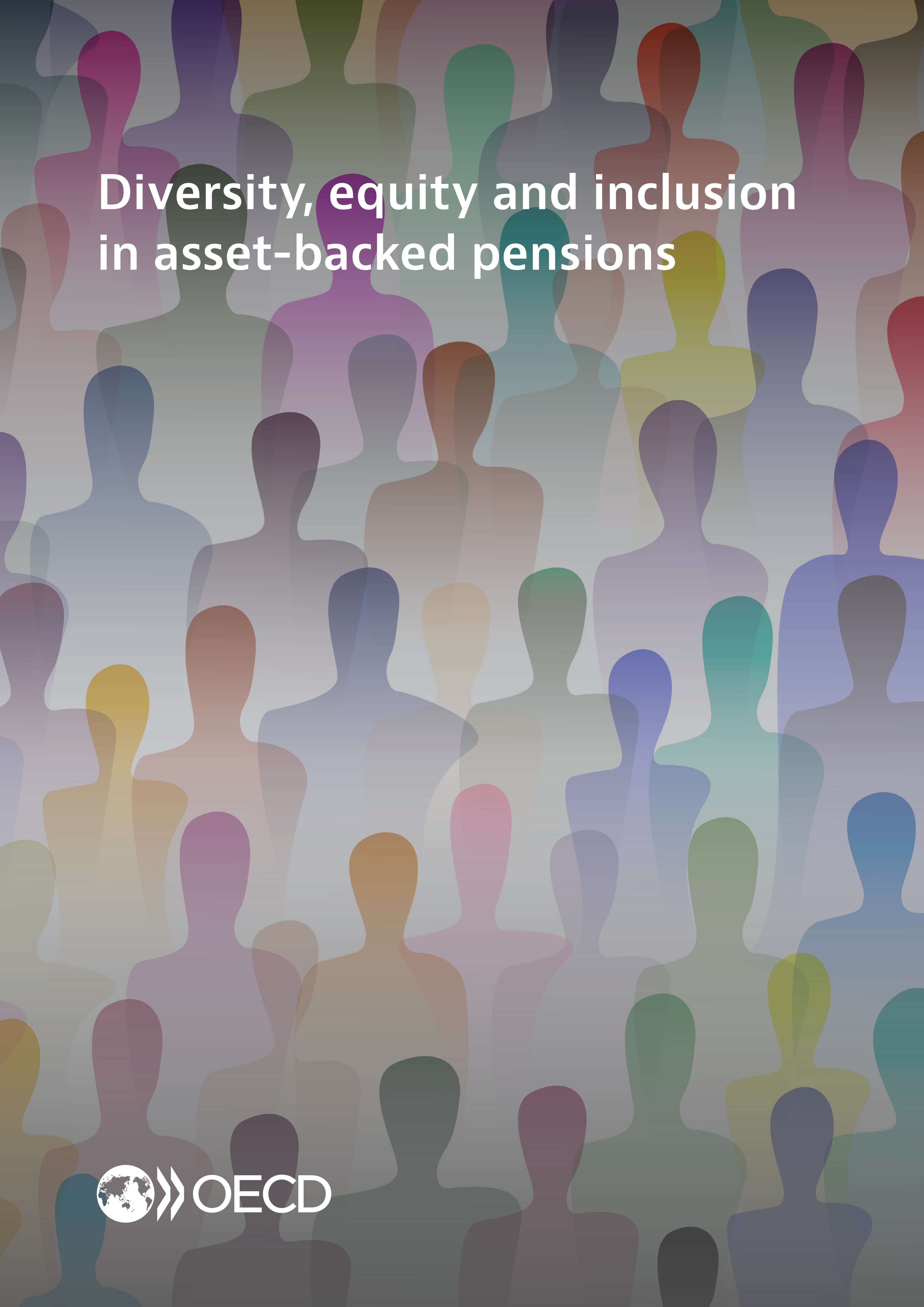
Diversity, equity and inclusion in asset-backed pensions



OECD

Please cite as: OECD (2023), *Diversity, equity and inclusion in asset-backed pensions*, OECD Business and Finance Policy Papers, OECD Publishing, Paris, https://doi.org/10.1787/d3240f77-en.

This paper explores potential influences on the ability and willingness to save for retirement, in order to uncover how asset-backed pension systems could be more inclusive of diverse populations. This paper illustrates the type of analysis that countries could conduct to better understand what factors may explain lower participation from certain individuals beyond labour market drivers, by looking at the views, attitudes, and expectations of individuals across socio-economic characteristics on a sample of adults from the UK.

Foreword

Asset-backed pension systems may sometimes fail to account for all the diversity in modern societies. Women usually have more limited access to asset-backed pension plans compared to men. New forms of work are emerging, and asset-backed pension systems may not be agile enough to adapt to the situation of new types of workers. Additionally, personal views and beliefs may drive participation in voluntary arrangements. All these factors may exclude certain groups of the population from asset-backed pension systems.

This report explores what may influence the ability and willingness to save for retirement of diverse populations, in order to uncover how to build more inclusive asset-backed pension systems. By looking at the views, attitudes, and expectations of individuals across socio-economic characteristics on a sample of UK adults, it provides an illustration of the type of analysis that countries could conduct in order to better understand what factors may explain lower participation from certain individuals beyond labour market drivers.

This report was prepared by Stéphanie Payet, Policy Analyst, under the supervision of Pablo Antolín, Senior Policy Analyst, and the oversight of Flore-Anne Messy, Head of the Consumer Finance, Insurance and Pensions Division within the OECD Directorate for Financial and Enterprise Affairs. Liv Gudmundson and Eva Abbott (OECD Directorate for Financial and Enterprise Affairs) provided editorial and communication support. This report was discussed and approved by the OECD Working Party on Private Pensions at its 48th Session on 20 June 2022 and prepared for publication by the OECD Secretariat.

The OECD gratefully acknowledges the contribution from Standard Life, part of Phoenix Group, for their comments and financial support, and for providing access to the data from their Consumer Attitudes Survey conducted in July 2021.

Table of contents

FIGURES

TABLES

Introduction

Making sure that no one is left behind when preparing and saving for retirement is of paramount importance in all countries. People of working age today are the retirees of tomorrow. Pension systems need to include them so they can build up rights and assets that will form the basis of their future retirement income. Although most countries have safety net programmes in place to avoid old-age poverty, ensuring that anyone can participate in asset-backed pension systems to complement their public pension and achieve a comfortable retirement is important.

Yet, the design of asset-backed pension systems may not always be fully inclusive and account for all the diversity in modern societies. Indeed, the gender pension gap is well documented and is partially explained by differences between men and women in access and contributions to asset-backed pension plans (OECD, 2021[1]). Moreover, new forms of work are emerging, and asset-backed pension systems may not be agile enough to adapt to the situation of new types of workers (OECD, 2019[2]). Additionally, personal views and beliefs may drive participation in voluntary asset-backed pension arrangements. All these factors may exclude certain groups of the population from asset-backed pension systems.

This report explores what may influence the ability and willingness to save for retirement, in order to uncover how asset-backed pension systems could be more inclusive of diverse populations. By looking at the views, attitudes, and expectations of individuals across socio-economic characteristics on a sample of UK adults, it provides an illustration of the type of analysis that countries could conduct in order to better understand what factors may explain lower participation from certain individuals beyond labour market drivers.

The analysis shows that asset-backed pension systems are not fully inclusive of selected population sub-groups, as they lag behind in terms of coverage. Past OECD work already provided policy guidance to enhance coverage, focusing mostly on addressing the implications of different working arrangements. However, it is also important to take into account individuals' views, attitudes and expectations towards saving and retirement, as these can affect participation in asset-backed pension arrangements and can vary significantly across socio-economic characteristics. The analysis shows that income, employment status, age, gender and ethnicity may influence how people perceive saving and risk taking, their level of confidence in making financial decisions, the aspects of retirement they consider positive or negative, the financial commitments they expect in retirement, their attitudes towards planning for retirement and the sources of guidance they are more likely to use. Understanding such differences can shed light on how the design of asset-backed pension arrangements could improve to target under-covered populations and ensure that their preferences are taken into consideration.

This report is structured as follows. Section 1 provides evidence that asset-backed pension systems are not fully inclusive as selected groups of individuals are less likely to participate in asset-backed pension arrangements than others. Section 2 presents approaches to enhancing coverage and making asset-backed pension systems more inclusive based on past OECD analysis (OECD, 2012[3]; OECD, 2020[4]; OECD, 2021[5]). These approaches focus on the implications of different individuals' work characteristics on their ability and capacity to save for retirement but do not cover personal and behavioural factors. Section 3 analyses how views, attitudes, and expectations towards saving and retirement may vary across socio-economic characteristics using a sample of U.K. adults as an illustration to complement past work. Section 4 discusses how better understanding these differences in views and attitudes can help countries to build more inclusive asset-backed pension systems.

1 Asset-backed pension systems are not fully inclusive

Asset-backed pension systems, whether voluntary or mandatory, occupational or personal, are not necessarily inclusive of all types of individuals and workers. Indeed, eligibility criteria may prevent some workers from joining certain types of plans. These criteria may limit access to asset-backed pension schemes by self-employed workers, informal workers, low earners, temporary employees, or part-time employees, for example (OECD, 2019[2]). Additionally, personal attitudes, views and behaviours may affect individuals' willingness to join voluntary arrangements. For instance, differences in financial literacy levels between men and women can partially explain lower participation rates among women (OECD, 2021[6]). This results in certain groups of the population being less likely to save for retirement than others.

Several labour market factors affect individuals' participation in asset-backed pension plans.

The self-employed tend to participate less than employees do in asset-backed pension systems, in particular when these are organised mostly through occupational plans (OECD, 2019[2]). For example, 60% of employees in Ireland are active members of a private pension plan, as compared to 30% of self-employed workers. Similarly, in the United Kingdom, 74% of employees and 16% of self-employed workers participate in a pension scheme. Differences between the two categories of workers can be greatly reduced in voluntary systems when dedicated schemes are offered to each of them (OECD, 2019[2]). For example, in Belgium, distinct employment-related complementary pensions exist for employees and the self-employed. In 2021, 65% of employees and 56% of self-employed workers were active members of a complementary pension plan. Although there is a still a difference between the two categories of workers, the magnitude is smaller than for the other two countries.

Among employees, part-time and temporary workers tend to have lower participation rates than full-time permanent workers. Minimum thresholds on earnings, working hours and length of employment restrict access to occupational plans for part-time and temporary employees (OECD, 2019[2]). Figure 1.1 illustrates the difference in participation rates between part-time and full-time workers in four OECD countries. While the difference between part-time and full-time workers is only 5 percentage points in Germany, it reaches 29 percentage points in the United Kingdom, 36 percentage points in Ireland and 44 percentage points in the United States. In Germany, the small difference in participation rates across the number of working hours may be because regulation explicitly forbids discrimination between full-time and part-time employees.

Figure 1.1 Plan participation by hours of work in selected OECD countries

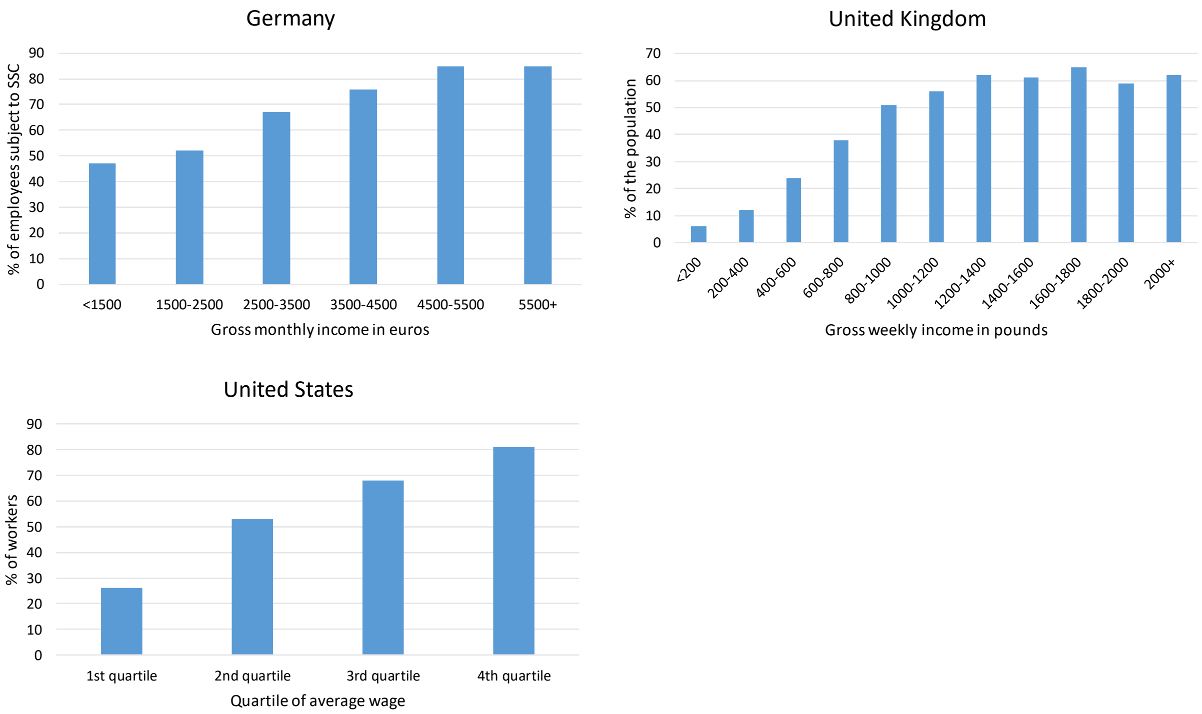
As a percentage of the relevant population

Note: The participation rate is measured over employees subject to social security contributions (SSC) for Germany, over persons in employment for Ireland, over employees for the United Kingdom and over all workers for the United States.
Source: National data sources.

The level of income also explains participation in asset-backed pension plans. As illustrated in Figure 1.2 for three OECD countries, participation rates tend to increase initially with income and then to plateau. For example, in the United Kingdom, only 6% of individuals with a household income of less than GBP 200 a week participate in a pension scheme. Participation then increases with income but levels off at around 60% for individuals with a household income at or above GBP 1 200 a week. Low participation rates for very low-income earners may not be an issue as they usually get a sufficient replacement rate from the public pension system and may be entitled to the safety net to avoid falling into poverty at retirement. The situation may be more difficult for low to middle-income earners, as the public pension alone may not be enough to cover their needs and lack of complementary pension coverage may reduce their standard of living at retirement.

Figure 1.2. Plan participation by income in selected OECD countries

As a percentage of the relevant population



Note: The participation rate is measured over employees subject to social security contributions (SSC) for Germany, over the total population for the United Kingdom, and over all workers for the United States.
Source: National data sources.

Education, occupation, employer size and unionised status are other labour market factors that may affect participation in asset-backed pension arrangements. For example, in Germany, only 32% of employees without any degree participate in a pension plan, as compared to 74% of those having a university degree (infas, 2020[7]). Additionally, workers in managerial occupations tend to have better coverage than those in services. For example, in Ireland, 62% of managers, directors and senior officials participate in a pension plan, while only 31% of workers in sales and consumer services do so (Central Statistics Office, 2022[8]). Employer size also plays a role. In the United States for instance, 37% of workers in companies with fewer than 50 employees participate in an occupational pension plan, while this proportion increases with employer size until reaching 80% for workers in companies with 500 or more employees (U.S. Bureau of Labor Statistics, 2021[9]). Finally, in the United States, 85% of unionised workers participate in an occupational pension plan, against 51% for non-unionised workers (U.S. Bureau of Labor Statistics, 2021[9]).

Beyond labour market factors, differences in participation rates also exist across demographic characteristics.[1]

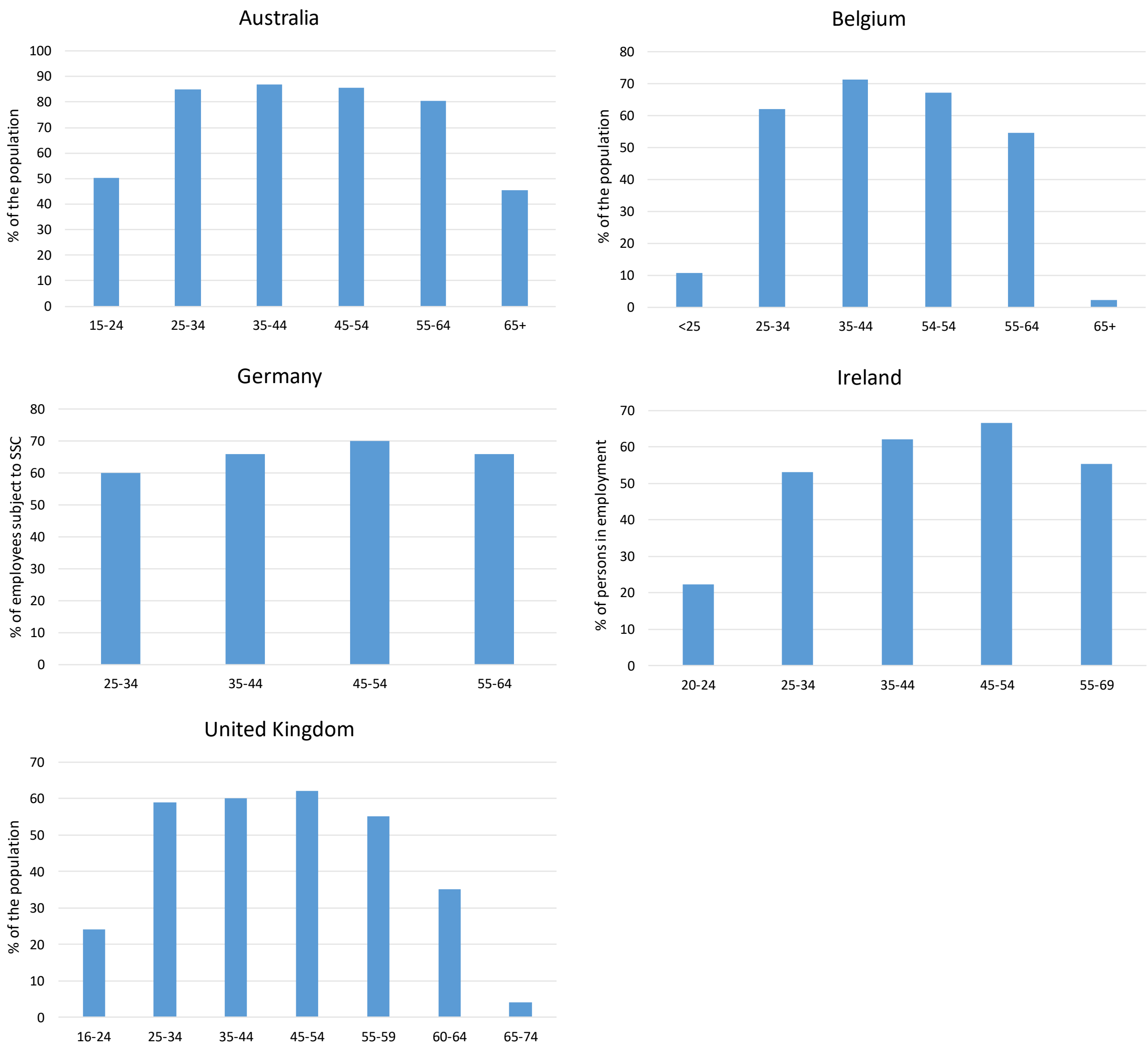
Young workers tend to participate less in asset-backed pension plans than other workers do. Figure 1.3 shows for a selection of OECD countries that participation in an asset-backed pension plan peaks for middle-aged individuals and is lower for younger and older individuals. Lower participation rates among individuals younger than 25 may be because a significant proportion of them is still in education, meaning

[1] Some of these factors are also inter-linked.

that they are yet to enter the labour market and that they have no income to contribute to a pension plan. This situation may still apply to a certain extent to individuals aged 25 to 34. However, when measuring participation rates among people in employment instead of among the total population (e.g. Germany and Ireland in Figure 1.3), younger workers still participate less in voluntary systems than older workers do. For example, in Ireland, participation rates increase from 22% for individuals in employment aged 20 to 24, to 53% for those aged 25 to 34, and to more than 60% for those aged 35 to 54. This shows that younger individuals participate less in asset-backed pension plans even when they are in employment.

Figure 1.3. Plan participation by age in selected OECD countries

As a percentage of the relevant population

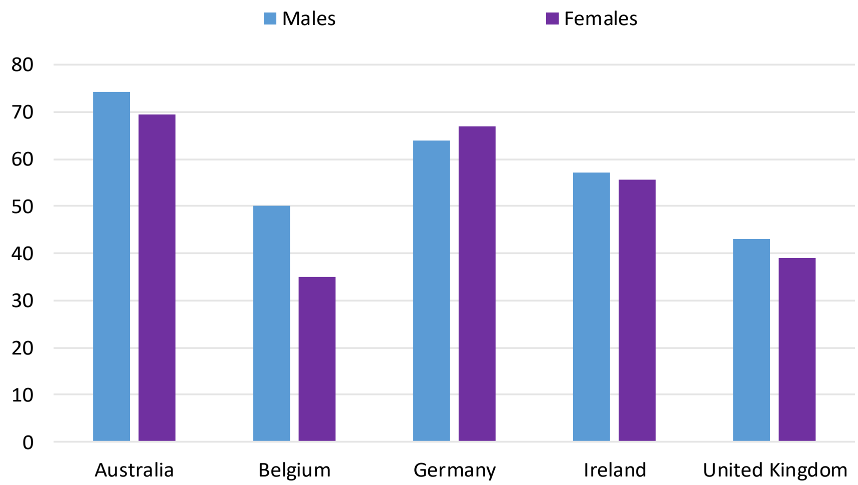


Note: The participation rate is measured over the total population for Australia, Belgium, and the United Kingdom, over persons in employment for in Ireland, and over employees subject to social security contributions (SSC) for Germany.
Source: National data sources.

Women tend to participate less in asset-backed pension arrangements than men do. Detailed statistics on participation rates by gender for a selection of European countries using survey data show that fewer women than men are covered by asset-backed pension plans, in particular occupational plans (OECD, 2021[1]). Figure 1.4 illustrates that participation rates are usually lower for women than for men. In Germany, however, women's participation is high as they are over-represented in the public sector, where participation in occupational pension schemes is almost universal as the result of collective agreements. Additionally, a larger proportion of women than men participate in voluntary *Riester* pension plans among employees (34% versus 26%). The success of this arrangement among women may be because the government pays subsidies into these plans for members having children.

Figure 1.4. Plan participation by gender in selected OECD countries

As a percentage of the relevant population

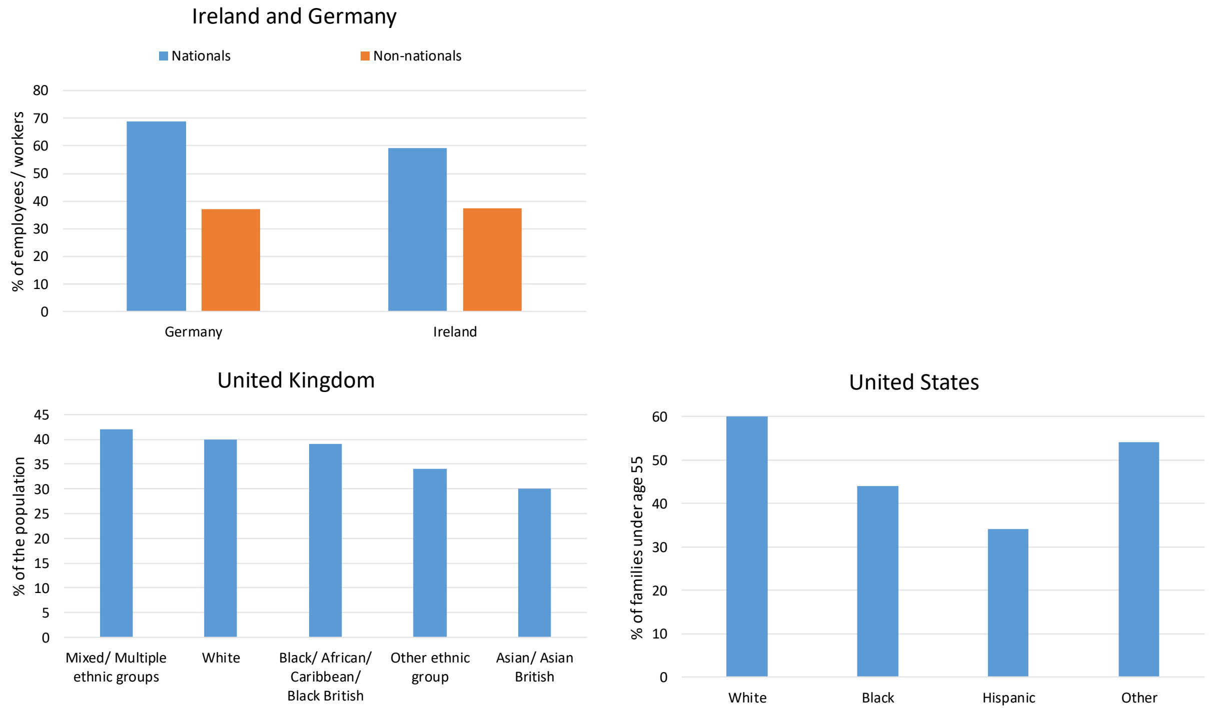


Note: The participation rate is measured over the total population for Australia, Belgium and the United Kingdom, over persons in employment for Ireland, and over employees subject to social security contributions (SSC) for Germany.
Source: National data sources.

Finally, non-nationals and individuals in minority ethnic groups may also have lower participation rates in asset-backed pension arrangements than other individuals. Figure 1.5 shows that in both Germany and Ireland, non-nationals participate less in pension plans than nationals do. In the United Kingdom, participation rates are lower for Asian individuals than for White individuals and those with a mixed ethnic background. In the United States, individuals in Black and Hispanic families participate less in employer-sponsored retirement plans than those in White families.

Figure 1.5. Plan participation by nationality or ethnicity in selected OECD member countries

As a percentage of the relevant population



Note: The participation rate is measured over the total population for the United Kingdom, over families under age 55 for the United States, over persons in employment for Ireland, and over employees subject to social security contributions (SSC) for Germany.
Source: National data sources.

Evidence from an UK sample

Differences in participation in asset-backed pension arrangements across socio-economic characteristics are confirmed when analysing a sample of nearly 5 000 adults in the United Kingdom. Table 1.1 shows that private pension plan holding varies across socio-economic characteristics.[2] In particular, it shows that women, younger generations (Gen Zers and Millennials), non-White ethnic groups, non-native English speakers, Muslims, adherents of Indian religions (i.e. Hindu, Buddhist or Sikh), low-income earners, manual workers, part-time workers and the self-employed are less likely than other groups of individuals to hold a private pension plan. This confirms the UK results discussed in the previous section stemming from official statistics.[3]

[2] Data come from an online consumer survey conducted in July 2021 by Standard Life, part of Phoenix Group. The survey explores individuals' attitudes and views when it comes to finances, savings, and retirement. In particular, it includes questions about individuals' holding of a defined benefit occupational plan, a defined contribution occupational plan or a personal plan. Box 3.1 provides a description of the survey.

[3] The United Kingdom's official statistics used are the Family Resources Survey (FRS) 2019/20. The FRS considers that individuals participate in a pension scheme when they actively contribute to it. In the Standard Life survey, it is not possible to distinguish active contributors from deferred members who hold a plan in which they no longer contribute. Plan holding is therefore larger than plan participation. This may also explain why data by ethnicity do not show the same trend across categories between the FRS (Figure 1.5) and the Standard Life survey (Table 1.1).

Table 1.1. Holding of a private pension plan by socio-economic characteristics in the United Kingdom

As a percentage of surveyed individuals

Characteristics	Hold a plan[1]	Characteristics	Hold a plan
All individuals	53%	**Religion**	
Gender		Christian	60%
Males	60%	Muslim	29%
Females	48%	Indian religion (Hindu, Buddhist or Sikh)	45%
Generation (age band)		Other religion	44%
Gen Z (18-24)	18%	No religion	50%
Millennials (25-40)	43%	**Personal income**	
Gen X (41-56)	56%	< GBP 20 000	42%
Baby Boomer (57-75)	69%	GBP 20 000 - 30 000	64%
Silent Generation (76+)	77%	GBP 30 000 - 50 000	71%
Ethnic group		≥ GBP 50 000	66%
White	56%	**Social grade[2]**	
Asian	37%	Higher managerial / professional / administrative	58%
Black	36%	Intermediate managerial / professional / administrative	68%
Mixed	38%	Supervisory / junior managerial / professional / administrative	66%
Other	48%	Manual work	47%
Language		**Employment status**	
Native English speaker	55%	Working full time	64%
Non-native	39%	Working part time	47%
		Self-employed / freelance	47%

Note: 1. Individuals could hover over the terms to the see the definition of the different types of plans. “Final salary company pension / pension through employer”: Also known as a defined benefit pension, offered by employers in which the money paid out on retirement is based on the level of your salary when you retire and how long you have been in the scheme). “Company / workplace pension – not final salary”: Known as a defined contribution pension, offered by employers in which you and/or your employer make contributions but what is paid out on retirement is not based on your salary level on retirement. This type of pension may also be referred to as a Group Personal Pension, Occupational Pension, Staff Pension, Workplace Pension, Money Purchase schemes or stakeholder pension. No definition was provided for “Personal pension / SIPP”. 2. Social grade is provided for the person in the household with the largest income, which may not be the survey respondent.
Source: OECD calculations.

2 Policies to make asset-backed pension systems more inclusive

Making defined contribution systems more inclusive is one of the ten policy guidelines embedded in the OECD Recommendation for the Good Design of Defined Contribution Pension Plans. The OECD and its Working Party on Private Pensions (WPPP) started working on factors explaining why certain population subgroups may not participate in asset-backed pension arrangements in 2012 by looking at the coverage of these arrangements across countries and socio-economic characteristics (OECD, 2012[3]).[4] Following this initial work, the OECD looked further into selected issues to understand better the mechanisms at play, like behavioural biases and low levels of financial knowledge (OECD, 2018[10]), automatic enrolment mechanisms (OECD, 2014[11]; OECD, 2018[10]; OECD, 2019[12]) and financial incentives (OECD, 2018[13]). Finally, the OECD and its WPPP worked on specific populations that had been previously identified as lacking coverage in asset-backed pension systems, namely workers in non-standard forms of work (OECD, 2019[2]; OECD, 2020[4]) and women (OECD, 2021[14]).

The analysis on coverage showed that countries with mandatory or quasi-mandatory systems had the highest coverage rates (OECD, 2012[3]).[5] Furthermore, it found that coverage was uneven across individuals, in particular in voluntary systems. Population subgroups experiencing the lowest coverage rates were individuals younger than 35, mid-to-low-income earners, part-time workers and workers having temporary contracts. Women were also found to have substantially lower coverage rates than men in several countries. The analysis finally assessed different policy options to broaden coverage. While data suggested that compulsory enrolment was the most effective way to achieve high and uniformly distributed levels of coverage, the study acknowledged that making asset-backed pension arrangement mandatory may not be opportune in all countries. At the time, the recent introduction of automatic enrolment in Italy and New Zealand suggested that it could be a good alternative to compulsory enrolment. The analysis also highlighted the positive impact on coverage of financial incentives in the form of government subsidies and matching contributions. It also identified financial education, as well as facilitating and simplifying provision, access and choice, as options to increase coverage.

Further work showed how behavioural biases and low levels of financial knowledge could affect individuals' decisions related to saving for retirement (OECD, 2018[10]). In particular, the analysis shows that present bias affects the participation decision in voluntary systems, as it leads many individuals to postpone or avoid making the commitment to save for retirement. In addition, many individuals lack the knowledge to understand complex financial products such as pension plans, which may discourage some of them to enrol in a plan even when they know it is ultimately in their best interest. The study identifies several policies to address these issues, notably introducing automatic or compulsory enrolment, simplifying

[4] This work built on Antolín (2008[27]), who calculated coverage rates for voluntary arrangements in a selection of countries.

[5] Coverage was defined as being enrolled in an asset-backed pension plan, irrespective of whether the individual actively contributes to it.

choice through automatic mechanisms and default options, providing financial and non-financial incentives to join a plan, and providing financial education.

Given the growing popularity of automatic enrolment as an alternative to compulsory enrolment, the OECD assessed in more details the role of this policy in enhancing asset-backed pension systems' inclusiveness and retirement income adequacy (OECD, 2014[11]; OECD, 2018[10]; OECD, 2019[12]). The analysis shows that automatic enrolment has a positive impact on participation in asset-backed pension plans because it harnesses the power of inertia, while preserving individual choice with the opt-out option. However, the impact on participation varies across countries due to different design features. In particular, to increase significantly participation levels, the target population of the automatic enrolment scheme should be broad-based, possibly covering all employees as well as the self-employed, and avoiding eligibility criteria that would exclude individuals who may benefit from building a complementary pension. Additionally, external incentives that may favour opting out need to be carefully identified and addressed. Moreover, while default options for the pension provider, the contribution rate and the investment strategy, are essential for typically less engaged, automatically enrolled individuals, they need to be designed carefully to ensure that the income derived from the plan meaningfully contributes to retirement income adequacy. Possibilities include fee caps and tender mechanisms to select providers, setting the default contribution rate at a low initial level and increasing it over time, and introducing a life-cycle investment strategy as a default.

Furthermore, the OECD assessed the effectiveness of financial incentives in encouraging individuals to join and contribute to an asset-backed pension plan (OECD, 2018[13]). The analysis concludes that financial incentives are useful tools to promote retirement savings. It also shows that different categories of individuals tend to react differently to different types of incentives. Allowing individuals to deduct pension contributions from taxable income encourages participation in and contributions to asset-backed pension plans for middle-to-high income earners, because individuals respond to the upfront tax relief on contributions that reduces their current tax liability. Low-income earners are, however, less sensitive to tax incentives, because they may lack sufficient resources to afford contributions, they may not have enough tax liability to enjoy tax reliefs fully, and they are more likely to have a low level of understanding of tax-related issues. Non-tax financial incentives, i.e. fixed nominal subsidies and matching contributions paid directly in the account of eligible individuals, are better tools to encourage retirement savings among low-income earners.

The analysis on non-standard forms of work and women shows that part-time and temporary employees, self-employed workers and informal workers tend to have worse access to asset-backed pension arrangements, because pension systems were designed initially to cater for full-time permanent employees (OECD, 2019[2]; OECD, 2020[4]). Similarly, women participate less in asset-backed pension plans in many countries due to their career patterns and attitudes towards savings (OECD, 2021[14]).

As similarities exist between these two groups of workers, some of the policy options to improve access to asset-backed pension arrangements are the same for non-standard workers and women.[6] In particular, regulation should ensure non-discriminatory access to asset-backed pension plans by avoiding the use of criteria based on salary, working hours, length of employment and type of contract, including for automatic enrolment schemes.[7] Additionally, vesting periods should be minimised and plan portability improved (e.g. by promoting multiple employer plans) to avoid that workers lose entitlements when changing jobs.

---

[6] For example, women constitute the majority of part-time workers in many countries. In addition, career interruptions are common for both temporary workers (due to lags between contracts) and women (due to time off work to care for children and/or family members).

[7] For example, Australia recently removed the AUD 450 monthly income threshold to expand the coverage of its mandatory pension system. This measure came into effect on 1 July 2022. The Retirement Income Review estimated that around 300 000 additional individuals would receive pension contributions, 63% of whom are women (The Australian Government the Treasury, 2020[30]).

Moreover, flexibility in the level and timing of contributions could help workers with volatile earnings and career breaks to contribute more when their situation allows.[8] Given that many of these workers tend to have low earnings, framing contributions in small, frequent amounts may reduce the feeling of loss and increase the feeling of affordability. Non-tax financial incentives such as government subsidies and matching contributions could also be introduced to encourage enrolment and contributions.

For the self-employed, specific policies may be required to make saving for retirement better tailored to their needs (OECD, 2020[4]). In particular, they may value having dedicated asset-backed pension plans designed specifically for them and allowing, for instance, to earmark part of their business profits or sale proceeds for retirement. They also view positively hybrid products combining short-term, liquid savings with retirement savings. Additionally, as introducing automatic enrolment is not as straightforward for them as for employees, automatic savings could be facilitated by using the digital services and platforms that self-employed workers use to run their businesses.

Women's specific needs should also be taken into account to ensure they participate in and contribute to asset-backed pension arrangements (OECD, 2021[5]). Tailored financial education and communication could help to improve women's financial literacy and knowledge of the asset-backed pension system to overcome their reluctance to deal with financial matters, increase their confidence in using pension products, and understand what action they could take given their situation. In addition, allowing spousal contributions and providing subsidies for maternity and caretaking could help to counter the negative impact on retirement income for women who take part-time work or career breaks to perform caretaking responsibilities.[9]

There is now a need to understand better individuals' views, attitudes, and expectations with respect to saving and retirement. Most of the work described above focuses on the implications of different individuals' work characteristics on their ability and capacity to save for retirement in order to enhance the inclusiveness of asset-backed pension systems. However, individuals' views, attitudes and expectations towards retirement may affect their participation into asset-backed pension arrangements, in particular when these are voluntary. For instance, there are behavioural and cultural drivers that may contribute to the gender pension gap (OECD, 2021[6]). Uncovering these drivers proved essential to derive policy recommendations to ensure that women get tailored financial education and communication programmes, have access to appropriate default investment strategies, can receive objective assessments of their risk tolerance, and become more aware of the possibilities to split retirement benefit entitlements during partnership or upon divorce. As diversity goes beyond gender, analysing preferences and attitudes across several socio-economic characteristics could help to identify which design features of asset-backed pension arrangements need to improve to make asset-backed pension systems more inclusive.

[8] Hu and Stewart (2009[28]) also identified flexible contributions as a way to increase informal sector coverage. This paper also suggested to target and incentivise informal workers who are capable of extra saving, to utilise existing infrastructure from a broad range of sectors and to establish a centralised administration agency.

[9] OECD (2021[14]) also discusses policy options to improve investment performance for women, split retirement benefit entitlements between spouses or ex-spouses, and address women's longer life expectancy.

3 Assessing the views, attitudes, and expectations of diverse populations: an illustration for the U.K.

This section explores what may influence people's ability and willingness to save for their future, as well as their views, attitudes, and behaviours towards saving and retirement. It presents the analysis conducted by the OECD Secretariat using survey data from Standard Life's Consumer Attitudes Survey (Box 3.1). This analysis provides an illustration on how to better understand the views, attitudes, and expectations of diverse populations in any country.

Box 3.1. Standard Life's Consumer Attitudes Survey

Standard Life, part of Phoenix Group, commissioned an independent online survey of nearly 5 000 individuals from around the United Kingdom in July 2021. The survey sought to understand individuals' attitudes and what influences their ability to save for their future, including for retirement. The survey also explored how individuals feel about the decisions they need to take now to plan for the future, and, for those that have already retired, their experience since doing so.

To identify differences across socio-economic characteristics, the survey includes information on individuals' income, savings, region, gender, ethnicity, religion, and employment status.

The sample is broadly representative of the U.K. adult population with respect to age, gender, and region. However, as the survey was conducted online through consumer panels, it may not be fully representative of poorer and older individuals. Additionally, the sample over-represents Black and Asian ethnic groups to allow sufficient sample size to conduct analyses by ethnicity. Survey weights correct for this ethnicity bias. As the survey design only controls sample selection by age, gender, region and ethnicity, individuals in the sample may differ from the U.K. adult population on other characteristics (e.g. employment status and income).

The analysis conducts Chi-squared tests to identify associations between a binary variable of interest (e.g. having enough emergency savings, yes/no) and a binary (e.g. gender) or categorical (e.g. ethnicity) socio-economic characteristic. In case the socio-economic characteristic is a categorical variable, pairwise comparisons of proportions are made to see what drives the association. Making multiple comparisons leads to an increased chance of making a false discovery, i.e. rejecting a null hypothesis that should not have been rejected.[10] Therefore, the analysis uses the False Discovery Rate (FDR) adjustment to adjust the p-values and reduce the risk of finding too many significant differences (Box 3.2). Moreover, the

[10] In this case, the null hypothesis is the absence of difference between two proportions.

analysis also conducts logistic regressions to identify which socio-economic characteristics have the strongest prediction power on the binary variable of interest.

Box 3.2. Multiple pairwise comparisons

When a Chi-squared test identifies an association between a binary variable and a categorical variable, it is interesting to dig further and understand which categories drive the association. For example, if there is a link between having enough emergency savings and the generation, which generations distinguish from each other on emergency savings? Because the variable generation has five categories, one needs to conduct ten pairwise comparisons to test all combinations and compare the proportion of people having enough emergency savings across the five generations.

When conducting statistical tests, one checks whether the observed difference is large enough to reject the null hypothesis (absence of difference). As this is measured on a sample instead of the population of interest, there is always the risk to reject the null hypothesis by mistake. This is called the Type I statistical decision error. The p-value is the probability of making that Type I error. It is usual practice to reject the null hypothesis when the p-value is lower than 5%.

When making multiple comparisons, the risk of making a Type I error is on each comparison. The more comparisons are made, the more likely it is to make at least one Type I error. With ten pairwise comparisons, there is a 10×p-value=50% chance of making at least one Type I error when selecting a p-value of 5%.

The False Discovery Rate (FDR) approach adjusts the p-values for a series of tests. The FDR concept was formerly described by Benjamini and Hochberg (1995[15]). The method consists in controlling the FDR, which is the expected proportion of "discoveries" (i.e. rejected null hypotheses) that are false. The procedure consists in ranking the p-values for all the pairwise comparisons, comparing them to a critical value[1], and identifying the largest p-value that is smaller than its critical value. All p-values above that one (i.e. with a lower ranking) are considered significant, meaning that one can reject the null hypothesis for the corresponding pairwise comparisons.

Note: The formula to calculate the critical value is (i/m)×Q, with i the p-value's rank, m the total number of tests and Q the false discovery rate (defined by the statistician).

The following sub-sections explore individuals' views about saving and risk taking, their level of confidence in making financial decisions, the aspects of retirement they consider positive or negative, the financial commitments they expect to have in retirement, the extent to which they plan for retirement and the sources they use when looking for guidance. Comparisons are conducted across generations, genders, ethnic groups, languages, religions, personal incomes, social grades and employment statuses.

Views about savings

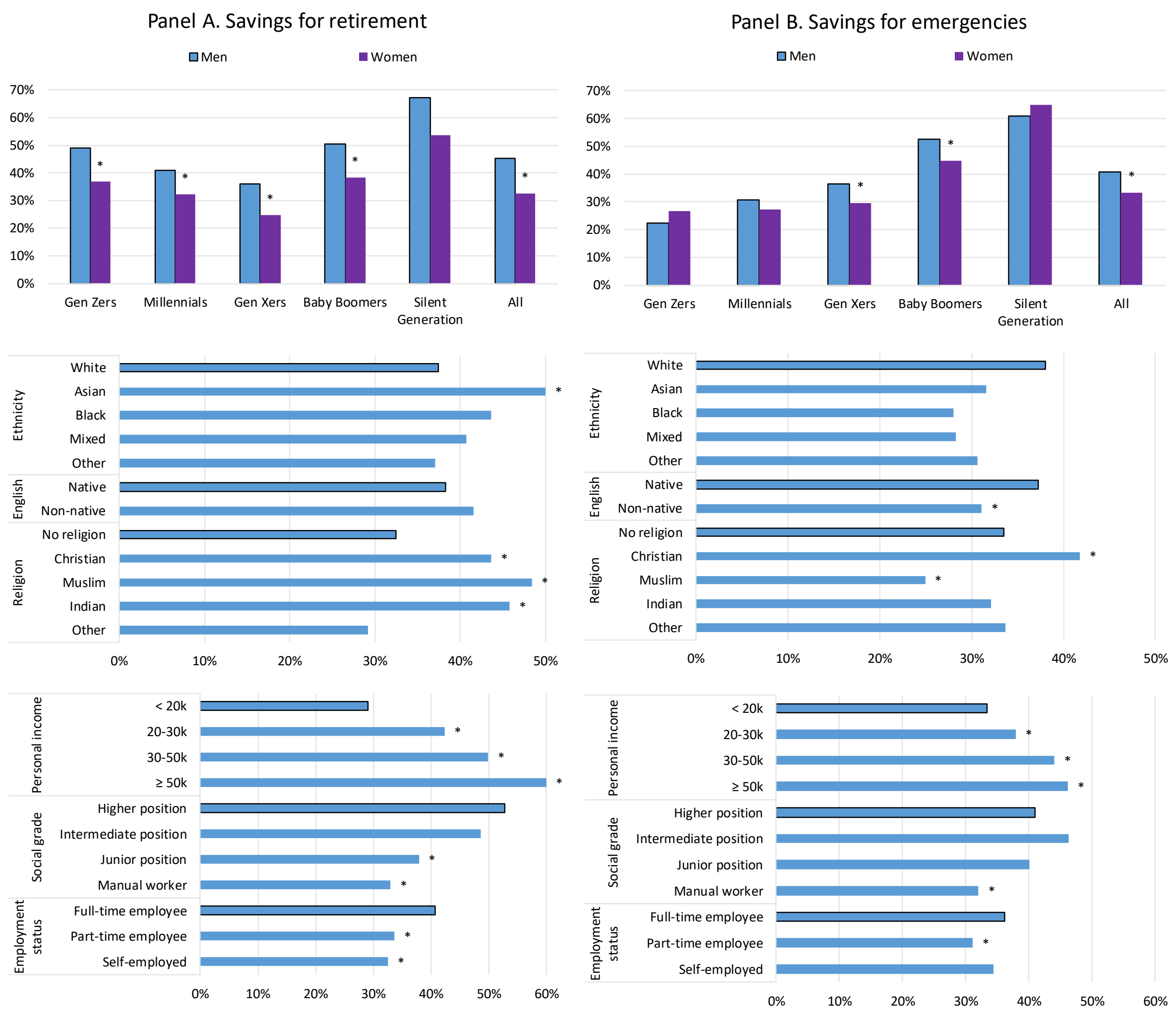
Confidence that people are saving enough to have a comfortable retirement varies across socio-economic characteristics. Panel A of Figure 3.1 shows the proportion of individuals who slightly or strongly agree that they are confident they are saving enough to have a comfortable retirement. Across generations, Gen Xers followed by Millennials are the least likely to feel confident.[11] Women are less likely to feel confident than men, within all generations. People of White ethnicity are less likely to feel confident than people of Asian

[11] Survey data from the United States also show that Gen Xers are the least likely to report that they are on track in planning for a financially secure retirement (Society of Actuaries, 2021[20]).

ethnicity. Moreover, people without a religion are less likely to feel confident that they are saving enough for a comfortable retirement, compared to Christians, Muslims and adherents of Indian religions. Additionally, the lower the income, the less likely people are to feel confident. Finally, workers in junior positions and manual workers are less likely to feel confident than workers in higher positions, while part-time and self-employed workers are less likely to feel confident than full-time workers.

Figure 3.1. Views about retirement and emergency savings vary across socio-economic characteristics

Panel A. Proportion of individuals agreeing with the statement "I'm confident I'm saving enough to have a comfortable retirement; Panel B. Proportion of individuals to whom the statement "I have enough savings to cover me for emergencies and anything unexpected" applies



Note: * significant difference at the 5% level compared to the reference category outlined in black (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

The finding across generations could reveal over-confidence from younger individuals. Indeed, a relatively high proportion of Gen Zers (42%) feel confident that they are saving enough to have a comfortable retirement; it is nearly as much as for Baby Boomers (45%). Other data point in the same direction. For example, 57% of Gen Zers consider themselves as savers rather than spenders, compared to between 49% and 51% for Millennials, Gen Xers and Baby Boomers. Additionally, 44% of Gen Zers feel very comfortable with the amount of savings they have. This proportion is higher than for Millennials (38%) and Gen Xers (33%). Consequently, Gen Zers also believe that they will be able to support their chosen lifestyle during retirement for longer, 18.4 years on average, as opposed to 16.2 years for Millennials and 14.7 years for Gen Xers. However, holding of private pension plans is the lowest among Gen Zers (Table 1.1), and this is generally the case with other savings products too. Gen Zers also have less than other generations in total investments and savings, which is expected given their shorter career. This generation may not realise how much they will need to finance their retirement. Indeed, nearly half of them think that they only need to start thinking about planning for retirement when they get older and one in five have not given any thought so far about the sources they will use to fund their retirement. Therefore, they may feel over-confident about their retirement savings.

People of Asian ethnicity feel more confident about their retirement savings than people of White ethnicity, even though fewer of them hold a private pension plan. Responses to several questions related to savings confirm that people of Asian ethnicity are more savings oriented than people of White ethnicity. Indeed, people of Asian ethnicity are more likely than people of White ethnicity to consider themselves as savers rather than spenders (64% vs. 49%), to feel very comfortable with the amount of savings they have (53% vs. 40%), and to state that they save as often as they can (54% vs. 44%). However, fewer people of Asian ethnicity than people of White ethnicity hold a private pension plan (37% vs. 56%), as shown in Table 1.1. This is not necessarily contradictory with their confidence in their retirement savings, as people of Asian ethnicity actually use other savings vehicles to finance their retirement. Indeed, nearly half of people of Asian ethnicity would rather invest their money in land or property than in a pension plan, as compared to 31% of people of White ethnicity. Additionally, people of Asian ethnicity are more likely than people of White ethnicity to expect to finance their retirement using rental property they own, stocks and shares, gold and precious metals, as well as money from family. This is consistent with the fact that 70% of people of Asian ethnicity have at least GBP 10 000 in total savings and investments, as compared to 60% of people of White ethnicity.

Studies in the United States suggest similar patterns across ethnic groups with respect to confidence and attitudes towards retirement savings. For example, people of Asian ethnicity also demonstrate a strong saving attitude in the United States. Indeed, 59% of Asian Americans consider themselves as savers rather than spenders (versus 54% overall), saving for retirement is a top financial priority for 67% of them (versus 58% overall) and only 16% of them believe they are not on track in planning for a financially secure retirement (versus 22% overall) (Society of Actuaries Research Institute, 2021[16]). Moreover, the 2021 Retirement Confidence Survey finds no significant difference between White, Black and Hispanic Americans regarding their confidence in having enough money to live comfortably in retirement once income differences are taken into account (Copeland and Greenwald, 2021[17]). For example, among lower earners, 48% of White Americans, 50% of Black Americans, and 46% of Hispanic Americans feel very or somewhat confident.

When combining all the factors, the analysis confirms that generation, gender, ethnicity, religion, and income influence the level of confidence of individuals about their retirement savings (Table 3.1). Some of the differences identified above lose significance when controlling for other factors, however. For example, Muslims and adherents of Indian religions are no longer different from people without a religion after controlling for ethnicity. Indeed, respectively 40% and 32% of people of Asian ethnicity are Muslims and adherents of Indian religions. Being of Asian ethnicity has a stronger link with confidence about retirement savings than being a Muslim or an adherent of Indian religions.

Table 3.1. Drivers affecting individuals' confidence level about their retirement savings

	Estimate	P-value	Significance
Gender (reference: Men)			
Women	-0.28139	5.16e-05	***
Generation (reference: Gen Zers)			
Millennials (25-40)	0.38380	0.00258	**
Gen Xers (41-56)	-0.60938	4.02e-06	***
Baby Boomers (57-75)	0.17830	0.18160	
Silent Generation (76+)	0.87885	3.56e-05	***
Ethnicity (reference: White)			
Mixed	0.25093	0.25736	
Asian	0.68322	2.20e-06	***
Black	0.15870	0.18019	
Other	0.14776	0.63444	
Religion (reference: No religion)			
Christian	0.32533	1.59e-05	***
Muslim	0.22321	0.20986	
Indian	-0.12703	0.50894	
Other	-0.26946	0.29794	
Personal income (reference: < 20k)			
20-30k	0.64675	5.14e-14	***
30-50k	0.91592	< 2e-16	***
≥ 50k	1.37799	< 2e-16	***
Intercept	-0.80528	1.17e-09	***

Note: Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Source: OECD regression analysis.

Individuals feeling confident about their retirement savings are not necessarily the same as those considering that they have enough emergency savings. Panel B of Figure 3.1 shows the proportion of individuals stating that they have enough savings to cover them for emergencies and anything unexpected. There are interesting differences when comparing with people feeling confident about their retirement savings (Panel A). In particular, while 42% of Gen Zers feel confident they are saving enough to have a comfortable retirement, only 25% of them consider that they have enough emergency savings. The proportion of individuals having enough emergency savings actually increases with age. Overall, fewer women than men consider they have enough emergency savings, but differences between men and women are only significant among Gen Xers and Baby Boomers. Non-native English speakers are less likely than native speakers to consider they have enough emergency savings. Although people of Asian ethnicity are more likely than people of White ethnicity to feel confident about their retirement savings, there is no statistically significant difference between the two groups when it comes to having enough emergency savings.[12] Finally, while Muslims are more likely than people without a religion to feel confident about their retirement savings, it is the opposite when looking at emergency savings.

Only two socio-economic characteristics actually drive how people feel about their emergency savings. When combining all the factors, only generation and personal income are significant drivers of the likelihood to consider having enough emergency savings (Table 3.2). This likelihood increases with age

[12] In the United States, people of White ethnicity with middle and higher earnings are more likely than people of Black ethnicity to agree that they have enough savings to handle an emergency or sudden large expense (Copeland and Greenwald, 2021[17]). This is consistent with the survey results, as 38% of people of White ethnicity and 28% of people of Black ethnicity state they have enough emergency savings, even though the difference is not significant.

and income. Once these two factors are taken into account, gender, ethnicity, language, religion, social grade and employment status no longer explain differences in views regarding the sufficiency of one's emergency savings.

Table 3.2. Drivers affecting individuals' sufficiency of their emergency savings

	Estimate	P-value	Significance
Generation (reference: Gen Zers)			
Millennials (25-40)	0.12854	0.32322	
Gen Xers (41-56)	0.33487	0.01084	*
Baby Boomers (57-75)	1.11100	< 2e-16	***
Silent Generation (76+)	1.70485	< 2e-16	***
Personal income (reference: < 20k)			
20-30k	0.31318	0.00019	***
30-50k	0.58574	1.37e-10	***
≥ 50k	0.81662	4.49e-12	***
Intercept	1.32901	< 2e-16	***

Note: Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Source: OECD regression analysis.

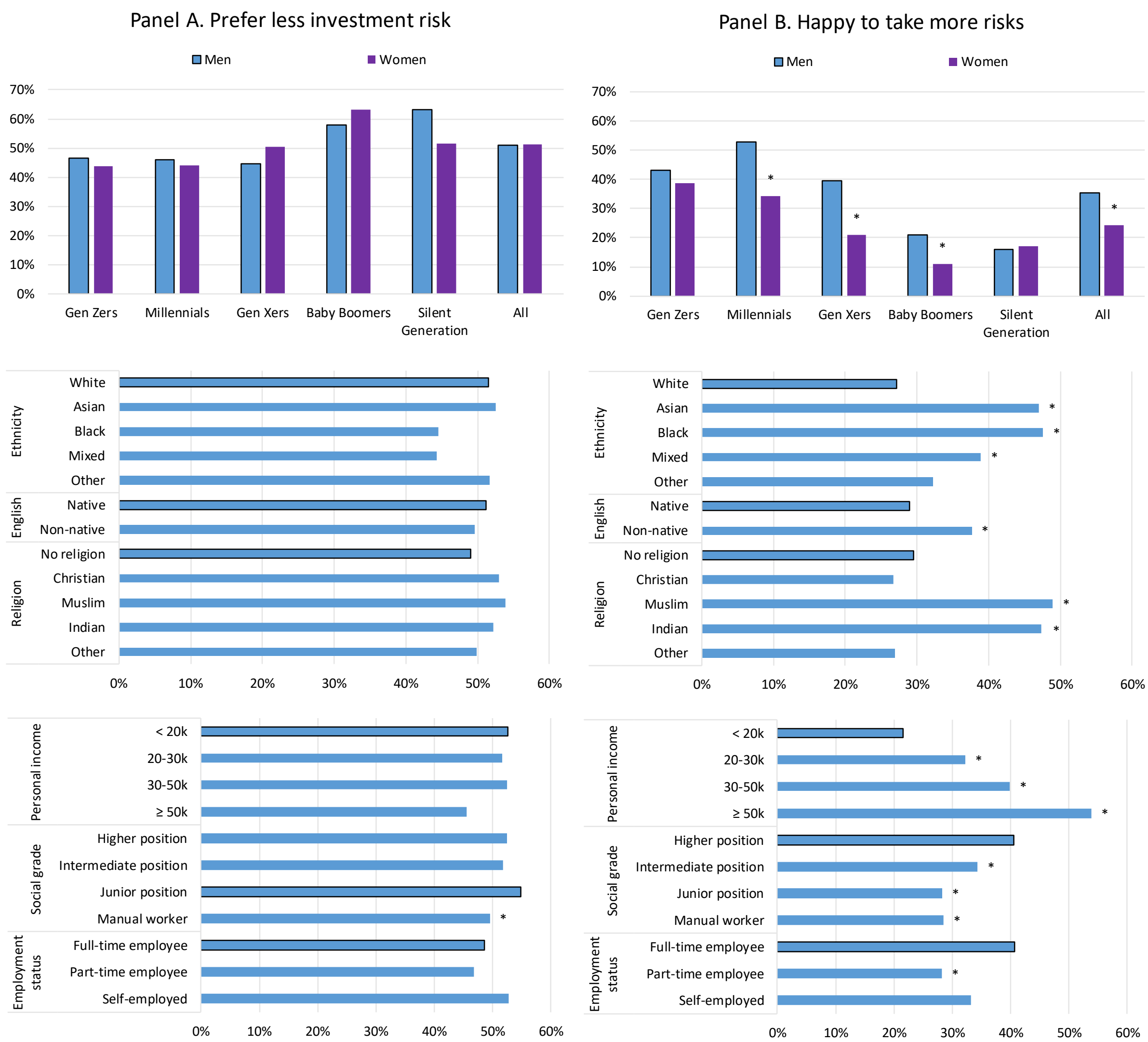
It may be surprising that differences across ethnic groups with respect to emergency savings are not significant in the sample. Indeed, using data from the ONS Wealth and Assets Survey (WAS), Bangham (2020[18]) shows that low wealth families in Great Britain, defined as those holding less than GBP 1 000 in gross financial assets, are more prevalent among some ethnic groups. This is particularly the case for Black African (60% of families have low wealth), Bangladeshi (54%), Black Caribbean (49%), Pakistani (48%), and White and Black Caribbean (46%). In comparison, only 28% of White British families and 25% of Indian families have low wealth. Moreover, around half of people of Bangladeshi and Pakistani ethnicity say they could not make ends meet if their household's main source of income stopped for a month. This proportion falls to 27% among White British people, 23% among Indians and 22% among people of Chinese ethnicity. The lack of significance in differences between people of White ethnicity and other ethnic groups for emergency savings in the sample could be due to the grouping of ethnicities to address low sample sizes. People of Asian ethnicity indeed gather people of Indian, Pakistani, Bangladeshi, and Chinese ethnicities. This group is very heterogeneous in terms of emergency savings according to the WAS, which may explain why the Asian ethnic group as a whole does not distinguish itself significantly from people of White ethnicity, for example.

Views about risk taking

Few differences exist across socio-economic characteristics regarding preferences for less investment risk. Panel A of Figure 3.2 shows the proportion of individuals who slightly or strongly agree that they prefer to take less investment risk even if it means they have less money over the long term. Older generations (Baby Boomers and Silent Generation) are more likely to prefer less investment risk than younger ones. Additionally, individuals in junior positions are more likely than manual workers to prefer taking less investment risk. However, differences in the proportions of individuals preferring less investment risk are not statistically significant across gender, ethnicity, language, religion, personal income, and employment status.[13]

Figure 3.2. Socio-economic characteristics influence whether individuals are happy to take more risks

Panel A. Proportion of individuals agreeing with the statement "I prefer to take less investment risk even if it means I have less money over the long term; Panel B. Proportion of individuals agreeing with the statement "I'd be happy to take more risks with my money to get the chance of higher returns"



Note: * significant difference at the 5% level compared to the reference category outlined in black (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

[13] When combining all the factors, ethnicity becomes a significant factor after controlling for generation and social grade. People of Asian ethnicity are found more likely to prefer taking less investment risk, compared to people of White ethnicity.

By contrast, views about taking more risks to get higher returns diverge significantly across most socio-economic characteristics. Panel B of Figure 3.2 shows the proportion of individuals agreeing (slightly or strongly) with the statement that they would be happy to take more risks with their money to get the chance of higher returns. Risk appetite is the highest for younger generations (Gen Zers and Millennials) and declines afterwards with age. Women are less likely to be willing to take more risks compared to men, except among Gen Zers and the Silent Generation. Compared to people of White ethnicity, Asian, Black, and Mixed ethnicity groups are more likely to be happy to take more risks with their money. Moreover, compared to Christians and people without a religion, Muslims and adherents of Indian religions are more likely to be happy to take more risks in exchange for higher expected returns. Non-native English speakers are more likely than native speakers to be willing to take more risks. The propensity to take more risks also increases with the level of income. Finally, individuals in higher positions and full-time employees are more willing to take more risks.

The regression analysis confirms that generation, gender, ethnicity, religion, and income affect preference for taking more risks. However, some differences lose significance. For example, Asian and Mixed ethnic groups no longer statistically differ from White people, while adherents of Indian religions no longer differ from people without a religion. Black people remain more likely than White people to be happy to take more risks with their money. Similarly, Muslims remain more likely than people without a religion to be happy to take more risks. After controlling for ethnicity, language no longer affects preference for taking more risks. Additionally, after controlling for income and gender, social grade and employment status no longer influence the likelihood to be happy to take more risks.

Some individuals' perception of investment risk depends on how the risk-return trade-off is framed. Overall, just above half of individuals prefer to take less investment risk, even if this implies having less money in the long term. By contrast, 30% of individuals would be happy to take more risks to increase expected returns. However, some people actually agree with both statements. For example, among individuals saying they would be happy to take more risks, 44% also say that they prefer to take less investment risk. This shows that some individuals do not have a clear view of their own risk appetite and are influenced by how the risk-return trade-off is framed.

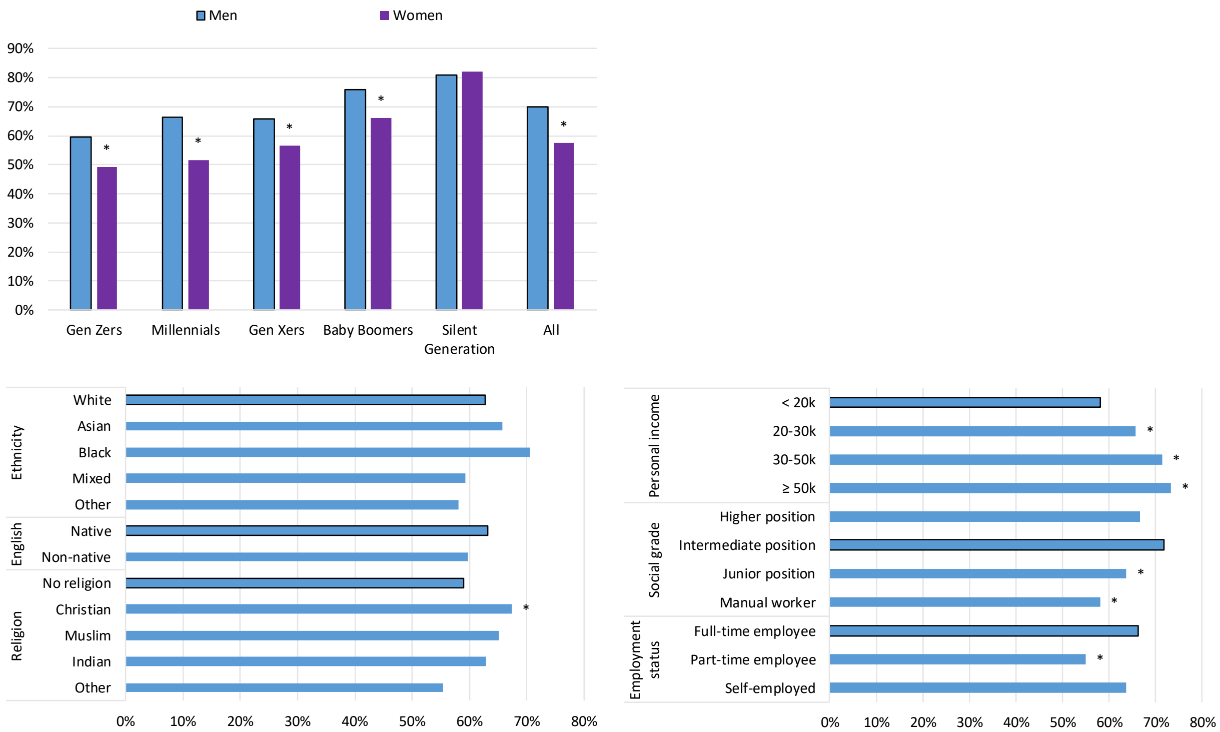
Confidence in making financial decisions

Confidence in making financial decisions varies across socio-economic characteristics. Figure 3.3 shows the proportion of individuals who slightly or strongly agree that they are confident making financial decisions.[14] Confidence is the lowest among the younger generations (Gen Zers and Millennials) and increases with age. Women feel less confident than men, except within the Silent Generation. This is consistent with international evidence showing that women tend to have lower levels of financial knowledge than men do (OECD, 2020[19]). Moreover, Christians feel more confident than people without a religion. Additionally, the level of confidence increases with income, and people in higher and intermediate positions feel more confident than people in junior positions and manual workers.

[14] However, being confident about making financial decisions does not mean that people actually make good decisions.

Figure 3.3. Confidence in making financial decisions varies across socio-economic characteristics

Proportion of individuals agreeing with the statement "I'm confident making financial decisions"



Note: * significant difference at the 5% level compared to the reference category outlined in black (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

When combining all the factors, the analysis shows that ethnicity becomes a significant factor in being confident in making financial decisions when controlling for other variables (Table 3.3). The model shows that, compared to people of White ethnicity, Asian and Black ethnic groups are more likely to feel confident. By contrast, after controlling for personal income, the difference between full-time and part-time employees is no longer significant.

Table 3.3. Drivers influencing individuals' confidence in making financial decisions

	Estimate	P-value	Significance
Gender (reference: Men)			
Women	-0.37288	1.57e-07	***
Generation (reference: Gen Zers)			
Millennials (25-40)	0.10752	0.376954	
Gen Xers (41-56)	0.30432	0.015684	*
Baby Boomers (57-75)	0.75814	8.96e-09	***
Silent Generation (76+)	1.24556	4.62e-07	***
Ethnicity (reference: White)			
Mixed	0.11262	0.621576	
Asian	0.37046	0.016039	*
Black	0.52320	3.25e-05	***

	Estimate	P-value	Significance
Other	0.03133	0.914877	
Religion (reference: No religion)			
Christian	0.15332	0.041203	*
Muslim	0.18221	0.332872	
Indian	-0.13128	0.522701	
Other	-0.34590	0.133338	
Personal income (reference: < 20k)			
20-30k	0.23478	0.007970	**
30-50k	0.39007	0.000147	***
≥ 50k	0.54582	0.000126	***
Social grade (reference: Intermediate)			
Higher position	-0.23854	0.103385	
Junior position	-0.27187	0.005610	**
Manual worker	-0.36441	0.000394	***
Intercept	0.38916	0.009411	**

Note: Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Source: OECD regression analysis.

Similar conclusions arise when looking at other aspects of financial decision-making. For example, individuals were asked whether they are confident that they understand financial products. Several questions also relate to individuals' level of confidence that they know enough to make a good decision on topics related to private pensions, such as deciding whether to take money out of a plan, how much to withdraw as a tax-free lump sum and how to take money out. On all these aspects, younger generations, women, low earners, people of White ethnicity, people without a religion, manual workers, people in junior positions and part-time workers feel less confident than other groups of individuals.

These results are consistent with those of the Wealth and Assets Survey 2018-20, which is a large-scale survey for Great Britain.[15] This survey asks individuals not retired whether they agree with the statement "I feel I understand enough about pensions to make decisions about saving for retirement". It shows that agreement with this statement increases with age, from 20% for individuals aged 16 to 24, to 65% for individuals aged 65 and over. It also shows that women (37%) are less likely than men (52%) to feel confident they understand enough about pensions. Additionally, the level of confidence is comparable between employees (47%) and self-employed workers (50%). Finally, individuals in higher managerial or professional occupations are more likely to agree with the statement (64%-70%) than individuals in routine or semi-routine occupations (34%).

It may be surprising that confidence in making financial decisions does not decline for older generations. Indeed, according to the OECD/INFE International Survey of Adult Financial Literacy (OECD, 2020[19]), financial literacy levels are smaller on average for younger (18 to 29) and older (60+) individuals. For older individuals, their score on financial knowledge is lower than for the general adult population in 17 economies out of 26. One could expect that confidence in making financial decisions would decline when financial knowledge declines. The United Kingdom is not part of the OECD/INFE survey. However, the Wealth and Assets Survey confirms the trend of increasing understanding about pensions with age, although the question only covers people not retired. Additionally, data from the United States also find that older generations report being more confident in making financial decisions, without a decline for the Silent Generation (Society of Actuaries, 2021[20]). In any case, it is important to keep in mind that the Standard Life Consumer Attitudes Survey was conducted online, thereby only surveying individuals with

15 See the ONS Pension wealth dataset: [Pension wealth: wealth in Great Britain - Office for National Statistics (ons.gov.uk)](https://www.ons.gov.uk)

sufficient understanding of digital technologies to be able to participate in the survey. Therefore, the older individuals in the sample may not be fully representative of the average U.K. seniors, in particular when it comes to financial literacy.

Positive and negative aspects of retirement

Differences exist in the perception of what constitute positive aspects of retirement across socio-economic characteristics. Table 3.4 lists the positive aspects of retirement selected by at least 20% of surveyed individuals and splits the socio-economic groups between those least likely and those most likely to select the different items. For example, 36% of surveyed individuals consider that relaxing and taking it easy is a positive aspect of retirement, and it is even more so the case for people with lower earnings and social grade, as well as for Baby Boomers and Christians. By contrast, fewer people select this item among younger generations, people of Asian ethnicity, Muslims, adherents of Indian religions, higher earners and workers in higher managerial, professional or administrative positions. Similarly, spending more time with family is generally considered a positive aspect of retirement, in particular among older individuals (Baby Boomers and the Silent Generation), women, Christians, part-time workers and lower earners.[16]

Table 3.4. Positives about retirement vary widely across socio-economic characteristics

Percentage of individuals selecting each positive aspect

	All adults	Less likely to select	More likely to select
Relaxation/take it easy	36%	Other than Baby Boomers (32%-36%) Asian ethnicity (31%) Indian religions (27%) and Muslims (30%) Earnings ≥ 50k (30%) Higher positions (30%)	Baby Boomers (42%), especially men (46%) Other ethnicity (50%) Christians (38%) Earnings < 50k (36%-38%) Junior positions (40%) and manual workers (37%)
Spending more time with my family	36%	Gen Zers to Gen Xers (32%-35%) Men (32%) Indian religions (27%) and Muslims (30%) Earnings ≥ 50k (31%) Higher positions (31%) Full-time workers (32%)	Baby Boomers (42%) and Silent Generation (47%) Women (40%) Christians (41%) Earnings < 20k (39%) Intermediate positions (40%) Part-time workers (38%)
Freedom to do what I want when I want to	35%	Gen Zers (21%) and Millennials (25%) Mixed (21%), Asian (22%) and Black (25%) ethnicities Non-native English speakers (23%) Muslims (19%) and Indian religions (24%) Earnings ≥ 50k (29%) Higher positions (28%)	Baby Boomers (48%), especially women (51%) and Silent Generation (56%) White ethnicity (37%) Native speakers (36%) Christians (38%) and no religion (35%) Earnings < 20k (37%) Intermediate (38%) and Junior positions (39%)
No more work	31%	Gen Zers (25%) Asian (22%) and Black (21%) ethnicities	Gen Xers (32%) and Baby Boomers (33%) White ethnicity (32%)

[16] The 2021 survey conducted by the Local Pensions Partnership Administration provides consistent results across generations (Retirement-campaign-report.pdf (lppapensions.co.uk)). It asked pension members to sum up the meaning of retirement in a single word, sentence, or picture. The key word "Time" ranked first for all generations (except Gen Zers, but the sample size is very small). "Freedom" ranked in the top three for Gen Xers, Baby Boomers, and the Silent Generation. "Family" ranked third for Millennials, Baby Boomers, and people in the Silent Generation. "Relaxing" reached the sixth position for retired Baby Boomers.

	All adults	Less likely to select	More likely to select
		Non-native English speakers (23%) Muslims (21%) and Indian religions (23%) Earnings ≥ 50k (24%) Higher positions (20%) Part-time workers (27%) and self-employed (21%)	Native speakers (31%) Christians (30%) and no religion (33%) Earnings 20k-30k (36%) Junior positions (36%) Full-time workers (34%)
Going on more holidays and trips	28%	Gen Zers (22%) Asian ethnicity (21%) Muslims (16%) and Indian religions (22%) Earnings < 20k (25%) Manual workers (24%)	Baby Boomers (34%) and Silent Generation (43%) White ethnicity (29%) Christians (32%) Earnings ≥ 20k (30%-32%) Intermediate positions (35%)
Spending time with friends	23%	Gen Zers to Gen Xers (19%-21%) Black ethnicity (13%) Non-native English speakers (18%) Muslims (14%) Earnings ≥ 50k (18%) Manual workers (19%)	Baby Boomers (28%) and Silent Generation (35%), especially women (33% and 51%) White ethnicity (24%) Native speakers (23%) Christians (26%) Earnings < 20k (25%) Intermediate and junior positions (25%)
Time to spend on my hobbies	22%	Millennials (19%) and Gen Xers (20%), especially women (17%) Women (20%) Non-native English speakers (16%)	Baby Boomers and Silent Generation (25%) Men (24%) Native speakers (22%)
Time to take more care of myself	20%	Baby Boomers (17%), especially men (15%) and Silent Generation (13%) Men (17%)	Gen Zers (25%) Women (22%)
Much less rushing around, putting my feet up more	20%	Gen Zers (15%) Asian ethnicity (14%) Non-native English speakers (14%) Higher positions (11%)	Baby Boomers (24%) White ethnicity (20%) Native speakers (20%) Other positions and manual workers (20%-21%)

Note: The Table only presents the positive aspects selected by at least 20% of individuals. Only differences between sub-groups significant at the 5% level are included (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

Despite these differences, the same positive aspects of retirement end up in the top five across most socio-economic groups. Individuals were asked to select up to 5 aspects they consider to be positive about retirement, out of 26. The five most selected positive aspects overall are relaxing and taking things easy, spending more time with family, freedom of doing things at will, no longer working, and going on more holidays and trips (Table 3.4). These items end up in the top five for most socio-economic groups, even though the order of the items can differ.[17] There are some exceptions, however. The following items reach the top five for selected socio-economic sub-groups, substituting some of the previously listed items:

- spending time with friends (Silent Generation and people earning less than GBP 20 000);
- having time to spend on hobbies or taking up new hobbies (Mixed ethnicity group, adherents of Indian religions, higher positions, and self-employed workers); and
- having time to take more care of oneself or to treat oneself (Gen Zers, Mixed, Asian, and Black ethnicity groups, non-native English speakers, and Muslims).

[17] For example, 40% of women selected spending more time with family as a positive aspect of retirement, making it the number one selected item among women. This item was selected by 32% of men, making it the number three most selected item among men (behind relaxing - 37% - and freedom to do things at will - 34%).

Fewer differences exist across socio-economic groups as to what constitute negative aspects of retirement (Table 3.5). For example, ethnicity and religion only affect individuals' perception when it comes to the worry that health will start declining during retirement. People of White ethnicity and Christians are more likely to select this item as a negative aspect of retirement than Asian and Black ethnic groups, as well as Muslims and adherents of Indian religions respectively. Moreover, the selection of the item "needing long-term care" is only affected by age (older individuals are more likely to select this item as a negative aspect of retirement), while the selection of the item "loss of a loved one" is only affected by the social grade (people in higher positions are less likely to select this item).

Table 3.5. Negatives about retirement do not vary as much across socio-economic characteristics

Percentage of individuals selecting each negative aspect

	All adults	Less likely to select	More likely to select
Getting old/feeling old	38%	Millennials (33%) Higher positions (32%)	Baby Boomers (42%) and Silent Generation (43%) Intermediate positions (41%)
My health starting to decline	36%	Gen Zers (28%) and Millennials (31%) Asian (29%) and Black (25%) ethnicities Muslims (28%) and Indian religions (24%)	Baby Boomers (43%) and Silent Generation (52%), especially women (67%) White ethnicity (37%) Christians (38%)
Running out of money	26%	Silent Generation (14%) and Baby Boomers (23%) Men (24%) Earnings 20k-50k (24%-25%) Intermediate positions (24%)	Gen Xers (30%), especially women (32%) Women (28%) Earnings < 20k (29%) Manual workers (29%)
Getting bored	23%	Baby Boomers (19%) and Silent Generation (18%) Earnings < 20k (20%)	Gen Zers (32%) and Millennials (26%), especially men (30%) Earnings ≥ 20k (25%-28%)
Not having enough money to live comfortably	23%	Gen Zers and Silent Generation (16%) Men (20%) Earnings ≥ 50k (13%) Higher and intermediate positions (19%) Full-time and part-time workers (23%)	Gen Xers (28%) and Baby Boomers (23%) Women (26%) Earnings < 20k (28%) Manual workers (26%) Self-employed (31%)
Loneliness	22%	Baby Boomers (15%) and Silent Generation (20%), especially men (15%) Men (20%) Native speakers (22%)	Gen Zers (35%), especially women (39%), and Millennials (26%) Women (24%) Non-native English speakers (27%)
Needing long-term care	20%	Millennials (18%)	Baby Boomers (22%) and Silent Generation (26%)
Loss of a loved one	20%	Higher positions (15%)	Intermediate positions (23%) and manual workers (22%)

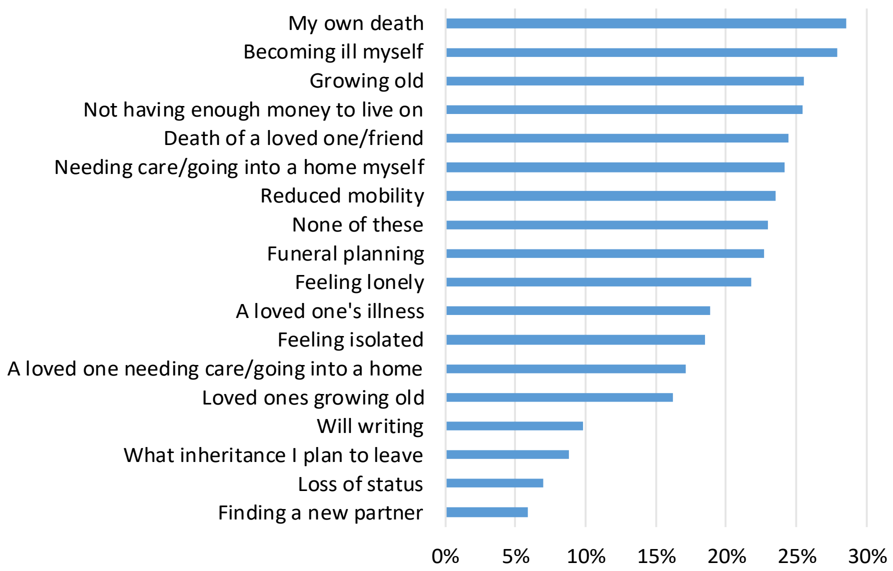
Note: The Table only presents the negative aspects selected by at least 20% of individuals. Only differences between sub-groups significant at the 5% level are included (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

The top five items selected as negative aspects of retirement overall are getting old or feeling old, having one's health starting to decline, running out of money, getting bored and not having enough money to live comfortably (Table 3.5). Loneliness is also in the top five for many groups, including women, Gen Zers, Millennials, Asian and Black ethnic groups, Muslims, adherents of Indian religions and non-native English speakers. Additionally, needing long-term care is among the top five selected items among men, Baby Boomers, the Silent Generation, and people in higher positions. Finally, loss of a loved one is in the top five negative aspects of retirement for the Silent Generation and people in intermediate positions.

The negative aspects of retirement relate closely to the topics that people feel uncomfortable talking about when thinking about retirement. As shown in Figure 3.4, more than 20% of surveyed individuals feel uncomfortable talking about death, health issues (illness and reduced mobility), growing old, long-term care, loneliness and running out of money. All these topics are also frequently selected negatives of retirement.

Figure 3.4. Uncomfortable topics when thinking about retirement

Percentage of individuals selecting the different topics they feel uncomfortable talking about



Source: OECD calculations.

There are some differences across socio-economic characteristics regarding the topics that people feel uncomfortable talking about. In particular, women are more likely than men to feel uncomfortable talking about most topics. The largest differences between genders relate to the need for care or going into a home (27% of women feel uncomfortable vs. 21% of men), and not having enough money to live on (29% of women feel uncomfortable vs. 21% of men). Moreover, compared to other generations, Gen Zers are particularly uncomfortable talking about feeling lonely (30%), a loved one's illness (29%), feeling isolated (29%) and a loved one growing old (25%). Additionally, Gen Xers (28%) and individuals earning less than GBP 20 000 (30%) are the most uncomfortable talking about not having enough money to live on. Talking about the need for care or going into a home makes Baby Boomers (28%), people of White ethnicity (25%), Christians (27%), low earners (26%) and people in junior positions (27%) particularly uncomfortable. It is also noteworthy that self-employed workers are more likely to feel uncomfortable talking about becoming ill (37%) than full-time workers (26%).

Expected financial commitments in retirement

Many people expect they will help their children and grandchildren financially in retirement. As shown in Table 3.6, 38% of surveyed individuals believe this might happen to them. This proportion drops to 9% when asking whether they will help their parents or in-laws financially. This may be because people may not expect that their parents will still be alive when they will reach retirement themselves. Additionally, more than 25% of individuals expect that, during their retirement, they will pay for long-term care for themselves, have higher household bills and pay for luxurious holidays.

Table 3.6. Socio-economic characteristics influence individuals' expectations around financial commitments in retirement

Percentage of individuals selecting items that might apply to them during their retirement

	All adults	Less likely to apply	More likely to apply
Helping children/grandchildren financially	38%	Gen Xers (34%), especially men (30%) Earnings < 20k (35%) Junior positions (37%)	Millennials (41%), male Baby Boomers (41%) and Silent Generation (45%) Earnings ≥ 20k (41%-44%) Intermediate positions (43%)
Paying for long-term care for myself	29%	Gen Xers and younger (27%-29%) No religion (27%) Manual workers (25%) Full-time (26%) and part-time (25%) workers	Silent Generation (37%), especially women (51%) Other religion (40%) Higher (33%) and intermediate positions (32%) Self-employed (36%)
Having higher household bills	27%	Gen Xers and younger (21%-25%) Black ethnicity (17%) No religion (24%) Earnings ≥ 20k (20%-24%) Higher (20%) and intermediate positions (23%)	Baby Boomers (34%) and Silent Generation (36%) White ethnicity (27%) Christians (29%) Earnings < 20k (31%) Junior positions and manual workers (27%)
Paying for luxurious holidays	25%	Gen Xers (19%) Women (22%) White (24%) and other (21%) ethnicities Earnings < 20k (17%) Junior positions (24%) and manual workers (20%) Part-time worker (23%) and self-employed (21%)	Gen Zers and Millennials (29%) Men (28%) Black ethnicity (39%) Earnings ≥ 50k (38%) Higher (36%) and intermediate positions (33%) Full-time worker (30%)
Still having debts to repay	23%	Baby Boomers (9%) and Silent Generation (20%) Non-native English speakers (17%) Earnings ≥ 30k (16%-17%) Junior positions and up (17%-21%)	Millennials (25%) and Gen Xers (26%) Native speakers (23%) Earnings < 20k (27%) Manual workers (25%)
Paying for long-term care for a loved one	17%	Millennials and older (15%-18%) Earnings < 50k (16%-18%) Junior positions (15%) and manual workers (16%)	Gen Zers (25%), especially men (31%) Earnings ≥ 50k (23%) Higher (24%) and intermediate positions (21%)
Still having mortgage to repay	13%	Gen Xers and older (5%-12%) Christians (12%) Earnings < 20k (11%) Manual workers (12%)	Gen Zers (19%) and Millennials (20%) Muslims (20%) Earnings ≥ 20k (15%-17%) Intermediate positions (16%)
Helping my parents/in-laws financially	9%	Gen Xers (7%) and Baby Boomers (2%) White ethnicity (7%) Native speakers (9%) No religion (9%) and Christians (8%) Earnings < 30k (8%) Junior positions (7%)	Gen Zers (25%) and Millennials (16%) Non-white ethnicities (18%-22%) Non-native English speakers (15%) Muslims and Indian religions (19%) Earnings ≥ 30k (12%-13%) Higher positions (12%)
Paying to re-enter education	4%	Gen Xers (4%) and Baby Boomers (1%) White ethnicity (4%) Native speakers (4%) No religion and Christians (4%) Earnings < 20k (3%) Below higher positions (3%-5%)	Gen Zers (8%) and Millennials (7%) Asian ethnicity (9%) Non-native English speakers (7%) Muslims (8%) and Indian religions (10%) Earnings ≥ 50k (10%) Higher positions (11%)

Note: Only differences between sub-groups significant at the 5% level are included (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

Certain expectations regarding financial commitments in retirement vary across generations. For example, 34% of Gen Xers expect they will help their children and grandchildren financially, compared to 41% of Millennials and 45% of people in the Silent Generation. Gen Xers are also less likely to expect they will pay for luxurious holidays, in particular compared to Gen Zers and Millennials. Additionally, people in the Silent Generation are more likely than other generations to consider that they will pay for long-term care for themselves during their retirement. This is in line with the fact that a larger proportion of individuals within this generation declare having minor health issues or specific health conditions or disabilities. By contrast, it is within the Gen Zers that one can observe the greater proportion of individuals expecting they will pay for long-term care for a loved one. Similarly, Gen Zers are also more likely than other generations to believe they will help their parents or in-laws financially. This indicates a stronger sense of responsibility for helping others. Indeed, together with Millennials, Gen Zers are more likely to agree that caring for elders is very important in their family (68%) and that it is the responsibility of adult children to help provide financial support to their parents (39%). Finally, while older generations (Baby Boomers and the Silent Generation) are less likely than younger ones to expect they will still have debts or mortgage to repay in retirement, they are more likely to believe they will have higher household bills.

Few differences exist between men and women with respect to expected financial commitments in retirement, except within certain generations. Overall, women are less likely than men to expect they will pay for luxurious holidays, and this is the case across most generations. For the other financial commitments, differences between men and women are not significant overall. However, differences exist within generations. Among Gen Zers, women are less likely than men to expect to pay for long-term care for a loved one. By contrast, women in the Silent Generation are more likely to expect that they will pay for long-term care for themselves. Additionally, while women Gen Xers are more likely than men to expect they will have to support their children and grandchildren financially, it is the other way around among Baby Boomers.

Individuals with an annual income below GBP 20 000 also tend to have different expectations with respect to financial commitments in retirement, compared to higher earners. Fewer of them expect they will help family members financially, pay for luxurious holidays and pay to re-enter education. Lower earners are also less likely to expect they will still have mortgage to repay in retirement, but this may reflect the fact that more of them are renters. By contrast, lower earners are more likely to expect they will have higher household bills and still debts to repay in retirement.

Cultural differences also play a role in expected financial commitments in retirement. People of Black ethnicity are less likely than people of White ethnicity to believe they will have higher household bills, but they are more likely to expect they will pay for luxurious holidays. Muslims are more likely than Christians to expect they will still have a mortgage to repay in retirement. People in minority ethnic and religious groups are more likely to believe that they will help their parents or in-laws financially, compared to the dominant ethnic and religious groups (i.e. White ethnicity, Christians and people without a religion). This shows that minorities have a stronger of sense of responsibility towards their elders, supported by the fact that they are more likely to agree that caring for elders is very important in their family and that adult children should be responsible to help provide financial support to their parents. Similarly, in the United States, Black and Hispanic ethnic groups are more likely than people of White ethnicity to agree that it is more important to help friends and family now than to save for their own retirement (Copeland and Greenwald, 2021[17]).

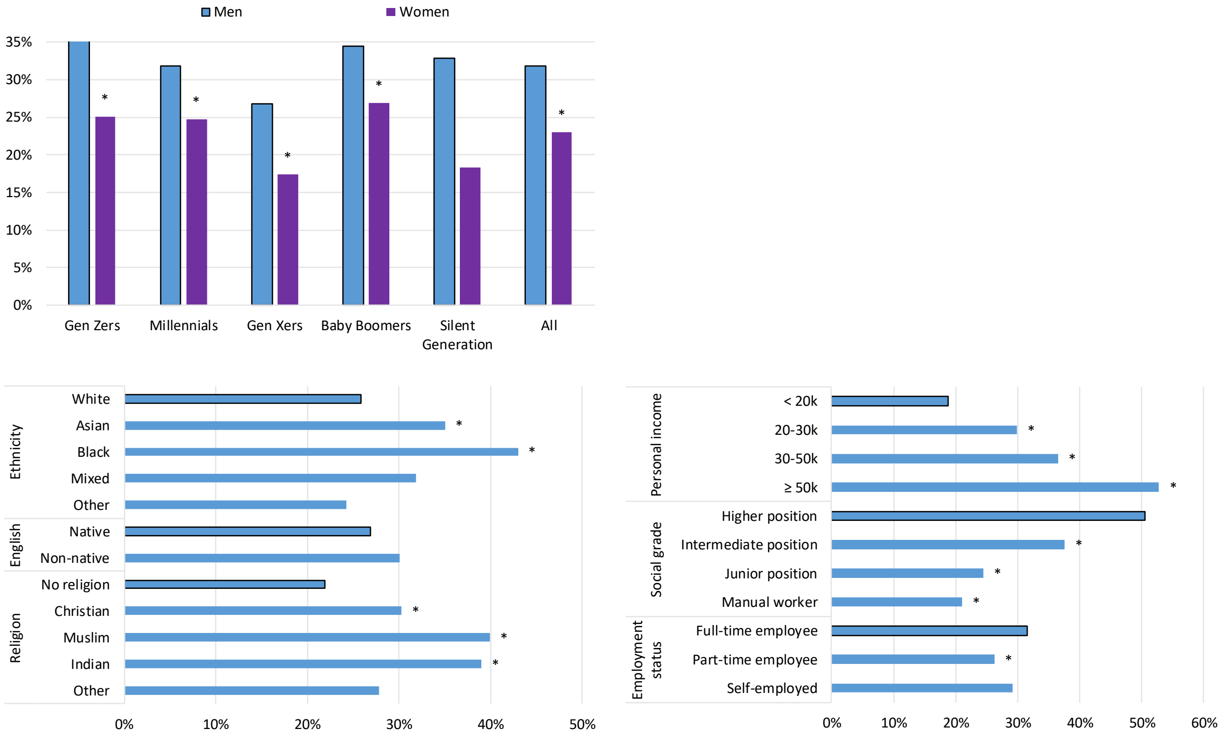
Planning for retirement

Planning for retirement varies across socio-economic characteristics. Figure 3.5 shows the proportion of individuals who have done a great deal of planning or thinking around how much money they need to live on in retirement. Gen Xers are the least likely to have done a great deal of planning. Overall, just 21% of

Gen Xers have done a great deal of planning, against around 30% for all the other generations.[18] Moreover, only 23% of women have done a great deal of planning, against 32% of men, and the difference between genders holds within all generations. Ethnicity and religion also play a role in retirement planning. Compared to Asian and Black ethnic groups, people of White ethnicity are less like to have done a great deal of planning. Similarly, people without a religion are the least likely to have done a great deal of planning, followed by Christians and then by Muslims and adherents of Indian religions. Moreover, the lower the income, the less likely people are to have done a great deal of planning. Consequently, planning for retirement is less likely among people holding junior positions, manual workers, and part-time employees.

Figure 3.5. Planning for retirement varies across socio-economic characteristics

Proportion of individuals who have done a great deal of planning/thinking around how much money they need to live on in retirement



Note: * significant difference at the 5% level compared to the reference category outlined in black (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

When combining all the factors, the analysis confirms that generation, gender, ethnicity, religion, income and social grade affect planning for retirement (Table 3.7). However, some differences lose significance.

[18] In the United States, planning for retirement is more likely among workers aged 55 or older (60%) than among workers aged 25 to 54 (between 45% and 48%) (EBRI/Greenwald Research, 2021[29]). Gen Xers do not distinguish themselves within younger generations. Retirement planning is defined as having tried to figure out how much money will be needed to have saved by the time of retirement in order to live comfortably in retirement.

For example, the difference between Asian and White ethnic groups is no longer significant. Only people of Black ethnicity distinguish themselves from people of White ethnicity by planning more for retirement.

Table 3.7. Drivers affecting individuals' planning for retirement

	Estimate	P-value	Significance
Gender (reference: Men)			
Women	-0.22021	0.004253	**
Generation (reference: Gen Zers)			
Millennials (25-40)	-0.28926	0.032630	*
Gen Xers (41-56)	-0.50406	0.000383	***
Baby Boomers (57-75)	0.05918	0.679916	
Silent Generation (76+)	-0.18679	0.414697	
Ethnicity (reference: White)			
Mixed	0.17055	0.468589	
Asian	-0.05817	0.724567	
Black	0.47159	9.34e-05	***
Other	-0.18409	0.606607	
Religion (reference: No religion)			
Christian	0.33621	6.47e-05	***
Muslim	0.89158	3.68e-06	***
Indian	0.67523	0.001405	**
Other	0.37958	0.122542	
Personal income (reference: < 20k)			
20-30k	0.46433	2.51e-06	***
30-50k	0.58414	7.13e-08	***
≥ 50k	1.07657	1.49e-14	***
Social grade (reference: Higher)			
Intermediate position	-0.38242	0.004894	**
Junior position	-0.79118	3.28e-08	***
Manual worker	-0.90306	1.31e-09	***
Intercept	-0.53006	0.004873	**

Note: Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Source: OECD regression analysis.

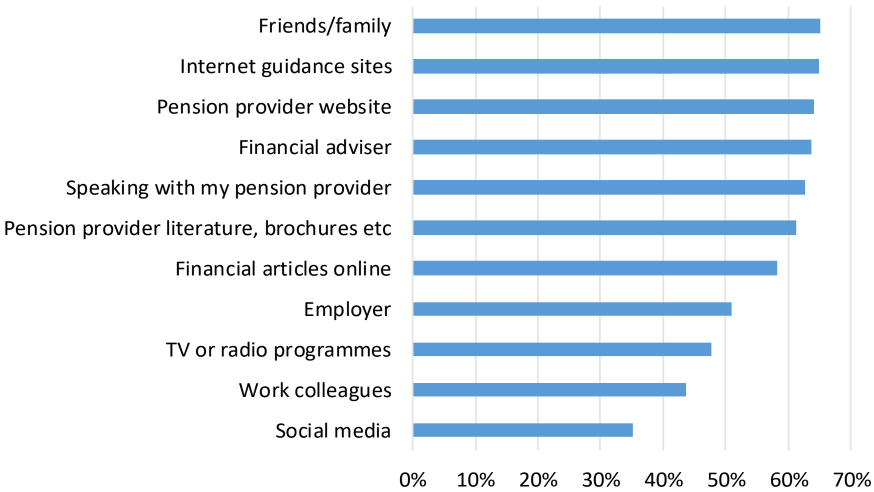
Despite the fact that nearly 30% of Gen Zers have a done a great deal of planning for retirement, other responses suggest that this generation may be lagging behind in terms of retirement planning. Indeed, 48% of Gen Zers consider that they only need to start thinking about retirement planning when they get older. This proportion falls as people get older, down to 15% for the Baby Boomers not yet retired. Similarly, 20% of Gen Zers have not given any thought so far about the sources they will use to fund their retirement, as compared to 15% of Millennials and 5% of Baby Boomers.

Sources used when looking for guidance

Family and friends, online resources and professionals are the sources that most individuals would use when looking for guidance on retirement planning or their pension. As shown in Figure 3.6, between 63% and 65% of surveyed individuals would talk to family and friends, visit internet guidance sites (e.g. Pension Wise and Money Advice Service) or the pension provider website, or talk to either a pension adviser or their pension provider. These sources of guidance may be used several times per year or less frequently, or only when individuals' circumstances change. Interestingly, family and friends, online resources and professional advisers are also the most commonly used sources of information for retirement planning in the United States (Copeland and Greenwald, 2021[17]). The sources of guidance used less often are the social media, TV or radio programmes, as well as sources linked to the workplace (i.e. the employer and colleagues) as not all adults in the survey are working.

Figure 3.6. Sources of guidance on retirement planning or pension

Proportion of individuals who would use different sources when looking for guidance on retirement planning or their pension



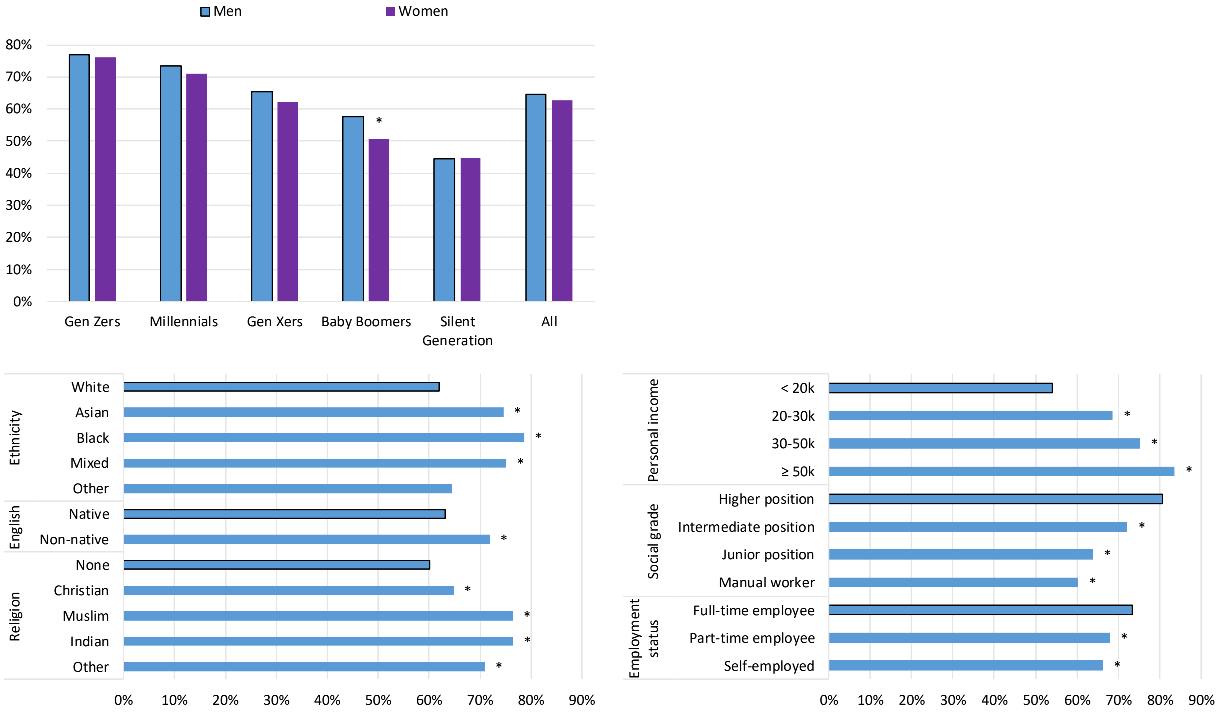
Source: OECD calculations.

The use of guidance on retirement planning varies significantly across socio-economic characteristics. In addition, the same differences across socio-economic characteristics can be observed for all of the sources of guidance listed in the survey. Given the similarities across the different sources of guidance, Figure 3.7 focuses on the use of financial advisers as an illustration of the general trend for all the other sources of guidance.

Few differences exist between men and women in the use of sources of guidance. Overall, men and women are as likely to use a financial adviser. This is the case for the other sources of guidance, except for work colleagues and financial articles online, which women are less likely to use than men. There are some gender differences within generations, however. For example, among Baby Boomers, women are less likely than men to use a financial adviser, the website of the pension provider, the brochures of the pension provider, a discussion with the pension provider, as well as TV or radio programmes. Similarly, among Millennials, women are less likely than men to use the employer, friends or family, work colleagues, TV or radio programmes and the social media. Among Gen Xers, women are less likely than men to use the employer, work colleagues, internet guidance sites, financial articles online and the social media.

Figure 3.7. The use of financial advisers varies significantly across socio-economic characteristics

Proportion of individuals who would use a financial adviser when looking for guidance on retirement planning or their pension



Note: * significant difference at the 5% level compared to the reference category outlined in black (pairwise comparisons with FDR correction). Gen Zers (18-24 years old); Millennials (25-40 years old); Gen Xers (41-56 years old); Baby Boomers (57-75 years old); Silent Generation (76 and older).
Source: OECD calculations.

There is a strong generational divide in the use of guidance on retirement planning or pension. Gen Zers and Millennials are the most likely to use any kind of guidance and then usage declines with age. For example, 76% of Gen Zers and 72% of Millennials would use a financial adviser when looking for guidance on retirement planning or their pension, and this proportion declines to 63% for Gen Xers, 54% for Baby Boomers and 45% for people in the Silent Generation. The difference across generations is the largest for the social media, whose use as a source of guidance declines from 67% among Gen Zers to 5% among people in the Silent Generation. Differences across generations are also large for guidance sources linked to the workplace given that few people in the Silent Generation are still working.

The fact that older generations make less use of guidance could be a worrying sign. This result may reflect the fact that older generations feel more confident in making financial decisions. However, Gen Xers and the younger Baby Boomers are yet to make important decisions for their retirement. In particular, with the shift from defined benefit to defined contribution pensions, individuals face a range of complex decisions, including how to drawdown their assets during retirement. Research from the Institute and Faculty of Actuaries (IFoA) shows that 40% of people over 55 who have accessed their pension savings took no form of guidance or advice at all (IFoA, 2022[21]). The risk is that, without guidance, people may make poor decisions. By contrast, it is a good sign that younger generations already make good use of different sources of guidance on retirement planning.

Social and cultural differences also drive the use of guidance on retirement planning or pension. People of White ethnicity, native English speakers, people without a religion and Christians are the least likely to use guidance of any kind on retirement planning. For example, 60% of people without a religion and 65% of Christians would use a financial adviser, as compared to 76% of Muslims and 77% of adherents of Indian religions.

Finally, earnings and social grade are important explanatory factors of the use of guidance on retirement planning. The higher the earnings, the more likely people are to use guidance of any kind. For example, only 54% of individuals earning less than GBP 20 000 a year would use a financial adviser, while this proportion rises to 84% among individuals earning at least GBP 50 000. Similarly, people in a higher social grade are more likely to use guidance, with 60% of manual workers using a financial adviser, as opposed to 81% for those in higher positions.

When combining all the factors, the analysis shows that generation, religion, income, and social grade are the most powerful predictors of the use of a financial adviser (Table 3.8). When controlling for all the factors, differences between ethnic and language groups are no longer significant. Moreover, after controlling for personal income, working part-time or full-time no longer affects the use of a financial adviser.

Table 3.8. Drivers influencing individuals' use of a financial advisor

	Estimate	P-value	Significance
Generation (reference: Gen Zers)			
Millennials (25-40)	-0.37152	0.008513	**
Gen Xers (41-56)	-0.74667	1.23e-07	***
Baby Boomers (57-75)	-1.16714	2.94e-16	***
Silent Generation (76+)	-1.64060	6.18e-14	***
Religion (reference: No religion)			
Christian	0.43113	1.36e-08	***
Muslim	0.48192	0.001662	**
Indian	0.35924	0.040234	*
Other	0.67360	0.007932	**
Personal income (reference: < 20k)			
20-30k	0.45148	3.12e-07	***
30-50k	0.67340	8.41e-11	***
≥ 50k	0.93175	1.98e-09	***
Social grade (reference: Higher)			
Intermediate position	-0.30115	0.073292	.
Junior position	-0.57042	0.000809	***
Manual worker	-0.67408	8.62e-05	***
Intercept	1.38849	1.32e-11	***

Note: Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Source: OECD regression analysis.

Summary of results

The analysis shows that, among surveyed individuals, views, attitudes, and expectations towards saving and retirement vary across socio-economic characteristics. The main differences between various categories of individuals among UK adults are the following:[19]

[19] The results reflect the pairwise comparisons of proportions.

- **Generations**:
    - Gen Xers followed by Millennials are the least likely to feel confident they are saving enough to have a comfortable retirement. Gen Zers are as confident as Baby Boomers, but they may not realise how much they will need to finance their retirement and may feel over-confident about their retirement savings. By contrast, the proportion of individuals stating they have enough emergency savings increases with age.
    - Baby Boomers and people in the Silent Generation are more likely to prefer less investment risk than younger generations, even if it means they have less money over the long term. Conversely, Gen Zers and Millennials are more likely to be happy to take more risks with their money to get the chance of higher returns. These results are consistent with the investment horizon of the different generations.
    - Confidence in making financial decisions is the lowest among Gen Zers and Millennials and then increases with age.
    - Gen Zers are particularly uncomfortable talking about feeling lonely, a loved one's illness, feeling isolated and a loved one growing old. Additionally, Gen Xers are the most uncomfortable talking about not having enough money to live on.
    - Gen Xers are less likely to expect they will help their children and grandchildren financially in retirement, compared to Millennials and people in the Silent Generation. Gen Xers are also less likely to expect they will pay for luxurious holidays once in retirement, in particular compared to Gen Zers and Millennials. Additionally, people in the Silent Generation are more likely than other generations to consider that they will pay for long-term care for themselves during their retirement. Gen Zers are more likely than other generations to expect that, during their retirement, they will pay for long-term care for a loved one and help their parents or in-laws financially. This indicates a stronger sense of responsibility for helping others.
    - Gen Xers are the least likely to have done a great deal of planning. Moreover, nearly half of Gen Zers consider that they only need to start thinking about retirement planning when they get older.
    - Gen Zers and Millennials are the most likely to use guidance on retirement planning or pension of any kind, and then usage declines with age.
- **Gender**:
    - Compared to men, women are less likely to feel confident they are saving enough to have a comfortable retirement. Overall, fewer women consider they have enough emergency savings, but differences between men and women are only significant among Gen Xers and Baby Boomers.
    - Women are less likely to be happy to take more risks with their money to get the chance of higher returns, except among Gen Zers and the Silent Generation.
    - Women feel less confident in making financial decisions, except within the Silent Generation.
    - Women are more likely to feel uncomfortable talking about many topics, in particular the need for care or going into a home, and not having enough money to live on.
    - Fewer women have done a great deal of planning.
    - Men and women are as likely to use a financial adviser and other sources of guidance on retirement planning, except for work colleagues and financial articles online, which women are less likely to use than men.
- **Ethnicity**:
    - People of White ethnicity are less likely than people of Asian ethnicity to feel confident they are saving enough to have a comfortable retirement. People of Asian ethnicity are very savings oriented but favour other products than pension schemes to finance their retirement.

  - Compared to people of White ethnicity, Asian, Black, and Mixed ethnic groups are more likely to be happy to take more risks with their money to get the chance of higher returns.
  - Asian and Black ethnic groups feel more confident in making financial decisions than people of White ethnicity.
  - Compared to people of White ethnicity, minority ethnic groups are more likely to believe that they will help their parents or in-laws financially in retirement, indicating a stronger of sense of responsibility towards their elders. People of Black ethnicity are less likely than people of White ethnicity to believe they will have higher household bills, but they are more likely to expect they will pay for luxurious holidays in retirement.
  - Compared to Asian and Black ethnic groups, people of White ethnicity are less likely to have done a great deal of planning.
  - People of White ethnicity are the least likely of all ethnic groups to use guidance of any kind on retirement planning.
- **Religion**:
  - People without a religion are less likely to feel confident they are saving enough for a comfortable retirement, compared to Christians, Muslims, and adherents of Indian religions. By contrast, Muslims are less likely than people without a religion to report having enough emergency savings.
  - Compared to Christians and people without a religion, Muslims and adherents of Indian religions are more likely to be happy to take more risks with their money in exchange for higher expected returns.
  - Christians feel more confident in making financial decisions than people without a religion.
  - Muslims are more likely than Christians to expect they will still have a mortgage to repay in retirement. People in minority religious groups are more likely to believe that they will help their parents or in-laws financially, compared to Christians and people without a religion.
  - People without a religion are the least likely to have done a great deal of planning, followed by Christians and then by Muslims and adherents of Indian religions.
  - People without a religion and Christians are less likely than other religious groups to use guidance of any kind on retirement planning.
- **Personal income**:
  - The lower the income, the less likely people are to feel confident they are saving enough to have a comfortable retirement. Similarly, lower earners are less likely to state they have enough emergency savings.
  - The propensity to take more risks increases with the level of income.
  - The level of confidence in making financial decisions increases with income.
  - Lower earners tend to have different expectations with respect to financial commitments in retirement, compared to higher earners. Fewer of them expect they will help family members financially, pay for luxurious holidays and pay to re-enter education. They are also less likely to expect they will still have mortgage to repay in retirement, but this may reflect the fact that more of them are renters. By contrast, lower earners are more likely to expect they will have higher household bills and still debts to repay in retirement.
  - The lower the income, the less likely people are to have done a great deal of planning.
  - The higher the earnings, the more likely people are to use guidance of any kind on retirement planning.

- **Social grade**:
    - Workers in junior positions and manual workers are less likely than workers in higher positions to feel confident they are saving enough to have a comfortable retirement.
    - Workers in junior positions are more likely than manual workers to prefer taking less investment risk, even if it means they have less money over the long term. By contrast, workers in higher positions are the most willing to take more risks with their money to increase expected returns.
    - Workers in higher and intermediate positions feel more confident in making financial decisions, compared to workers in junior positions and manual workers.
    - Workers in higher positions are the most likely to make a great deal of planning for retirement.
    - Workers in higher positions are more likely to use guidance for retirement planning or their pension.
- **Employment status**:
    - Compared to full-time workers, part-time and self-employed workers are less likely to feel confident they are saving enough to have a comfortable retirement.
    - Full-time workers are more willing to take more risks with their money than part-time workers.
    - Self-employed workers are more likely to feel uncomfortable talking about becoming ill than full-time workers.
    - Planning for retirement is less likely among part-time workers than among full-time workers.

4 How better understanding individual differences in views and attitudes can help to build more inclusive asset-backed pension systems

Better understanding the views, attitudes, and expectations of diverse populations towards saving and retirement can shed light on how to further improve the design of asset-backed pension systems to better account for the needs of these populations. The analysis on a sample of UK adults suggests that significant differences may exist by income, employment status, age, gender and ethnicity. However, it may not be possible to design asset-backed pension plans that adjust to the situation of every single sub-group of the population. Still, better understanding differences across socio-economic characteristics means that selected design features can be improved to reflect a wider array of preferences.

Comparing individuals' confidence about their retirement savings with their actual level of preparedness towards reaching an adequate retirement income can help identifying individuals who may be over-confident. For example, the survey suggests that Gen Zers in the United Kingdom may be over-confident about their retirement savings, as they may not realise what level of savings would be necessary to have a comfortable retirement. It is important to identify over-confident individuals, as they are likely to delay saving for retirement. Targeted communication could emphasize the level of savings that individuals should endeavour to reach at different ages in order to increase their chances of attaining a certain level of retirement income. This could help younger individuals to define a retirement income objective and check whether they are on track to achieve it. Pension dashboards can be useful tools in that respect.

Identifying individuals' level of emergency savings may also shed light on the need to offer flexibility in accessing retirement savings. Individuals unable to cover themselves for emergencies and anything unexpected may not prioritise retirement savings. They could be reluctant to lock their savings away until retirement given that these savings could be needed to face any income shock. The survey suggests that a majority of individuals do not feel confident they have enough emergency savings, in particular younger generations and lower earners. These individuals may value some flexibility in accessing their retirement savings. Alternatively, these individuals may appreciate arrangements combining short-term and long-term savings.

Differences in risk attitudes across socio-economic characteristics highlight the importance of offering different investment strategies with different risk profiles. The survey suggests that younger individuals, men, higher earners, and some ethnic minorities would be happy to take more risks to increase their chances to get higher returns. These individuals could be offered more dynamic investment strategies. However, communicating clearly about the potential risks and rewards of investment strategies is important to ensure that members can effectively use the information received to compare their investment options and choose an investment strategy that is appropriate for them given their preferences and personal circumstances. OECD (2020[22]) presents the merits of different approaches and provides policy options to ensure individuals receive adequate information to make investment decisions.

Identifying individuals who lack confidence in making financial decisions can help targeting financial literacy programmes. Confidence in making financial decisions is essential for people to start using asset-backed pension arrangements to prepare for retirement. Asset-backed pension plans are complex financial products involving decisions that will affect individuals many years into the future. Individuals not feeling confident in making financial decisions, such as women, younger workers and low earners, as suggested by the survey, may postpone saving for retirement as they do not feel comfortable they can make appropriate decisions.

Financial education can play a role in addressing the lack of financial literacy for retirement, as part of a broader policy mix to encourage retirement planning and facilitate decision-making around pensions (Box 4.1). In particular, workplace financial education can have positive effects on enrolment in and contributions to occupational pension schemes (Atkinson et al., 2015[23]). Policy makers can develop and implement financial education in the workplace by considering the approaches included in the OECD International Network on Financial Education's Policy handbook on financial education in the workplace (OECD, 2022[24]).[20] Other tools to support retirement planning include the provision of general and personalised information, training and generic advice (OECD, 2016[25]). In developing financial education programmes to support decision making around retirement, it is also important to take into account how financial education needs may evolve over time and how changes in the financial landscape and in society may bring about challenges and opportunities (OECD, 2022[26]).

Understanding what people perceive as positive and negative aspects of retirement, as well as the topics that people feel uncomfortable talking about can shed light on how to engage people on retirement issues. People tend to be uncomfortable talking about the aspects of retirement they consider negative. For example, the survey suggests that women, Gen Xers and low earners in the United Kingdom are uncomfortable talking about not having enough money to live on. Therefore, communicating about the risk that people may run out of money in retirement may not be efficient, as it may put them off instead of encouraging them to save more for retirement. To the contrary, it may be better to communicate on what people aspire and look forward to doing in retirement, so they could connect with their future selves. Emphasizing the positive outcomes people could reach by saving more for retirement could be a better way to engage with them.

Similarly, understanding the financial commitments people expect to have in retirement can shed light on how much people may need to save for different objectives. For example, the survey suggests that Gen Zers, minority ethnic and religious groups and high earners have a strong sense of responsibility towards their elders. Their retirement savings would need to be sufficient to cover their own needs in retirement and to provide financial support to their parents. Planning for such financial commitments is important to ensure that people put enough money aside during their working lives.

[20] This work highlights the importance of developing a strategic and coordinated approach to financial education in the workplace, engaging employers, and encouraging the participation of employees. It also suggests ways to design and implement financial education programmes.

Box 4.1. OECD Recommendation on Financial Literacy: Supporting decision-making for retirement and old age

The 2020 OECD Recommendation on Financial Literacy highlights that when addressing policy issues related to saving and investment; planning and saving for retirement and pensions; and risk management, it is important to:

- Promote awareness and understanding of the characteristics and risks of products/services;
- Empower individuals to evaluate products/services, taking into account their personal situation, product complexity, fees, interest, etc.;
- Prompt individuals to act, stimulate behaviour change, promoting informed and active choice;
- Provide unbiased generic advice in order to guide individuals through complex systems and decision processes, such as retirement planning.

In particular, it stresses that in developing financial literacy programmes to support decision-making about saving, investment, retirement and pensions, policy makers and other stakeholders should pay attention to

- Taking into account national circumstances and the different extent of saving, investment, long-term and retirement planning challenges depending on factors such as interest rates, the national pension systems, investment frameworks and the financial environment more broadly.
- Promote an understanding of the changes in the demographic, social, economic and financial landscape, as well as any changes in public policy that may have implications on individual financial decisions and outcomes, such as ageing and pension reforms.
- Provide individuals with clear, straightforward information and appropriate tools to understand how to best use savings, investment, retirement and pensions products.
- Promote individual awareness of the financial risks related to saving and investment decisions and the importance of risk diversification, understanding the balance between risk and reward, understanding the potential implications of investment decisions, and estimating the amount of savings, investments and pension entitlements needed to meet personal and family financial needs.
- Promote an understanding of the implications of saving and investment decisions on society and the environment, and of long-term economic and financial sustainability considerations in saving and investment decisions.
- Provide or take measures to ensure the provision of access to information that specifically addresses the complexities of saving, investment and decision making on retirement, including reliable information on projected public and private pension payments, and information on the implications of income or expenditure shocks, of having multiple workplaces or of periods without work.
- Promote people's understanding of personal behavioural biases, such as limited attention, short-termism, inertia, and overconfidence, which may have consequences for their ability to save, invest or make retirement plans.

It is also important to identify which groups of individuals may lag behind in terms of retirement planning and what sources of guidance may work best for different people. For example, the survey suggests that many Gen Xers have not done a great deal of planning and thinking around how much money they need to live on in retirement. Communication about the need for planning could target this generation particularly. Additionally, certain sources of guidance that many people use, such as online resources and pension providers' brochures, could be available in multi-language versions and feature more ethnicities, body types, ages, and physical abilities in photos and other non-text communications, so that more people could identify with the messages.

Countries should conduct their own survey to understand individuals’ views and attitudes towards saving and retirement across socio-economic categories. The sample should be representative of the population with respect to age, gender, income and employment status, as these are important factors explaining participation in asset-backed pension plans. In addition, selected subgroups of the population may be over-sampled in order to have sufficient sample size to derive conclusions. For example, the Standard Life’s Consumer Attitudes Survey over-sampled individuals from Black and Asian ethnicities.

Finally, additional personal characteristics could be analysed to have a broader view of how diversity can affect individuals’ views and attitudes towards saving and retirement. For example, the views and attitudes of LGBTQ+ people and people with disabilities could also be analysed.[21]

[21] See for example Copeland and Greenwald (2022[31]) for an analysis of retirement confidence of LGBTQ Americans.

References

Antolín, P. (2008), "Coverage of Funded Pension Plans", *OECD Working Papers on Insurance and Private Pensions*, No. 19, OECD Publishing, Paris, https://doi.org/10.1787/241142156207. [27]

Atkinson, A. et al. (2015), "Financial Education for Long-term Savings and Investments: Review of Research and Literature", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 39, OECD Publishing, Paris, https://doi.org/10.1787/5jrtgzfl6g9w-en. [23]

Bangham, G. (2020), *A gap that won't close: The distribution of wealth between ethnic groups in Great Britain*, Resolution Foundation, https://www.resolutionfoundation.org/app/uploads/2020/12/A-gap-that-wont-close.pdf. [18]

Benjamini, Y. and Y. Hochberg (1995), "Controlling the False Discovery Rate: A Practical and Powerful Approach to Multiple Testing", *Journal of the Royal Statistical Society: Series B (Methodological)*, Vol. 57/1, pp. 289-300, https://doi.org/10.1111/j.2517-6161.1995.tb02031.x. [15]

Central Statistics Office (2022), *Pension Coverage 2021*, https://www.cso.ie/en/releasesandpublications/ep/p-pens/pensioncoverage2021/. [8]

Copeland, C. and L. Greenwald (2021), "2021 Retirement Confidence Survey: A Closer Look at Black and Hispanic Americans", *EBRI Issue Brief* 530, https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_530_rcsbh2021-10jun21.pdf?sfvrsn=ba3a3b2f_6. [17]

Copeland, C. and L. Greewald (2022), "Retirement Confidence Survey and the LGBTQ Community", *EBRI Issue Brief* 560, https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_560_lgbtqrcs-14june22.pdf?sfvrsn=4a78382f_10. [31]

EBRI/Greenwald Research (2021), *2021 RCS Fact Sheet n°4: Age Comparison Among Workers*, https://www.ebri.org/docs/default-source/rcs/2021-rcs/rcs_21-fs-4_age.pdf?sfvrsn=69d83a2f_4. [29]

Hu, Y. and F. Stewart (2009), "Pension Coverage and Informal Sector Workers: International Experiences", *OECD Working Papers on Insurance and Private Pensions*, No. 31, OECD Publishing, Paris, https://doi.org/10.1787/227432837078. [28]

IFoA (2022), *Freedom and Choice: Public attitudes seven years on*, https://www.actuaries.org.uk/freedom-and-choice-public-attitudes-seven-years. [21]

infas (2020), *Verbreitung der Altersvorsorge 2019 (AV 2019)*, https://www.bmas.de/DE/Service/Publikationen/Forschungsberichte/fb-565-verbreitung-der-altersvorsorge-2019.html. [7]

OECD (2022), “Financial planning and financial education for old age in times of change”, *OECD Business and Finance Policy Papers*, No. 08, OECD Publishing, Paris, https://doi.org/10.1787/e1d4878e-en. [26]

OECD (2022), “Policy handbook on financial education in the workplace”, *OECD Business and Finance Policy Papers*, No. 07, OECD Publishing, Paris, https://doi.org/10.1787/b211112e-en. [24]

OECD (2021), “Assessing the gender gap in retirement savings arrangements”, in *Towards Improved Retirement Savings Outcomes for Women*, OECD Publishing, Paris, https://doi.org/10.1787/1b05af8e-en. [1]

OECD (2021), “Policy options for funded retirement savings arrangements to tackle the gender gap”, in *Towards Improved Retirement Savings Outcomes for Women*, OECD Publishing, Paris, https://doi.org/10.1787/f6bfa00b-en. [5]

OECD (2021), *Towards Improved Retirement Savings Outcomes for Women*, OECD Publishing, Paris, https://doi.org/10.1787/f7b48808-en. [14]

OECD (2021), “Understanding the gender pension gap beyond labour market drivers through a literature review”, in *Towards Improved Retirement Savings Outcomes for Women*, OECD Publishing, Paris, https://doi.org/10.1787/2c610b86-en. [6]

OECD (2020), “Communicating on investment strategies”, in *OECD Pensions Outlook 2020*, OECD Publishing, Paris, https://doi.org/10.1787/b1e52a63-en. [22]

OECD (2020), “Increasing the role of retirement savings plans for workers in non-standard forms of work”, in *OECD Pensions Outlook 2020*, OECD Publishing, Paris, https://doi.org/10.1787/a9e208e8-en. [4]

OECD (2020), *OECD/INFE 2020 International Survey of Adult Financial Literacy*, https://www.oecd.org/financial/education/oecd-infe-2020-international-survey-of-adult-financial-literacy.pdf. [19]

OECD (2019), “Are funded pensions well designed to adapt to non-standard forms of work?”, in *Pensions at a Glance 2019: OECD and G20 Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/1231a36d-en. [2]

OECD (2019), “The role of automatic enrolment schemes in enhancing funded pension systems’ inclusiveness and retirement income adequacy”, in *Inclusiveness and Finance*, https://www.oecd.org/finance/Financial-markets-insurance-pensions-inclusiveness-and-finance.pdf. [12]

OECD (2018), *Financial Incentives and Retirement Savings*, OECD Publishing, Paris, https://doi.org/10.1787/9789264306929-en. [13]

OECD (2018), “Improving retirement incomes considering behavioural biases and limited financial knowledge”, in *OECD Pensions Outlook 2018*, OECD Publishing, Paris, https://doi.org/10.1787/pens_outlook-2018-8-en. [10]

OECD (2016), “The role of financial education in supporting decision-making for retirement”, in *OECD Pensions Outlook 2016*, OECD Publishing, Paris, https://doi.org/10.1787/pens_outlook-2016-8-en. [25]

OECD (2014), "Increasing private pension coverage and automatic enrolment schemes: Evidence from six OECD countries", in *OECD Pensions Outlook 2014*, OECD Publishing, Paris, https://doi.org/10.1787/pens_outlook-2014-7-en. [11]

OECD (2012), "Coverage of Private Pension Systems: Evidence and Policy Options", in *OECD Pensions Outlook 2012*, OECD Publishing, Paris, https://doi.org/10.1787/9789264169401-7-en. [3]

Society of Actuaries (2021), *Financial Perspectives on Aging and Retirement Across the Generations*, https://www.soa.org/globalassets/assets/files/resources/research-report/2021/generations-survey.pdf. [20]

Society of Actuaries Research Institute (2021), *Financial Perspectives on Aging and Retirement Across the Generations - Report on Race and Ethnicity*, https://www.soa.org/globalassets/assets/files/resources/research-report/2021/financial-perspective-race-ethnicity.pdf. [16]

The Australian Government the Treasury (2020), *Retirement Income Review Final Report*, https://treasury.gov.au/publication/p2020-100554. [30]

U.S. Bureau of Labor Statistics (2021), *Retirement benefits: Access, participation, and take-up rates*, https://www.bls.gov/news.release/ebs2.t01.htm. [9]