventh round of the Wealth and Assets Survey.

8 . Glossary

Automatic enrolment

Under reforms brought in by the Pensions Act 2008, with updates in the Pensions Acts 2011 and 2014, automatic enrolment was introduced in October 2012 stating employers must enrol all eligible employees (who are not already participating in a qualifying workplace pension scheme) into a qualifying workplace private pension.

Staged automatic enrolment is based on the size of the employer's Pay As You Earn (PAYE) scheme and began in October 2012 with larger employers and completed in 2018. Workers can opt out but will be re-enrolled every three years.

Defined benefit scheme

An occupational pension scheme in which the rules specify the rate of benefits to be paid. The most common defined benefit scheme is a salary-related scheme in which the benefits are based on the number of years of pensionable service, the accrual rate and either the final salary, the average of selected years' salaries or the best year's salary within a specified period before retirement.

Defined contribution scheme

A pension scheme in which the benefits are determined by the contributions paid into the scheme, the investment return on those contributions and the type of annuity (if any) purchased upon retirement. It is also known as a money purchase scheme. Defined contribution pensions may be occupational, personal or stakeholder pensions.

Occupational pension scheme

An arrangement (other than accident or permanent health insurance) organised by an employer (or on behalf of a group of employers) to provide benefits for employees on their retirement and for their dependants on their death. In the private sector, occupational schemes are trust-based. Occupational pension schemes are a form of workplace pension.

Pension scheme

A legal arrangement offering benefits to members upon retirement. Schemes are provided by employers and are differentiated by a wide range of rules governing membership eligibility, contributions, benefits and taxation. Pension schemes in the private sector have trustees. Personal pensions and stakeholder pensions offered by insurance companies may also be referred to as schemes, but technically they are individual accounts rather than schemes.

Further definitions of pensions terms are available in the Employee workplace pensions glossary.

9 . Measuring the data

Data sources

This release reports analysis of data from the Wealth and Assets Survey (WAS), collected between April 2018 and March 2020. Estimates of pension wealth are based on 31,829 individuals, aged at least 19, or 16 to 18 years and not in full-time education. Opinions on saving for retirement were asked to individuals responding to the survey in person.

The WAS is a biennial longitudinal survey that measures the well-being of households and individuals in terms of their assets, savings, debts and plans for retirement. The survey also examines related attitudes and collects classificatory variables such as age, sex and employment status. More information on the WAS, how the data are collected, strengths, limitations, and appropriate uses is available in our Wealth and Assets Survey Quality and Methodology Information (QMI).

Estimating private pension wealth

Private pension wealth relates to the value of any private pensions already accrued that are not State Pension-related. We consider three types of pension wealth in this bulletin:

- pension pots that people are currently paying into (active)
- pensions that have not been accessed yet, including those people are paying into (active) and those that are no longer being contributed to but are not yet in payment (preserved)
- total private pension wealth, including active, preserved and pensions in payment

How we estimate the value of private pensions is described in detail in Pension wealth in Great Britain: April 2016 to March 2018.

We consider private pension wealth among people below State Pension age. This is the earliest age a person can start receiving their State Pension and has changed over time. By November 2018 State Pension age was 65 years for men and women.

We use medians as a measure of average wealth. Median wealth is that of the middle person if everyone was sorted from poorest to richest. The median is generally a better measure of central tendency for wealth than the mean, because it is less affected by very wealthy outliers in the data.

All numbers presented are sample estimates and subject to sampling and non-sampling errors. Small differences in the estimates over time or between groups may not represent real differences in the general population. Estimates based on fewer than 30 individuals have not been reported because it is harder to make reliable generalisations from smaller numbers of survey respondents. No testing of statistical significance has been undertaken because of the complexity of the data and its processing (such as imputed values and complex weighting). More information is available on uncertainty and how we measure it.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) has been used to reflect the general change in the value of money over time. Inflation-adjusted values are presented in April 2018 to March 2020 prices.

10 . Related links

[Household total wealth in Great Britain: April 2018 to March 2020]
Bulletin | Released 7 January 2022
Main results of household wealth from the seventh round of the Wealth and Assets Survey covering the period April 2018 to March 2020.

[Early indicator estimates from the Wealth and Assets Survey: attitudes towards financial security, April 2018 to September 2019]
Bulletin | Released 2 April 2020
Preliminary estimates for Great Britain from the Wealth and Assets Survey using attitudinal data not dependent on thorough checking and imputation methodology.

[Employee workplace pensions in the UK: 2021 provisional and 2020 final results]
Bulletin | Released 20 April 2022
Membership to workplace pension arrangements for UK employees, using data from the Annual Survey of Hours and Earnings (ASHE).