Third of non-pension holders plan to 'live for the day' rather than invest

By Mintel Oxygen reports

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LONDON, UK: While lack of financial provision for the future is an issue that just won't go away, it seems that today, the majority of Brits are more focused on what their money can do in the here and now. Indeed, latest research from Mintel finds merely a third (34%) of non-retired adults have some form of pension savings - equivalent to just 12 million consumers.

And it seems that while the future of pensions is an issue never far from the headlines, pension provision is being pushed to the back of the consumer mind-set, as latest research reveals living for the moment is the most common reason for not saving for a pension. Indeed, today, almost a third (31%) of non-pension savers say they 'would rather live for today than worry about what will happen in 20 or 30 years' time'. This laissez faire attitude is more prevalent among younger adults, and particularly those aged 18-24 (40%). For a fifth (19%) of non-retireds, their priority is getting onto or moving up the property ladder.

For those who do have a pension, occupational schemes are the most commonly held, and a fifth (21%) of consumers who have yet to retire have this pension type. Despite the prevailing trend to close such schemes to new members, final-salary schemes are still the most popular type of workplace pension. Some 16% of non-retired adults have a DB (Defined Benefit) final-salary occupational pension, versus 6% who have a DC (Defined Contribution) pension and 4% a GPP (Group Personal Pension).

Worrying trend

George Zaborowski, senior finance analyst at Mintel, said: "Only a third of the nation's consumers who have yet to retire have a pension, but more worrying still is that even some of these people will not currently be contributing towards that pension. Many people only have a pension because one was made available to them through their place of work and because their employer also makes contributions. Yet, as the cost of pension provision has risen, due mainly to rising life expectancy, employer support for pensions over the past two decades has generally declined. In turn, this has led to a fall in the number of active members of workplace pensions."

Less than three in ten (29%) women have a pension, compared to (36%) of men, ownership amongst women is also lower in occupational pension schemes where just a fifth of women (19%) are members compared to (23%) men. However, it seems that the biggest ownership differences occur with age. Despite the efficiency of saving young, today just a fifth (22%) of those aged 25-34 are pension savers, this rises to 36% of those aged between 35 and 44 years old and 45% of Brits aged 45 to 54 years.

A much smaller, though still significant, proportion of non-savers (12%) believe that the state pension will adequately provide for them in retirement, while 7% hope to depend on their children or other family members. Just 5% hold the view that there is no need for them to save in a pension because they will be able to use the equity in their home instead (such as by downsizing or perhaps taking out an equity release scheme). Finally, 1 in 10 (10%) non-savers simply do not like the thought of tying up their savings in a pension.

Substantial savings need for those wanting to get into the house market

"Although house price inflation has recently stabilised, the value of property is still high relative to average earnings. This, along with more stringent lending criteria, means that would-be first-time buyers need to build up substantial savings to cover the deposit on a property. For many younger adults therefore, this savings goal is more important, and pressing, than saving for retirement." George continues.

Company pension schemes are highly regarded by staff. Over three quarters (77%) of occupational pension members say that they 'really value' their employer contributing to their pension. Around 1 in 7 (15%) workers say that they specifically look for a good or competitive company pension when searching for a new job. This rises to 28% among those who already have a company or occupational pension. By contrast, some 12% of workers have chosen not to join their employer's pension scheme. Many of these people are under the age of 35.

Finally, with the introduction of NEST* (National Employment Savings Trust) just over a year away, there is currently very low awareness of this scheme - indeed, today just 3% of Brits are aware of NEST.

"Lack of pension ownership underlies the urgent need for pension reform and auto-enrolment. Fortunately, the latter is to be introduced from October 2012, via NEST and other workplace schemes. However, it is essential that these new reforms serve to create a low-cost occupational and private pension system that people can trust. This means ensuring that charges are kept low. Value for money and trustworthiness are two essential factors, because outcomes are uncertain with DC pensions, since the ultimate payout relies upon market performance and it is often many years before a pension holder can actually reap the benefit of years of saving."