Small steps to a better future

How can language and framing help people in their mid-working life understand what their pension saving means for their retirement income? Can simple changes to communications help people take positive action?

This research is a collaboration between Invesco, maslansky + partners and Nest Insight.

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About Nest Insight
Nest Insight is a collaborative research unit set up by Nest Corporation to help understand and address the challenges facing Nest members and other defined contribution savers.

For more information, visit: nestinsight.org.uk

About Nest Insight's strategic partner
Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Building on its strong track record in defined contribution research, and its existing partnership with the University of Cambridge Judge Business School, Invesco partnered with Nest Insight to support its ambitious programme of research, publications and events.

For more information, visit: invesco.co.uk NYSE: IVZ

This report is the second in a series looking at how language and framing can support engagement in retirement saving for UK pension savers. The first report, "Beyond the defaults", can be found here.

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Stephen Messenger
Head of UK Strategic Institutions, Invesco

Foreword

It gives me great pleasure to introduce our second piece of DC research in partnership with Nest Insight.

In our first report, “Beyond the defaults”, we researched language that could positively engage scheme members to help them understand the tasks and opportunities that come from saving the right amount to retire comfortably, and the importance of doing so from an early stage in their working lives.

That report highlighted the significant importance of helping members make a clear connection between the pension saving they do today, and the income they will get when they retire, to remind them that being auto-enrolled in of itself was only one part of the retirement equation and contributing further would enhance their outcomes.

In our latest report "Small steps to a better future", we take a generational leap forward to those members midway through their working life and focus on the next step in the journey for retirement planning.

How do we communicate about what pensions savings mean for future income in retirement? What choices can an individual take in mid-working-life that can make a difference to their outcomes in retirement?

As with our first report, global restrictions have meant that we continued a fully virtual approach to our research. We have had the privilege of speaking to people from a wide array of backgrounds in the comfort of their own homes and, as a result, we’ve garnered some uniquely personal perspectives on this critical stage of retirement planning that comes to life in this report.

I would like to thank our colleagues at Nest Insight once again for their partnership. I hope that our joint findings help in your day to day work supporting your members.

Executive summary

This report explores how simple changes to the use of language can help people in their late 30s, 40s and early 50s feel more in control of their future retirement income. It identifies practical ways to build confidence and support positive behavioural steps towards retirement planning, during this critical stage of mid-working life.

In this new research, we focus on people in their mid-working life. We ask whether better communication around planning for retirement income could help overcome some of the barriers that people face in engaging with their pension saving, and in understanding what it could mean for them in future.

Our aim throughout has been to identify practical approaches that could boost the effectiveness of tools and interventions targeting people in their late 30s, 40s and early 50s – specifically those designed to build engagement with retirement income and help people take action. This is an important lifestage, when retirement is starting to come into focus, and when there is still time for pension savers to take actions that can make a real difference to their outcomes in later life. The research questions we set out to answer were:

1. **How do people currently understand and talk about planning for their retirement income? What barriers of comprehension and awareness stand in the way of engagement, action and confidence?**
2. **How can language and message-framing help people to understand what their pension saving means for their income in retirement, and to know what actions they can take in mid-working life that can make a positive difference to their retirement outcomes?**

We combined four different research methods, applying innovative methodologies including the use of Emotional Response dial technology. Our iterative approach included:

Expert interviews

Qualitative research

An online panel with Nest members

Quantitative research

Key themes and findings

We began by looking at people's retirement-planning **starting points.** In this mid-life stage, many people start to feel a combination of hope and fear about their later lives. Many feel unprepared to think about whether they're on track for an adequate retirement income.

We next looked at the significant barriers that may prevent people in this cohort engaging with planning for their retirement income. We identified three common barriers: **affordability**, a sense of being **overwhelmed**, and low **confidence.**

To address and overcome these barriers we identified some foundational messages that can help people overcome these barriers and take their first steps towards taking action, to make a positive difference to their retirement outcomes:

1. **'You're already on your way to having a retirement income'**
2. **'Start from today and plan forwards'**
3. **'There are steps you can take'**

We then explored a range of different versions of key messages encouraging people to engage with retirement income planning. We tested different words, phrases and communication approaches to identify what language and framing was most engaging and most persuasive. By making granular comparisons between different words and sentences, we were able to see big differences in people's emotional and rational responses. We were also able to optimise the messages for this target audience and, as a result, see a meaningful lift in how likely people were to say that they'd take a range of actions towards improving their retirement incomes. This included checking their pension balance(s), using retirement planning tools, and setting their own retirement income goals.

In this report, we present these findings using a framework developed by Invesco Global Consulting – communications should be:

Positive

Plausible

Plainspoken

Personal

Quick read

Invesco, Nest Insight and language strategy experts maslansky + partners conducted research to identify the barriers to retirement income planning for people in their late 30s, 40s and early 50s, and to see whether simple changes to the language used to talk about pension saving could help scheme members overcome these barriers.

Our approach

9
industry experts were interviewed to identify perceived barriers to engagement, best practices and desirable outcomes.

28
UK pension savers participated in four focus groups to understand experiences and context in depth and to test and evolve language to engage people with planning for retirement income.

65
Nest members took part in an online panel, completing creative tasks and responding to retirement income planning tools.

1,800
further UK pension savers were surveyed to validate and quantify our learnings.

Barriers to engagement

Affordability
5 in 10 say they can't afford to contribute more to their pension right now.

> I simply don't feel I have enough income at the moment to even think about the future.

Discussion group participant, 50–55

Feeling overwhelmed
4 in 10 say it's overwhelming – there's too much to think about.

> I really don't know where all my little pension schemes are, or how to gather them together. And I don't know what position that leaves me in.

Nest member panellist, 45–55

Low confidence
Only 2 in 10 say they feel on track when it comes to planning for retirement.

> I literally don't know where to start. I'd need a simple answer that was the amount I'd need to be putting away each month.

Nest member panellist, 45–55

This research identifies three key messages to support people in mid-working life to start planning towards their retirement income.

Messages for change

01

'You're already on your way to having a retirement income'
Building confidence by emphasising what they have, including the State Pension and any existing pension pots.

02

'Start from today and plan forwards'
Helping people work from what they know, to understand the gap they need to close.

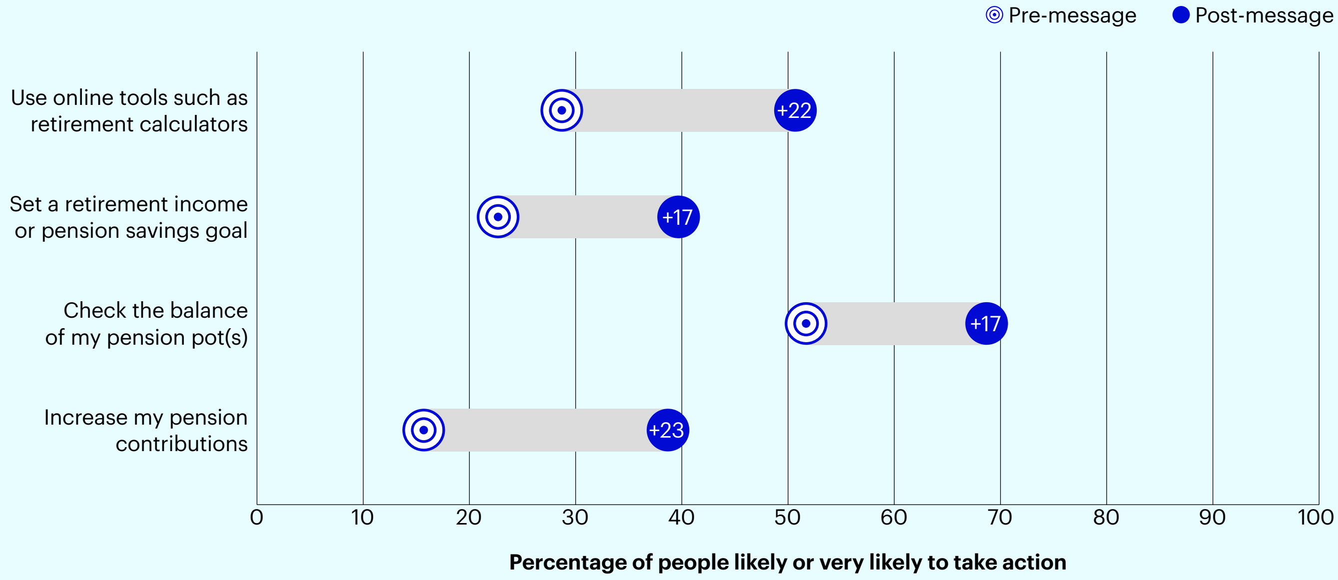
03

'There are steps you can take'
Breaking it down into manageable and meaningful actions and showing the difference each step could make to a retirement income.

Using language that is Positive, Plausible, Plain-spoken and Personal has the potential to boost engagement.

	Positive	Plausible	Plain spoken	Personal
✓	Steps you take now can make a difference.	Start with your income today.	My finances.	When you reach your 40s or 50s.
✗	This is your last chance to save before it's too late.	Start with your retirement vision.	My wealth.	When you reach middle age.

Significant increases were seen in the proportion of people who said they were likely or very likely to take action, when asked before and after reading the messages developed in this research.



Introduction

1

“

Now the responsibility has shifted from the employer to the individual… and have people woken up to that fact?

A responsibility shift

In the UK, the pensions auto-enrolment policy is rightly seen as a success story. Changing the default for most workers, from 'I'll save when I choose to', to 'I'll save unless I choose not to', harnesses a natural human tendency towards inertia. In less than a decade, it has increased eligible employee pension saving in the UK from 55% (in 2012) to 87% (in 2018)[1], not by changing people's attitudes or motives, but simply by taking away the need for them to take action for themselves. For many workers, the norm was to put off saving to another day, and then another day. Now, they are already enrolled as soon as they start each new employment.

The effectiveness of the inertia-based approach was to be expected, given the overwhelming evidence from automatic enrolment policies around the world[2]. But the evidence also highlighted[3] another less positive consequence: compared to people who have actively chosen to save for retirement, those who are auto-enrolled tend to be less aware of what's going on with their pensions, and less likely to take action to improve their outcomes. This may be because of *selection bias* – people who have opted in are more likely to have been engaged in the first place, compared to those who are auto-enrolled – or it may be that auto-enrolment is priming people to expect things to be done for them. Either way, the result is the same.

This situation recently led Financial Times pensions journalist Jo Cumbo to call for urgent action, to 'prevent people from sleepwalking into retirement disappointment.' This risk of disappointment relates to another recent development in the UK pensions landscape – the decline in final salary or defined benefit (DB) workplace arrangements, and the rapid rise of defined contribution (DC) plans. This change has tended to push the onus of decision-making from the fiduciaries of a pension arrangement, onto its participants. Pension savers generally need to 'do more' if they are in a DC pension than they would have had to do under DB, especially as the shift from DB to DC has generally been accompanied by a reduction in total contribution levels.

This trend, combined with the impacts of inertia, means many pensions savers are needing to take matters into their own hands, at just the point where auto enrolment has reduced the likelihood of them doing so.

As two of our expert contributors said:

'We've gone from a world where DB was the dominant player to a world where DC is the dominant player'

'Now the responsibility has shifted from the employer to the individual… and have people woken up to that fact?'

Is this really a problem? After all, the UK government has determined minimum rates at which workers and their employers must contribute to a workplace arrangement. Yet for many, if not most, people, these levels were never designed to be sufficient on their own. Large numbers of savers are not on track for the retirement outcomes they might hope for. By one estimate, over half of DC savers aged 41–56 are not contributing enough for financial security or flexibility later in life[4].

And this challenge is perhaps especially present for those in mid-life, who are at risk of becoming 'the squeezed generation' of pension savers.

1. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/883289/automatic-enrolment-evaluation-report-2019.pdf
2. See for instance 'Pensions: Challenges and Choices: The First Report of the Pensions Commission' (2004), chapter 6
3. 'The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior', Madrian & Shea (2001)
4. https://ilcuk.org.uk/slipping-between-the-cracks/

The squeezed generation

People in their 40s and 50s today have been called the 'squeezed generation' because it has fallen to them to look after parents, children and sometimes also grandchildren, all at the same time. According to a 2019 study by the Office for National Statistics, 36% of 45–54 year olds are 'sandwich carers', looking after their parents and children at the same time[5]. Financially, they face challenges their parents' generation never had to navigate, not least the increasing cost of housing, relative to salaries. As one of our expert interviewees said:

'The world their mum and dad worked in is over'

They are also 'squeezed' when it comes to pension saving. Many people in this age group are too young to have benefited from the levels of DB coverage that were prevalent during their parents' careers. And although they may now be benefitting from auto enrolment, this has only started midway through their working lives – too late, if they were not already contributing to a pension, for them to be able to build up the 40 years or more of saving they might need.

Yet they still have a decade or two over which to plan, make adjustments, and catch up, should they need to. And, anecdotally, there are reasons to believe this might be a good point at which to help savers overcome their natural inertia and start taking action. One of the key drivers of inertia in long-term savings is the feeling that retirement is such a long way off; it's something to be dealt with later. But as we reach mid-working life, especially at a milestone birthday[6], or another life event[7] such as children flying the nest, we may start taking stock – and when we do, we find that retirement feels an awful lot closer than it did when we first entered the workplace.

There are also sound economic reasons to think that the midpoint of a working life is a good time to focus on building adequate savings for retirement. A recent report[8] from the Institute for Fiscal Studies (IFS) suggests that people should expect to increase their savings rate as they progress through their lives, rather than sticking to a constant, flat rate. Among other possible interventions, the report proposes 'nudges to encourage individuals to increase their pension saving when their children leave home or when they finish debt repayments such as student loans or mortgages.'

It's possible, then, to think of the middle of a working life not as a 'squeeze point' but rather as a window of opportunity. In the words of one of our expert interviewees:

'I think of 20s as the hustle. 30s is getting it sorted. And 40 is on your way. Nowadays in your 40s you're still pretty young. It's about shaping your future life.'

Yet, still, many people in this age group are not engaging with their retirement savings, or taking steps towards securing an income they're confident they can live on in later life. This is in spite of efforts by pension providers to deliver messages and tools designed to encourage planning. The research covered in this report asks whether alternative choices of language and message framing might help make these interventions more effective.

5 See https://www.ons.gov.uk/releases/sandwichgeneration

6 For more on the 'fresh start effect' see Dai, Milkman and Riis, The Fresh Start Effect: Temporal Landmarks Motivate Aspirational Behavior (2014): ssrn.com/ abstract=2204126

7 See for instance Blakstad, Brüggen and Post, Life Events and Participant Engagement in Pension Plans (2018): ssrn.com/ abstract=3054523

8 https://ifs.org.uk/publications/15422

The retirement income planning challenge

Our previous report[9] showed how important it is to help people overcome their psychological barriers to engagement before expecting them to respond to calls to action – and the barriers to pension planning are steep. Confidence in being able to plan for financial security in retirement is low:

- Over half of working-age people (22 million) don't feel they understand enough to make decisions about retirement. This is worse for some groups, such as women, but it cuts across the working-age population[10].
- In another study, over half of adults saving into a pension said that they were not confident they were saving enough to give them the lifestyle they want in retirement (56%). A quarter simply didn't know (24%). Only a fifth (20%) said that they were confident they were saving enough[11].

With this in mind, the Money and Pensions Service (MaPS) recently established 'Future Focus' as one of its five agendas for change[12]. It has set the goal of 28.6m people understanding enough to plan for their later lives by 2030 (an increase of 5m). The strategy says that improving confidence and understanding is a key foundation step towards more, better retirement planning:

'While income levels clearly influence the level of engagement with retirement planning, we also find a very strong relationship between planning and people's attitudes – specifically, whether they know enough to make decisions and how confident they are in planning their future. In other words, if we want more people to plan better for their retirement, we need to find ways to improve their confidence. A feeling of not understanding the topic or what to do, combined with the sense that retirement is a long time away, means decisions get put off and people do nothing.'

Towards a meaningful view of pension savings

One of the main barriers to people's comprehension of pensions is the gulf that lies between what they have saved today, and what kind of income and lifestyle they can expect in retirement. This comprehension gap is unsurprising, given the complexity of pensions. Someone can build up what seems to them a very large asset in a pension pot, without realising that each thousand pounds they have saved might reap them a lifetime income of less than £50 per year. Previous research[13] by Nest and Ignition House highlighted the shock factor produced by this information. The study explored ways to communicate about retirement income to those approaching retirement age. It found that the 'low point' for all these savers was the moment where they found out how little income they would get each year, in exchange for their pension pots.

Other studies[14] have shown the value of talking in terms of retirement income rather than total pot value. The evidence suggests there may be ways of talking about retirement income that are more meaningful and actionable for savers than pot size. Various industry efforts have followed through on this principle, for example, the traditional 'earnings replacement ratio' and, more recently, the PLSA's Retirement Living Standards[15] and the 'Living Standards Replacement Rate[16]'. Earlier this year, Aviva and the Resolution Foundation further endorsed this kind of approach by describing a 'Living Pension[17]'.

There is also an abundance of tools and services aimed at helping people take stock and make plans. The private sector offers a wide choice of calculators and apps intended to make things clear for the pension saver. The UK government also offers a mid-life MOT[18] and, for those approaching retirement, the Pension Wise[19] service, both designed to help people evaluate their retirement savings and consider their choices. These services should shortly be bolstered by pension dashboards, allowing individuals to see a cumulative total of all their retirement savings in one place, and a simplified format for annual pension statements.

There's no shortage of tools and services for those mid-lifers who are motivated to find out more and sort through all the relevant information to start making plans. The questions that remain, though, are: what will motivate them to start this process? and how can messaging help them understand what it takes to get from saving today, to taking an income in the future?

This report seeks to answer these questions. As in our previous study, it does this by exploring how the language and framing used in messages to this group can help them overcome barriers and take the first steps towards being in control of their retirement income.

9 https://www.nestinsight.org.uk/wp-content/uploads/2020/11/Beyond-the-defaults.pdf

10 MaPS Financial Capability Survey 2018

11 PLSA pensions awareness survey 2019 - https://www.plsa.co.uk/Press-Centre/News/Article/Millions-questioning-if-they-are-saving-enough-for-retirement

12 MaPS UK Strategy for Financial Wellbeing – https://moneyandpensionsservice.org.uk/uk-strategy-for-financial-wellbeing/

13 nestpensions.org.uk/schemeweb/dam/nestlibrary/NEST-Flexible-Lifelong-Retirement-Income.pdf

14 See for instance Shlomo Benartzi, 'Save More Tomorrow: Practical Behavioral Finance Solutions to Improve 401(k) Plans' (2012)

15 https://www.retirementlivingstandards.org.uk/

16 https://www.cambridge.org/core/services/aop-cambridge-core/content/view/0A52D9DC1B08B10EF2FDC6B1A66BDA42/S0515036116000209a.pdf/how_accurately_does_70_final_employment_earnings_replacement_measure_retirement_income_inadequacy_introducing_the_living_standards_replacement_rate_lsrr.pdf

17 https://www.resolutionfoundation.org/publications/building-a-living-pension/

18 yourpension.gov.uk/mid-life-mot/

19 pensionwise.gov.uk

2

This research seeks to understand what role language can play in helping pension scheme members contribute a suitable amount. It aims to identify key words and messages that can help build engagement in pension saving, helping pension scheme members who are in their late 30s, 40s and early 50s to think about and plan for their retirement income.

Research questions

The first year of our research, captured in our report Beyond the Defaults, provided us with a better understanding of how to communicate with people in the UK about pension contributions. In our second year, we focussed on how to help people think about and plan for a retirement income, with an emphasis on the experience of people who are mid-way through their working life, in their late 30s, 40s and early 50s. Specifically, the research questions we set out to answer are:

1. How do people currently understand and talk about planning for their retirement income? What barriers of comprehension and awareness stand in the way of engagement, action and confidence?
2. How can language and message framing help people to understand what their pension saving means for their income in retirement, and to know what actions they can take in mid-working life that can make a positive difference to their retirement outcomes?

Research team

This research is a collaboration between Invesco, Invesco Consulting, maslansky + partners and Nest Insight.

The different skills and expertise of the teams involved enabled a multi-method research approach, helping us explore responses to the language commonly used today around pension contributions, and develop and test alternative words and phrases.

Methodology

We used a mixed research methodology approach to address the research questions, bringing together data from expert interviews, qualitative research, a Nest member panel and quantitative research in our analysis.

1. Expert interviews
We conducted interviews with 9 experts including scheme trustees, pension providers, employee benefits consultants, employers and academic researchers. Question areas covered included:

- Barriers to, and drivers of, engagement with retirement income amongst the mid-working life target audience
- Views on more, and less, effective ways of helping this cohort take action with regards to planning their retirement income, including: existing tools in the industry (e.g. benchmarks, online calculators, retirement living standards); tone; words and phrases; and rules of thumb
- Examples of approaches to member engagement that have worked well or less well
- Impacts of the Covid-19 pandemic on member attitudes and behaviours.

Following the expert interviews, we developed a set of different words, message frames and questions to take forward into research with workplace pension scheme members.

2. Qualitative research

The next stage was to explore how workplace pension scheme members would respond to the stimulus materials we'd developed, and to evolve the language we used. In April and May 2021, we conducted qualitative research. 32 participants took part in individual online pre-work sessions lasting around 15 minutes. 28 of these participants then went on to take part in one of four online discussion groups. Each discussion group lasted two hours and involved 6–8 participants. All participants were on individual income levels between £20K and £40K per year. Half the discussion groups focused on those in their 40s and half focused on those in their early 50s. The groups were split as follows:

- April 2021:
  - Group 1: all aged 40–49
  - Group 2: all aged 50–55
- May 2021:
  - Group 3: all aged 40–49
  - Group 4: all aged 50–55

In between the first and second set of groups, we built in a phase to refine the stimulus, based on learnings from the first two group discussions.

Step 1: The online pre-work

Participants were shown 10 message frames, voiced by an actor. Each message spoke about retirement planning in a distinct way. Message stimuli were rotated during the pre-work period to ensure participants were exposed to the stimuli in different orderings.

There was a slider tool directly below the film with a scale ranging from 0–100. Participants were asked to use their mouse to tell us whether they had a positive or negative response to each phrase they were hearing. At each video, the slider started at 50, which participants were told was neutral. If what they heard made them feel more positive, they were instructed to move the slider up toward 100. If what they heard made them feel less positive, they were asked to drag the slider down toward 0. They were asked to use the entire range of the slider and keep reacting second by second, every word, for the entire message.

After watching all videos, participants were asked to answer a short open-ended question identifying the most interesting and most surprising thing they had heard during the pre-work.

Step 2: The discussion groups

Discussion groups were conducted remotely by video, as the UK was at the time in lockdown due to the Covid-19 pandemic. One benefit of this approach was that it allowed participants from a broad spread of UK locations to take part. During the video call, participants were asked at certain points in the discussion to give their individual feedback on questions via a chat function. Throughout the sessions, participants re-watched the messages they reacted to in the pre-work and discussed the messages as a group. The discussions covered:

- Attitudes, beliefs, and behaviours around retirement, retirement income, and retirement planning
- When and how to start planning for retirement
- How often to check in on your retirement goals and pension balance
- A deeper conversation around the message frames looking at language to:
  - Better define the mid-working life stage
  - Help participants understand what their retirement income could be, based on their current situation and the actions they take or don't take
  - Prompt participants to reflect on what more they could do today to set and reach their desired retirement and retirement income level.

3. Nest member panel

In this second year of the research programme, we added an online panel of Nest members to our methodology to build further context around our research objectives. This phase was exploratory and qualitative in nature. It was used to enrich and contextualise the insights of the other research stages.

In May 2021, 65 Nest members completed a series of questions and creative tasks and responded to retirement income planning tools. The respondents were predominantly aged 40–55 (with some over 55).

The research questions and tasks included:

- Triggers, attitudes, visualisations and expectations around retirement
- Attitudes, behaviours and needs around retirement income planning
- Expectations and attitudes to sources of retirement income, including attitudes around expected and actual State Pension income levels
- Reactions to a range of different online calculators.

4. Quantitative research

Following the qualitative and Nest member panel research, we validated and quantified the learnings in a 15-minute online survey conducted with 1,800 participants.

The participants were all:

- Living and working in the UK
- Covered by auto enrolment and working for an employer offering a defined contribution pension scheme
- With individual income between £10,000 and £59,999 per year.

The questionnaire covered:

- Demographics and household financial context
- Key psychographics, behaviours and knowledge attributes as identified in the qualitative and online community phases
- Assessment of the impact of different narratives by tracking before-and-after responses to actions participants reported themselves as likely to take
- Language preferences around retirement and retirement planning

Survey respondents were screened on a number of criteria to allow us to identify and concentrate our analysis on a target population: pensions savers in their mid-working lives with low to moderate levels of engagement with their pension. This group comprises the 59% of UK pension savers who check their pension balance once a year or less[20].

We also included two 'benchmark' populations in the survey sample in smaller numbers, to allow us to make a comparison between the target population and:

- those who are the same age but already more engaged in their pension saving
- pensions savers who are younger and older.

Target population (n=1,200)

- All aged 35–54
- Engaged less frequently with their pension, checking their balance once a year or less

Higher engagement benchmark population (n=300)

- All aged 35–54
- Engaged more frequently with their pension, checking their balance more than once a year

Representative, cross-age population (n=1,800)

- Younger: Aged 22–34 (n=150), natural fall-out of pension engagement levels
- Mid: Aged 35–54 (n=1,500), comprised of target population (n=1,200) + higher engaged benchmark (n=300), weighted to reflect natural fall-out of pension engagement levels based on collected incidence rates
- Older: Aged 55+ (n=150), natural fall-out of pension engagement levels

In most of this report we have concentrated on those aged 35–54 who have lower levels of engagement with pensions (our target population):

- Where no comparisons are discussed, we report on the lower engaged target population (n=1,200)
- Where we report on engagement level comparisons, we compare our lower engaged target population (n=1,200) with the higher engaged benchmark population (n=300)
- Where we report on comparisons with the younger and older benchmark populations, no engagement filter is applied so here the entire age group of those aged 35–54 with their two engagement levels are combined (n=1,500) and compared to the younger and older benchmark populations (n=300).

[20] Proportion taken from survey screening question.

3

In this mid-working-life stage many people start to feel a combination of hope and fear about their later life. Many feel unprepared for thinking about whether they are on track to have enough income when they retire.

The mid-working-life stage is often the point at which people start to become more open to thinking about their retirement. It starts to feel more relevant, and perhaps more imaginable. People in their late 30s, 40s and early 50s are much less likely than those in their 20s and early 30s to say that they prefer not to think about their retirement **(Figure 1)**.

However, this growing openness to the idea does not mean that they think about retirement all that much. They are not significantly more likely to say they think about it often than people in their 20s and early 30s – the jump in agreeing with this statement comes in the older age-group who are in their late 50s and early 60s **(Figure 2)**.

Whilst retirement may be starting to come into focus during this life stage, it is something to be thought about occasionally rather than a pressing priority.

Many people we talked to in this age group have a sense of hopefulness about their retirement. They are just starting to look ahead to retirement, and they find themselves looking forward to it:

'Generally, I hope it'll be a nice time to focus on things outside of work – as well as personal projects I don't have time for now.'

Nest member panellist, 35–44

For those who believe that they are relatively well prepared for retirement, this hopefulness is, unsurprisingly, more positive. But for many others, their positivity is dampened by the reality gap between the retirement they would like and what they think they will be able to have. As retirement edges closer, this hopefulness starts to seem more like a sense of 'crossing their fingers' that things will play out for them in retirement.

Figure 1
I prefer not to think about my retirement

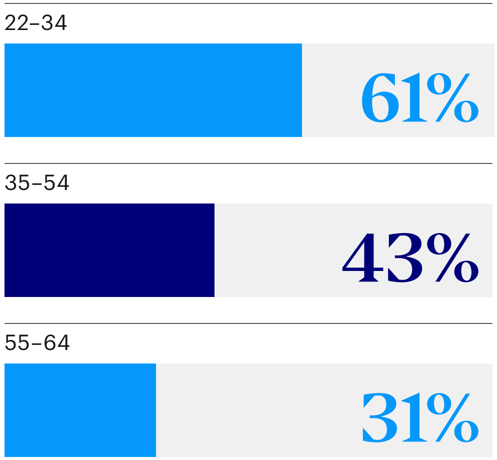
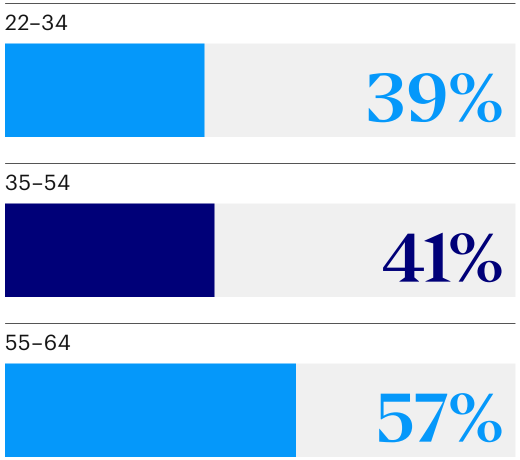


Figure 2
I find myself thinking about retirement often



“

I’m a bit scared to look at it because I think I’ll be working until I drop, even though I’ve been contributing since 1992.

Discussion group participant, 50–55

When asked to share a couple of images that described what they thought their retirement would be like, Nest member panellists predominantly chose images that portrayed this gap between hopes and expected realities. For example, one member shared a picture of a celebratory message juxtaposed with a picture of a stressed face, explaining:

‘The first image is how I want to feel in my retirement. I want to be relaxed, comfortable, secure and able to live life to the full...
The second image is how I suspect it will be. Mad, chaotic, stressful and painful... Struggling for money and trying to make ends meet.’

When asked ‘what does thinking about retirement make you feel?’, members of Nest’s panel were most likely to pick the word ‘hopeful’. However, the next four most commonly selected words were all negative emotions – ‘worried’, ‘unprepared’, ‘depressed’ and ‘frightened.’ Strikingly, people with lower pension knowledge were more likely to choose negative emotion words to describe how they felt, whilst those with higher pensions knowledge were more likely to pick positive emotions **(Figure 3)**.

For this cohort in particular, there seems to be a confluence of very real worries and pressures that contribute to this fear and anxiety. Common themes were a sense of uncertainty exacerbated by the Covid-19 pandemic, worries about employment and health, as well as the thought that they might need to make significant sacrifices to survive retirement:

‘I’m actually frightened about losing our home.’
Nest panel member, 45–55

‘When they were talking about how much money you’d need to retire comfortably, that was a bit of a scary one for me.’
Discussion group participant, 40–49

‘I’m a bit scared to look at it because I think I’ll be working until I drop, even though I’ve been contributing since 1992.’
Discussion group participant, 50–55

Figure 3
Responses to the question ‘How does retirement make you feel?’ (top five emotion words selected by Nest member panellists)[21]

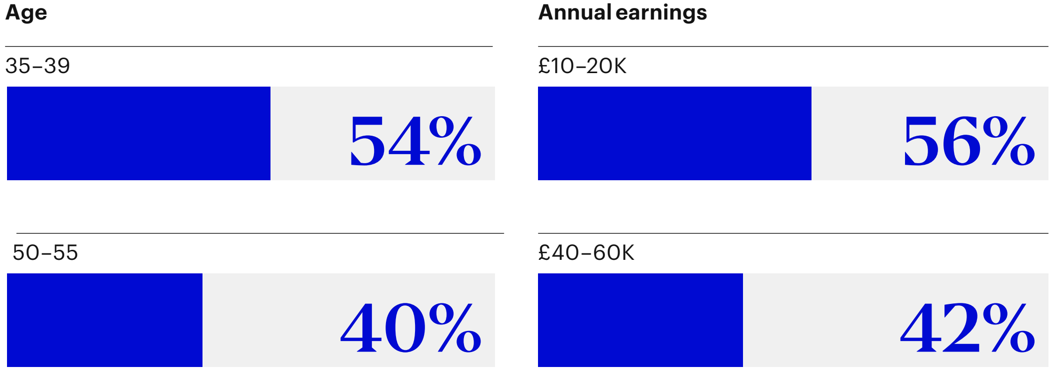
All respondents	Lower pension knowledge	Higher pension knowledge
Hopeful	Worried	Hopeful
Worried	Hopeful	Excited
Unprepared	Unprepared	Worried
Depressed	Frightened	Relieved
Frightened	Depressed	Calm

[21] Nest member panel, n=65: Q. What emotions come to mind when you think about your retirement? Please select up to 4 emotions. [Respondents were given a list of 6 positive, 5 negative and 2 neutral emotion words].

> **We have just pretended it's not happening and there is no problem, so completely buried our heads in the sand. Therefore, not done anything about it.**

Nest member panellist, 45–55

Figure 4
Have not started thinking seriously about retirement



Wider evidence suggests that these fears may be well-founded. Many people in this age group are likely to experience a gap between their hopes and expectations for later life. In the introduction to this report, we cited a recent report[22] from the International Longevity Centre UK and Phoenix Group, which found that over half of DC savers aged 41–56 are not contributing enough for financial security or flexibility later in life. It also found that 44% have significant gaps in their pension contributions. The personal impact of realising this future shortfall is reflected in comments made during the qualitative phases of our research, as the information we shared brought the issue into focus:

'Listening to what he had to say made me feel disheartened because I underestimated what I would need, and I am nowhere near that. I'm one of those people who worked on-and-off for thirty years and I have a private pension too, but the figures don't add up. I feel like I'm going to be working until I drop; I'm so disappointed.'
Discussion group participant, 50–55

Yet, as we shall see, a growing awareness of the reality gap does not necessarily result in changes to people's savings behaviour. Some openly acknowledge that they actively avoid thinking about retirement, as it brings into sharp focus a likely, negative outcome. For them, 'putting their heads in the sand' seems to be a deliberate coping strategy in face of the severe consequences of being under-prepared:

'We have just pretended it's not happening and there is no problem, so completely buried our heads in the sand. Therefore, not done anything about it.'
Nest member panellist, 45–55

Nearly half (47%) of the group say they have not started to think seriously about how they are going to pay for retirement. This is more likely to be the case for those at the younger end of the age group and for those who are earning lower incomes: fear can lead to paralysis rather than action, and planning keeps getting put off until another day **(Figure 4)**.

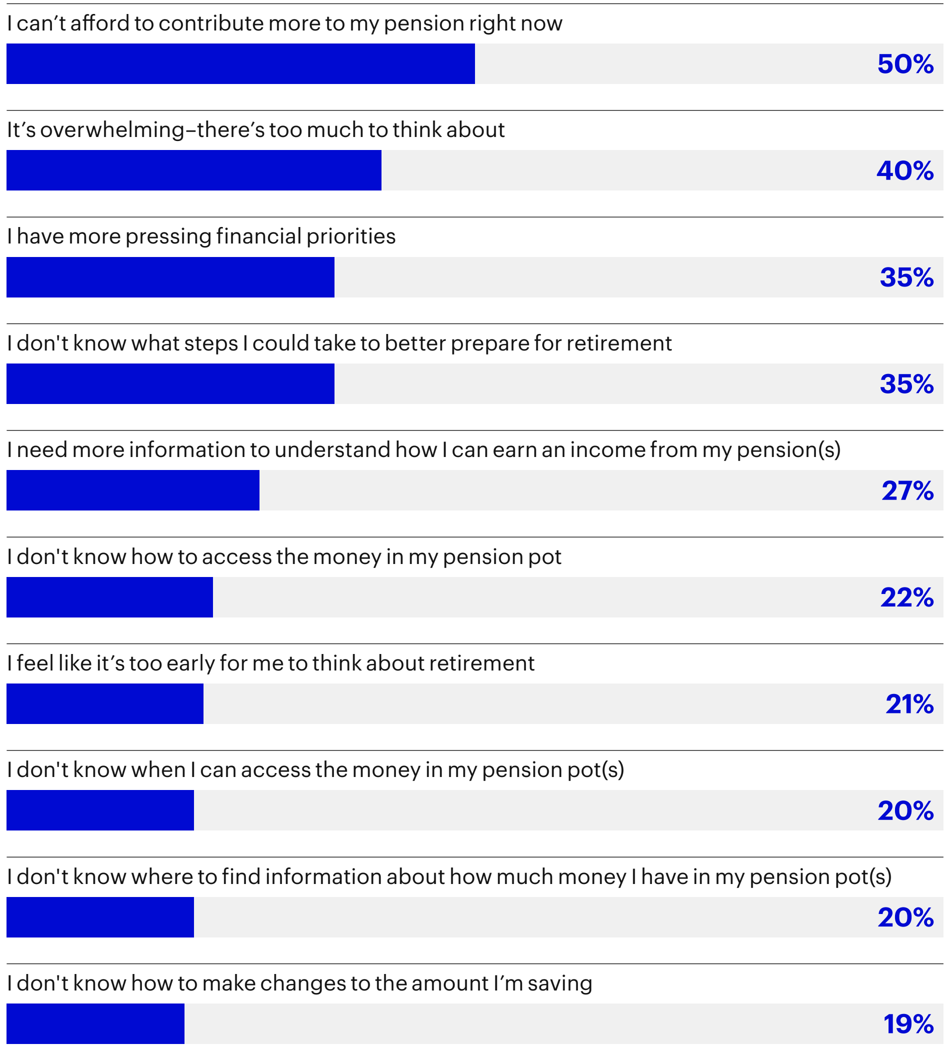
[22] https://ilcuk.org.uk/slipping-between-the-cracks/

Through our research we identified three common barriers to engaging with pensions and with planning for retirement income mid-working life: affordability, a sense of being overwhelmed, and low confidence. Awareness of the available tools and support was low.

When we asked what was standing in the way of taking action towards retirement income planning, many people attributed this to contextual factors. Mid-life is busy and they have limited time and headspace, and also limited funds, to direct towards a problem that still feels a long way off. An additional barrier was low confidence, stemming from a lack of knowledge and information. These competing pressures are reflected in the top four barriers which this group told us are standing in the way of preparing for retirement **(Figure 5)**.

We explore these barriers to engagement in more detail below. To better understand these mid-life barriers to engagement and planning, and to understand if they are specific to this cohort, we compare their attitudes and beliefs to those of older and younger pension savers.

Figure 5
Which of the following, if any, do you personally consider to be barriers to better preparing for retirement?



I simply don’t feel I have enough income at the moment to even think about the future.

Nest member panellist, 45–55

Barrier 1: Affordability

The top barrier to engagement is, quite simply, affordability. 5 in 10 people say they can’t afford to contribute more to their pension right now and 35% say ‘I have more pressing financial priorities’. As one Nest member summed it up:

‘I simply don’t feel I have enough income at the moment to even think about the future.’

Nest member panellist, 45–55

Unsurprisingly, people earning lower incomes were more likely to cite affordability as a barrier to engagement, with 58% of those earning £10K–20K saying this, compared with 38% of those earning £40K–60K. However, it is worth noting that this still leaves nearly 2 in 5 higher earners saying affordability is a barrier to engagement.

Affordability is more of a concern for those in their late 30s, with 59% of those aged 35–39 citing this barrier, compared with 48% of those in their 40s and early 50s. This group were also more likely to say they have more pressing financial priorities, with 43% saying this compared with 34% of those in their 40s and 31% of those aged 50–55. People with pre-school or school-age children in their household were also more likely to say they have more pressing financial priorities (41%) than those without (31%). Women were also slightly more likely to cite affordability as a barrier than men.

Unsurprisingly, affordability concerns are also more pronounced for those who experienced a drop in income as a result of the Covid pandemic, with 65% of this group saying they cannot afford to increase their contributions, compared with 35% of those who have seen their income levels stay the same or increase during the pandemic.

Linked to affordability is the fact that many people at this stage in their lives have other financial priorities. This is specifically true of those at the younger end of the cohort, with 43% of those aged 35–39 citing other more pressing financial priorities as a barrier to preparing for retirement, compared to 34% of those in their forties and 31% of those aged 50–54.

When asked to identify their top three financial priorities today, ‘paying off a mortgage’ was most commonly ranked as the number one priority, by 28% of people.

‘Your biggest commitment is your mortgage. At the moment, I need to have a plan to pay this off.’

Discussion group participant, 40–49

This was followed by paying off debt (22%), with ‘saving into my pension’ the third most likely priority to be ranked first, by 1 in 5 people **(Figure 6)**.

Those on lower incomes were more likely to rank paying off debt as a top priority. Raising children was more likely to be a financial priority for those in their late 30s, with nearly a quarter (24%) ranking this top, and just over half (52%) in their top three.

Figure 6
Which of the following do you consider a financial priority today? Rank your top 3.

	Number 1 priority	Top 3 priority
Paying off a mortgage	28%	48%
Paying off other debt	22%	47%
Saving into my pension	20%	59%
Raising children	16%	35%
Other	5%	18%
Paying off a car loan	4%	13%
Saving for my children’s education	3%	18%
Paying off a student loan	1%	4%

Barrier 2: Feeling overwhelmed

The second most commonly cited barrier to preparing better for retirement was that it feels overwhelming. 4 in 10 people say 'It's overwhelming – there's too much to think about.' Those earning lower incomes were more likely to feel this, as were those at the younger end of the age group. Women were slightly more likely to say this than men **(Figure 7)**.

When we compare the target group with the higher engagement group, it's striking that those who are less engaged also feel more overwhelmed **(Figure 8)**.

As noted in the introduction, people often experience a range of pressures as they enter the middle part of their working lives. For this 'squeezed generation', who are often juggling multiple caring responsibilities, life can feel overwhelming. Other more current worries may crowd out time and headspace to plan for the future, even if the intention is there:

'Maybe I should worry about it. But [there are] more important things to worry about in the current time than sometime in the future.'
Nest member panellist, 55+

Compounding this, the uncertainties and impacts of the Covid-19 pandemic continue to play out. 30% of our target audience said their household income had dropped in the past year, and nearly 1 in 10 said it had dropped by a lot.

A similar proportion (33%) say the crisis has made them less confident in their ability to plan for the future. The uncertainties of the pandemic period have had mixed impacts on people's feelings about saving for the future. Some say it has made them more focussed on saving to prepare for the future (38%), whereas others say that it has made them more focussed on spending now rather than saving for later (19%):

'The last year's been so dismal you just want to go away and forget about it.'
Discussion group participant, 50–55

Another contributing factor to the sense of being overwhelmed may be that people's pension position can feel quite complex. Statements from members of Nest's research panel reinforce the sense that midlife can be a tough time to get to grips with your pension position because many have multiple pension pots from different jobs:

'I really don't know where all my little pension schemes are, or how to gather them together. And I don't know what position that leaves me in.'
Nest member panellist, 45–55

Figure 8
Chose 'it's overwhelming – there's too much to think about' as a reason

Age: 35–54

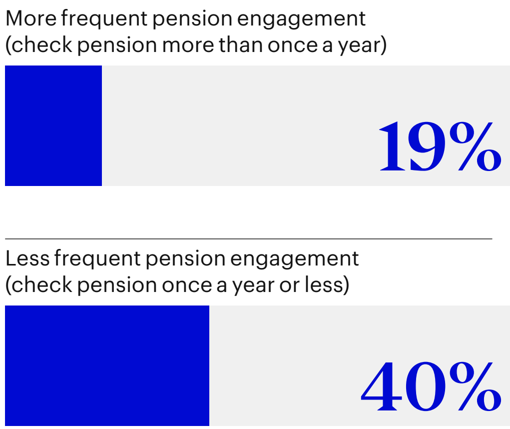
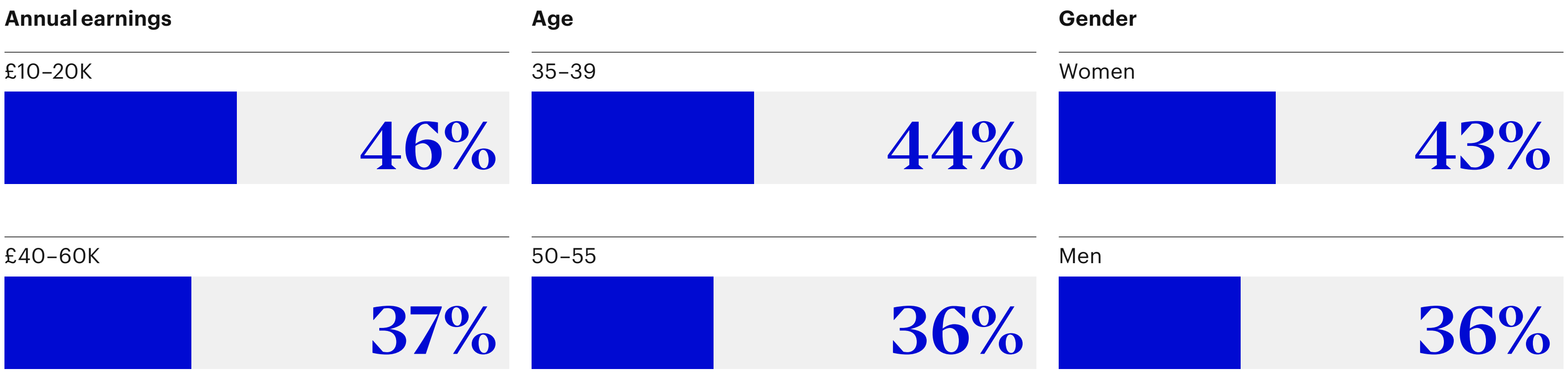


Figure 7
Chose 'it's overwhelming – there's too much to think about' as a reason



Barrier 3: Low confidence

Only 2 in 10 in the target audience say they feel on track when it comes to planning for retirement.

Strikingly, people at this age seem less confident about whether they are going to have enough – when compared to both older and younger workers. When asked whether they knew how much they needed to have saved in order to retire, less than a third of this group said they did, compared to over two fifths of the younger and the older groups. They were also less likely to say they have a firm idea of how much they already have saved than those who are older and younger, and to be less likely to say they know what sources of income they will have in retirement compared to those who are older **(Figure 9)**.

This low confidence comes partly from low numeracy and financial literacy levels, and from low knowledge of concepts like investment, compound interest and tax relief:

'If I see a statement, it doesn't mean anything.'
Discussion group participant, 40–49

[response to a message about compound interest] 'I don't understand what that means? Is the interest rate fixed?'
Discussion group participant, 50–55

This is compounded by the fact that people often say they don't know where to go for information or how to address their knowledge gaps:

'Financially, I feel unprepared. I need to know how financially unprepared I am, but don't know how to find out!'
Nest member panellist, 45–55

'I literally don't know where to start. I'd need a simple answer that was the amount I'd need to be putting away each month.'
Nest member panellist, 45–55

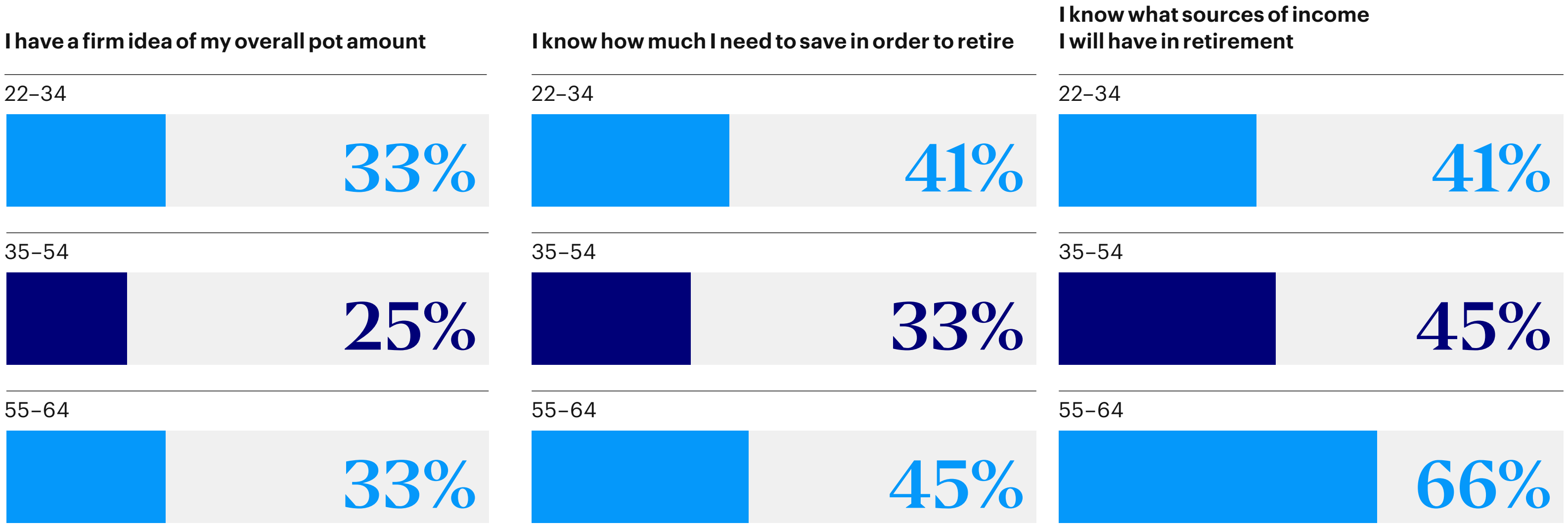
Around 1 in 3 people in the target audience say 'I don't know what steps I could take to better prepare for retirement'. 1 in 5 say they don't know where to find information about how much money they have in their pension pot(s). Awareness of available tools and support was generally low, with only 38% saying they are aware of online retirement planning calculators and 29% knowing that there is a government pensions advice service. Only 14% said that they had used online tools (i.e., retirement planners or calculators) or online resources (i.e., advice forums) to work out what income they may have in retirement and only 5% that they have spoken to a free government pensions advice service of a financial advisor.

While online calculators are seen to be a helpful tool in principle, our research showed that many of the currently existing calculators have potential to create confusion and further concern. Presenting our panel members with one of six different calculators, we found barriers often started at the point of data entry with many participants stating a lack of understanding where to access the information required for input.

'I would like some information on finding out where to get the figures to put in it in the first place.'
Nest member panellist, 35–44

And without a clear translation of what the calculated outcomes mean, which was the case for a number of them, a calculator can leave users feeling more worried. Calculators offering tangible support on where to go for further information are certainly needed for this cohort, but overall feedback on the wide range of calculators we explored with our participants suggests there is still some way to go to arrive at a version that is suitable for the needs of pension savers.

Figure 9
Do you know how much you are contributing to your current pension pot each month?



From a sense of defeatism to making it feel manageable

For many people, these barriers combine to create a sense of defeatism. People may feel that their current savings are insufficient to cover retirement, and that they lack the knowledge, headspace and money that would be needed to make this right. Just over a third (35%) of the target population say they feel a sense of defeat when they think about retirement. This is quite consistent across ages, income levels and gender within the group.

'I have personal and workplace pensions, I pay National Insurance and my wife is paying into a good public sector pension. Our projections... don't give me any reassurance as to whether I'm saving enough or too much. It will likely come as a surprise (good or bad) in 25 years when I retire whether I have enough money or not.'

Nest member panellist, 35–44

This defeatism can be coupled with a sense of regret, particularly among those aged 45–55, that they did not start planning earlier.

It's critical that these contextual and emotional starting points are taken into account when talking to this cohort. Communication that meets people where they are, with empathy and reassurance, and makes retirement planning feel manageable, may give them the boost they need to engage for the first time. But anything that compounds these barriers to engagement, by being too onerous or complex, risks alienating people further from taking steps to achieve a suitable level of retirement income.

Three important foundation messages have the power to make retirement income planning feel more manageable and more in reach.

Communication cannot overcome all these barriers to engagement with retirement income planning. Still, it has the potential to address some of the knowledge gaps and help address the sense of defeatism that can put people off taking the first step. Three messages in particular can really help build engagement, by boosting confidence and making a daunting task feel more manageable. Taking people on a journey through these stages of communication can increase confidence and empower individuals to take meaningful positive steps towards taking control of their future financial security.

01 "You're already on your way to having a retirement income"

Building confidence by emphasising what the saver already has – including the State Pension and any existing pension pots

The journey begins by reinforcing what the saver has already secured in terms of retirement income. This foundational information frames their current situation in a positive light and helps avoid the sense that they will never bridge their retirement gap. It can take people from a sense of defeatism, to an openness to planning for retirement.

As part of this, clear and simple information on their State Pension entitlements is key. This is especially in contexts where savers are presented with goals or targets for retirement income. In our research, we saw people's confidence build in response to the simple idea that retirement income can come from different sources.

The State Pension is a reliable, regular income – yet it is not always included in pension statements or retirement income calculators.

Our research showed low levels of awareness of the role it plays in a total retirement income. Only 9% had a firm idea of how much they will get from the State Pension. Nest member panellists underestimated the annual rate of the State Pension by more than a quarter. Those answering with a monthly amount underestimated it to a greater extent **(Figure 10).**

Yet, when our research participants were given simple information about the State Pension, they saw it as a valuable underpin to their retirement savings:

'That was a lot more than I thought it was and maybe I don't have as much to worry about.'
Nest member panellist

The role that it plays in retirement income is especially important for low- and middle-income (LMI) workers, as one of our experts explained:

'If you're on minimum wage and living on £15k then the State Pension will be a good replacement.'
Expert interviewee

Figure 10
Estimating the level of the UK State Pension

■ Estimated ■ Actual

	Current standard **annual rate** of the State Pension	Current standard **monthly rate** of the State Pension
Estimated	£6,779	£407
Actual	£9,340	£780

We have auto enrolment – nearly everyone has a vehicle so you are already over the first hurdle. You've already got something on which you can build.

Expert interviewee

So, State Pension information is a powerful starting point. Next comes information on existing pension pots. Auto enrolment means that most workers have already made a start with their own savings, and their contributions have been boosted by employer contributions and tax relief:

'We have auto enrolment – nearly everyone has a vehicle so you are already over the first hurdle. You've already got something on which you can build.'

Expert interviewee

However, only 12% said they had a firm idea of what was in their pension pots. And this is unsurprising given the generally low levels of engagement from people who've been auto enrolled into workplace pensions. In Nest, for instance, just under a third of people have ever logged into their online account to see how much they have in their retirement pot.

In our research, we saw a positive effect from both specific and generic information about the amounts people had already saved. When they know they are part of the way there already, they seem more likely to actively think about how to make up the rest of the distance.

'Before I got my statement and I didn't know what it was saying. It's a relief when he says you are already saving some so it's £80 more a month – It makes it feel achievable.'

Discussion group participant, 40–49

This creates an appetite for services that can help people take stock of what they have. For people who don't know where all their pension pots are to be found, information about the Pension Tracing Service was hugely welcome. Once available, pensions dashboards will provide an even more comprehensive 'one stop shop' for a saver to find out what they already have. But in order for people to use these services, they will need to know what they are and where to find them. Here, there is a clear gap to fill – as we saw in the previous section, many people are unaware that these tools exist, and this group can find it difficult to use them even when prompted to do so.

This suggests an immediate opportunity for pension providers and government. People in this target audience are more likely to engage with planning for their retirement income if they are reassured of what they already have. This message is a positive first step towards planning and taking action.

“

The evidence tells us that imagining our future selves is a significant challenge, and it can take a substantial amount of effort to help someone overcome this natural psychological barrier.

02

“Start from today and plan forwards”

Helping people work from what they know to understand the gap they need to close

We’ve seen that people respond positively to finding out what they already have. But there’s another important reason to start the messaging journey with this foundational information. We found that the most effective way to get people planning for retirement is to start with what they already have, and work forwards from there. This might sound an obvious point, but it goes against much of the established practice in retirement communications. Tools and services often begin by getting the saver to define an end goal – the outcome they want to achieve in the future – and then to work backwards to decide what actions they should take in the present. This approach tries to get someone to start by picturing their retirement and working out how their expenditure might differ from that during their working life.

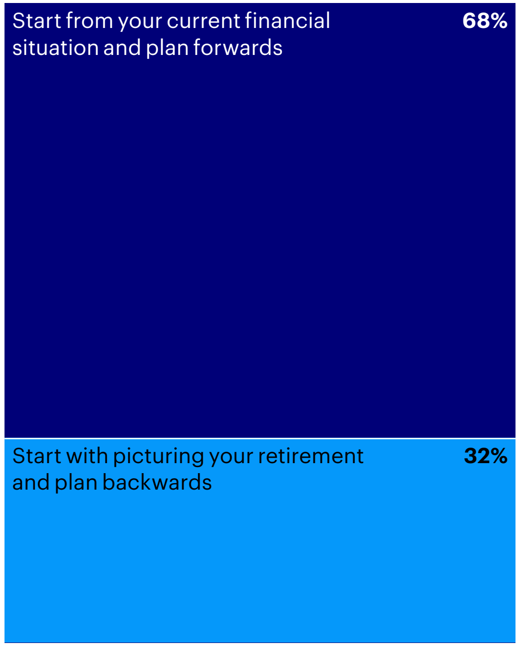
Yet the evidence tells us that imagining our future selves is a significant challenge, and it can take a substantial amount of effort to help someone overcome this natural psychological barrier[23]. Most of us find it hard to imagine what lifestyle we will want in retirement, or what income we will need at this very different life stage. And this can put people off the whole planning process.

‘I don’t know exactly what activities I’m going to do or where I’m going to travel. It’s hard for me to picture that. It’s hard for me to sit down and create that list.’
Discussion group participant, 40–49

‘The things we’re doing when we’re 30 or 40 are going to be very different than in our 60s. I don’t think you can use that to figure out what you’re going to spend.’
Discussion group participant, 40–49

So, it’s perhaps unsurprising that in our research, people expressed a clear preference for an approach that’s rooted in their current position or with a short-term forward look in mind. Over two thirds felt a good retirement plan should start from your current financial situation and plan forwards **(Figure 11)**.

Figure 11
‘A good retirement plan should…’



[23] See for instance http://www.dangoldstein.com/papers/Hershfield_Goldstein_et_al_Increasing_Saving_Behavior_Age_Progressed_Renderings_Future_Self.pdf

This preference for starting with what you already have may be an example of a 'goal gradient' effect[24]. This behavioural psychology concept suggests that when people are nearer the start of a journey to a goal, they are more motivated by signs of initial progress than by proximity to the goal. This is, for instance, why coffee loyalty cards are more effective if they have 12 spaces but two are pre-stamped, than they are if they have just ten empty spaces.

An approach that starts with the saver's current financial situation is also likely to be particularly relevant for people whose costs in retirement will be similar to those experienced in their working lives. The 'picture your retirement and plan backwards' approach is to some extent based on an assumption that someone's expenditure will be lower in retirement that it's been during their working life – for instance because their mortgage will be paid off, and they will no longer have commuting costs. This may be true for higher-earning professionals. But it may not hold for people on low to middle incomes, particularly if they are not going to be homeowners at retirement. For people in this position, it makes much more sense to frame their goals around their current situation.

This does not mean, of course, that people shouldn't be encouraged to think about the kind of income their pension assets will provide when they retire. An important part of understanding what you already have is to know how the savings you've built up today will translate into a regular income in later life. And this can be a difficult pill to swallow.

This is a familiar challenge to those involved in providing guidance and information on pensions. Previous Nest research into retirement income solutions[25] showed that *'the realisation of how much (or little) they can expect from a £100k pot as an income was a big shock.'* Our new research reinforces the scale of this knowledge gap. Just under half (46%) of those aged 35–54 are unaware of how much income their pension will provide in retirement, with only 30% saying they have a sense of how much retirement income their pension will provide.

Perhaps unsurprisingly, this level of awareness varies significantly by age, and by people's prior level of engagement:

- Those aged 50–55 only have a slightly better sense of this. 38% of those aged 50–55 say they have a sense, compared to 22% for those aged 35–39 and 30% of those aged 40–49)
- 62% of the 'more engaged' group have a sense, versus 29% of the 'less engaged'.

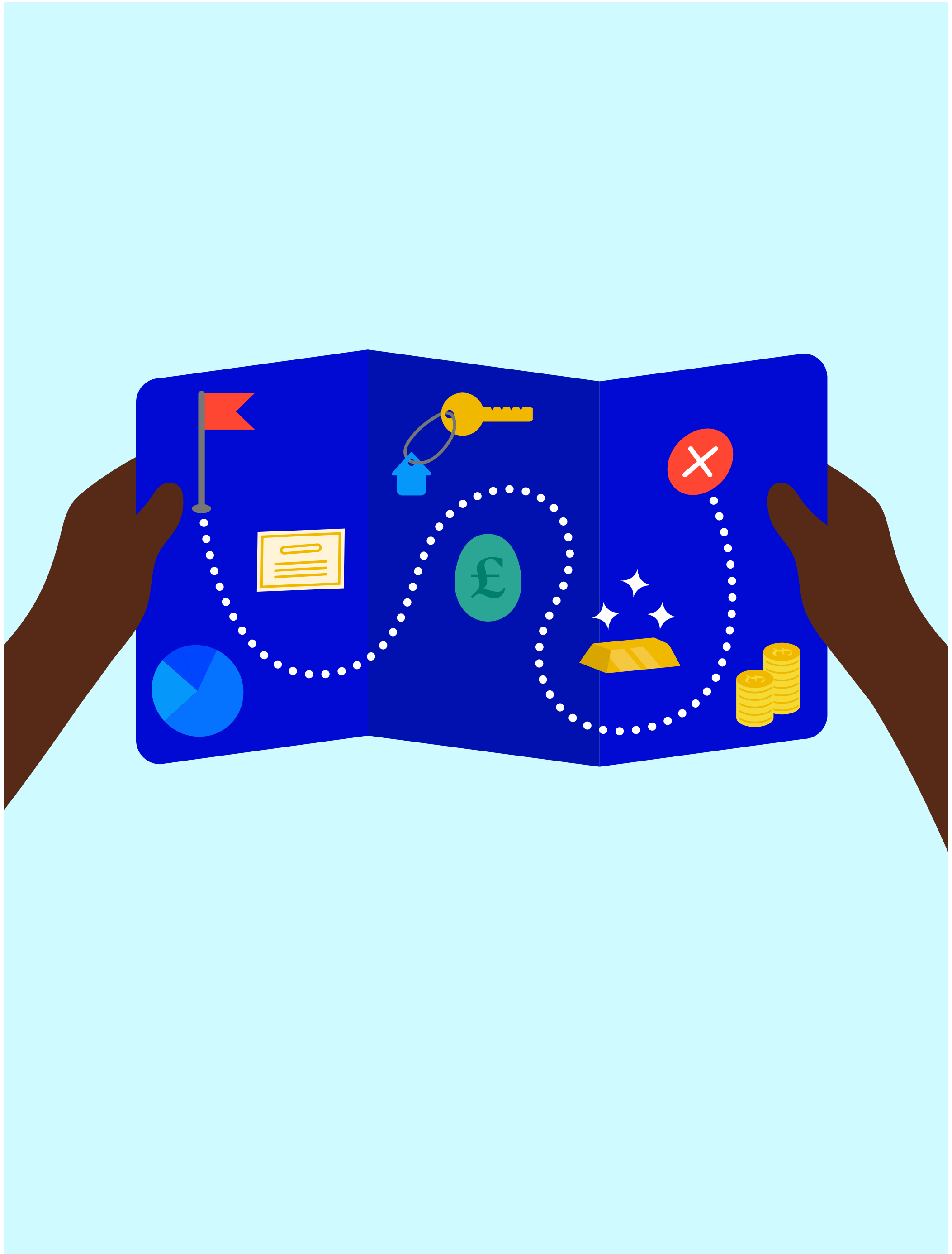
Finding out what income their retirement savings could give them can be the big 'penny drop' moment for people who've not yet gone through the steps of a planning process, and it will rarely be good news.

'It's a bit scary! I'm not even close to having £55k in pension savings!'

Nest panel member, 35–44

Yet this is a necessary step at this point on the journey – and, as we'll see, there are positive messages that will help the saver overcome their initial shock or dismay at leaning the conversion rate between a pension pot and a lifetime income.

The notion of joint planning around the whole household's retirement savings can be overlooked in an individualised approach to financial planning. Yet it's a reassuring idea for many people and more joined-up planning could be encouraged and supported with appropriate planning tools where there is more than one adult in the household.



[24] 'The Goal-Gradient Hypothesis Resurrected: Purchase Acceleration, Illusionary Goal Progress, and Customer Retention', Kivetz, Urminsky & Zheng (2006).

[25] https://www.nestpensions.org.uk/schemeweb/dam/nestlibrary/NEST-Flexible-Lifelong-Retirement-Income.pdf

03

"There are steps you can take"

Breaking it down into manageable and meaningful actions, and showing the difference each could make to retirement income

We've seen that people respond well to an approach that starts from their current pension position and works forward. But we've also seen that they may experience feelings of shock or dismay at the relatively low level of retirement income they can expect to achieve based on their current level retirement savings. This is why the third step in the journey is crucial. As well as providing some realistic next steps that they can take, this stage helps them realise that they don't need to solve the problem all in one go – and that it's not too late for them to make a meaningful difference to their life in retirement.

To this end, we used our qualitative research to test messages about a range of steps, tools and interventions that might seem achievable and effective. One concept that had a particularly positive impact was the notion of a 'financial MOT[26]' for people at this stage of their lives. As we've already seen, a pensions MOT service is already available, but awareness of this as an option seemed low. However, the concept immediately resonated:

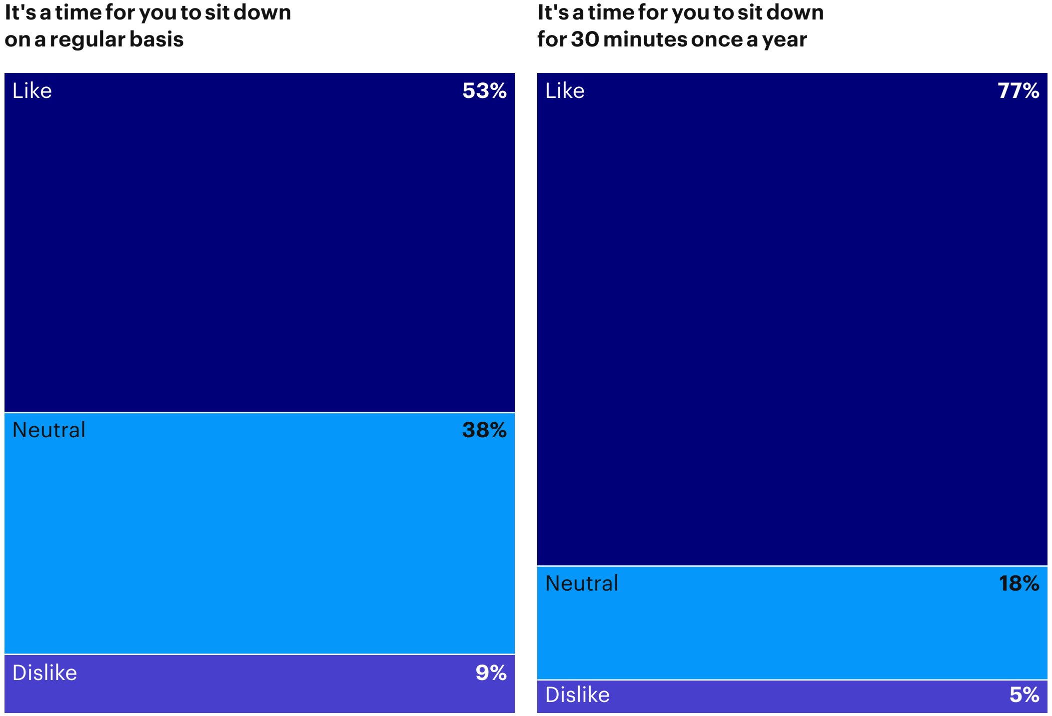
'We have to [get an MOT] because it's a legal requirement to get your MOT done – so why don't we do that with our pension as well?'

Discussion group participant, 40–49

Based on this, we developed and tested a range of messages about when and how to take a mid-life MOT. We found that some expressions of this idea had a more positive impact and were seen as more persuasive. People strongly prefer a planning checkpoint that's regular, but that won't take up too much of their time. A message that suggested people sit down for '30 minutes once a year' was more positively received than a message suggesting people 'sit down on a regular basis' **(Figure 12).**

[26] The 'MOT' or 'MOT test' is an annual inspection that all UK vehicle owners are required to have done on their car or van, in order to continue to use it on public roads. It's an immediately familiar concept to most people in the country, with connotations of a regular check-up that everyone needs to complete, to make sure their vehicle is 'fit for the road'. ('MOT' is an abbreviation of 'Ministry Of Transport', the former name of the relevant government department.)

Figure 12
Please tell us if you like, dislike, or feel neutral about the individual phrases you have just seen.



"

...it's a legal requirement to get your MOT done – so why don't we do that with our pension as well?

Discussion group participant, 40–49

People value an approach that will let them break the problem down into bite-sized pieces, so they don't have to solve the whole problem in one go, with a message about taking things 'one step at a time' performing well **(Figure 13)**.

This incremental approach also needs to reflect the fact that people's circumstances and goals evolve over time. People responded positively to the message, 'Ask yourself if your financial situation or your goals for retirement have changed since the last time you logged in'. Thinking one or two years ahead was much more positively received than asking people to picture their needs in the distant future:

"Two years ago, I was still picking up an eighteen-year-old from nightclubs. Hopefully in two years I'll be at a graduation ceremony. So, two years isn't too far ahead for me to think."
Discussion group participant, 40–49

"Predicting so far into the future is hard – who knew 18 months ago we'd have a pandemic?"
Discussion group participant, 40–49

The MOT concept is a useful catch-all to encourage savers to take stock, but we were also keen to understand which specific actions they could undertake as part of this 'one step at a time' approach. One step that is often suggested first is increasing contributions – indeed, we took a detailed look at this option in the first of our reports. Yet clearly affordability is a barrier to many people. They may want to do something to improve their situation but feel unable to raise their regular contribution amounts. So, this cannot be the only solution they're presented with. With this in mind, we tested a number of alternative 'levers' that people might try. We found that awareness of these alternative strategies can be empowering and could form positive elements of an 'MOT':

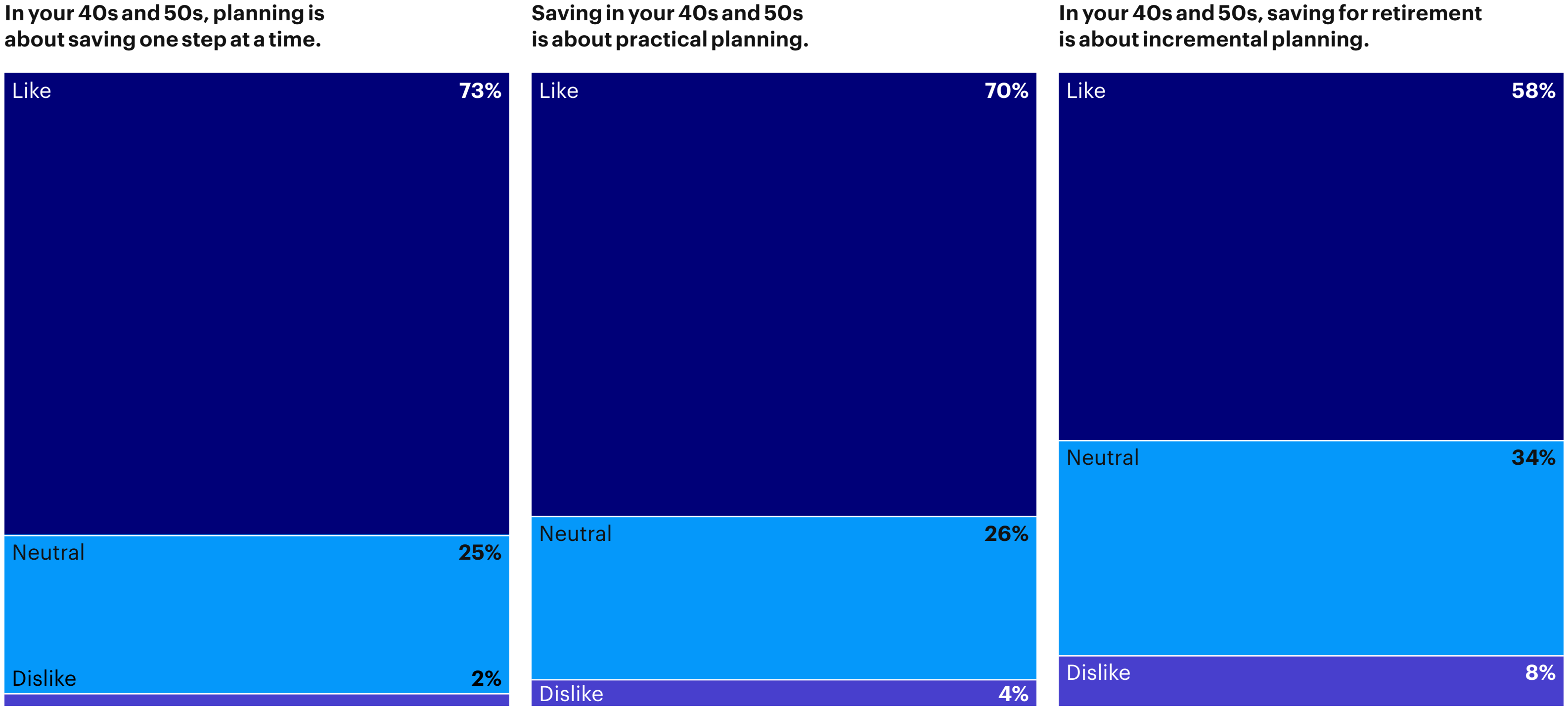
- People recognise the value of **working longer or differently** when they reach a traditionally pensionable age. Only 29% have a firm idea of their State Pension age, creating an opportunity for taking stock – by finding this out – and starting to plan – by considering how they might approach the end of their working life, for instance by moving to part-time work for longer.
- This notion of working longer naturally leads to the option of **deferring the State Pension** and receiving a higher income in return. 60% of the group were unaware of this option.

'That's one thing I wasn't aware of – that if you deferred you can get more.'
Discussion group participant, 40–49

'If you defer when you receive your state pension you can get more - so there's adjustments you can make.'
Discussion group participant, 40–49

- People also picked up on the option of making ad hoc windfall contributions, even if they didn't feel able to increase their regular payments. This might include, for instance, paying some or all of an inheritance or an unexpected rebate into their pension pot. Clearly, this kind of windfall might not happen to everyone, but for those who could foresee this kind of opportunity, it becomes a positive option to consider, and one that many had not thought of previously.
- They could also see the value in tracking down old, forgotten pension pots that they'd built up earlier in their working lives. This links to stage 1 of the journey, where the saver is encouraged to take stock of what they have, but there's also an opportunity at the 'MOT' stage to dig deeper and seek out any further pots that they might not yet have found and help people consolidate them in a way that would improve their position.

Figure 13
Likes for key phrases compared



It's not just what you say that matters, but also how you say it. Foundational messages that are Positive, Plausible, Plainspoken and Personal can help overcome barriers, and significantly boost people's intentions to take action.

As in our first report, we found that we could make striking improvements to people's responses to a range of messages, by making a number of simple but important changes to the tone, language and framing that we used. In this section, we provide a set of language rules, based on these finding. Once again, we've summarised these rules into the 'four P's':

Positive

Plausible

Plainspoken

Personal

Positive

We have already seen that an optimised journey begins by building the saver's confidence, by **emphasising what they already have.** This includes the State Pension and any existing pension pots.

This sets a positive tone that should carry through all messaging. It can be tempting to warn people that when they've reached mid-life, the clock is ticking and they must act right away to avoid a disappointing outcome in retirement. Yet this kind of approach tends to create negative message frames that stimulate fear and emphasise looming deadlines – which can discourage people rather than encourage them. In our research, we found that a positive approach was universally better received.

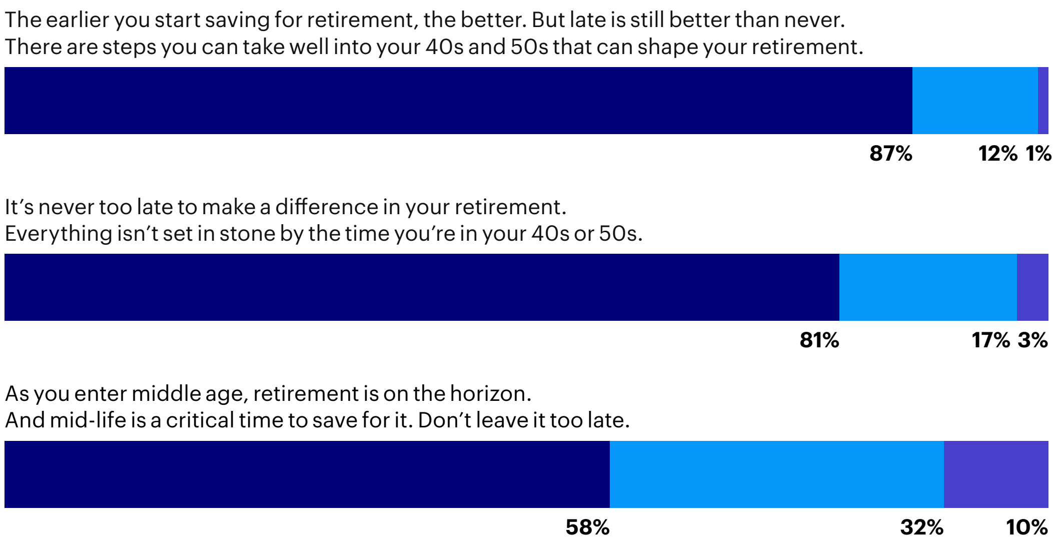
'It's almost like putting fear into you and someone who hasn't planned ahead thinks, "Oh my god," and then you start worrying and get all worked up. They could put a more positive message.'
Discussion group participant, 40–49

The three rules of positivity are:

Use positive encouragement, not fear
By the time they reach mid-life, many people fear they've already left it too late to save. Reassure them that they still have time **(Figure 14)**.

'Listening to that made me think, "Oh god, I'm a bit late in the game!"'
Discussion group participant, 50–55

Figure 14
Likes for key phrases compared



Avoid last-chance framing

Avoid telling people they need to act now before it's too late. Rather than stimulating action, this can shut people down and emphasise their fears that they'll never save enough for the retirement they want. Focus instead on the positive impact they still have time to make **(Figure 15)**.

'It was good to hear that it's never too late. If you do put in more money you might get more out at the end, that's a positive.'
Discussion group participant, 50–55

Focus on what people can get, not on what retirement will cost them

The same principle also applies when talking about the kind of income people will have in retirement. Don't start with the costs they'll need to bear in retirement. Focus instead on what their savings will get them, and the benefits this will bring **(Figure 16)**.

'We're in a pandemic. I know it's important, but there's a time and a place. I like the ones encouraging you of what your future could be.'
Discussion group participant, 40–49

Figure 15
Which of the following is the best reason to keep saving – or start saving – through your 40s and 50s?

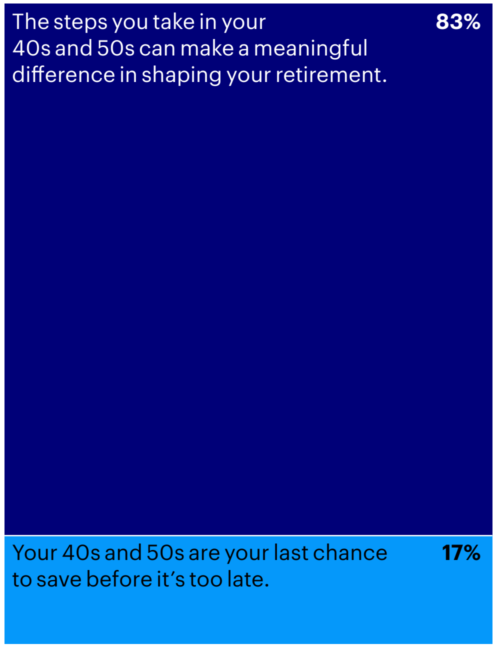
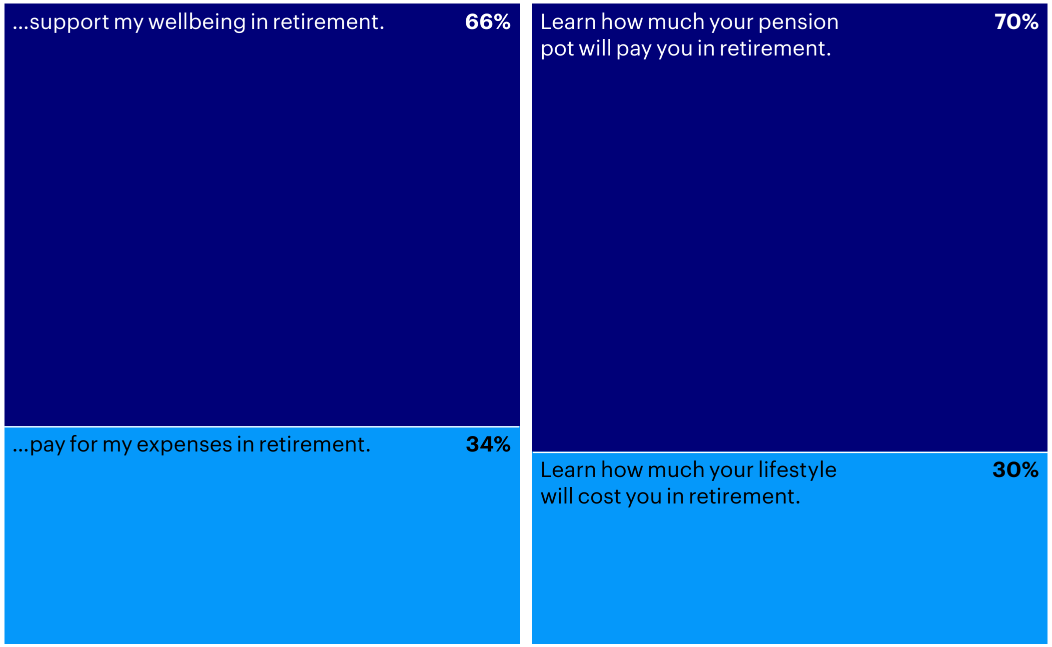


Figure 16
The goal of my retirement plan is to...

Which would you be more likely to click?



You’ve got to achieve bite-sized chunks. It’s more relevant.

Group session, 40–49

Figure 17
Each time you sit down to check in on your retirement plan you should make adjustments based on...

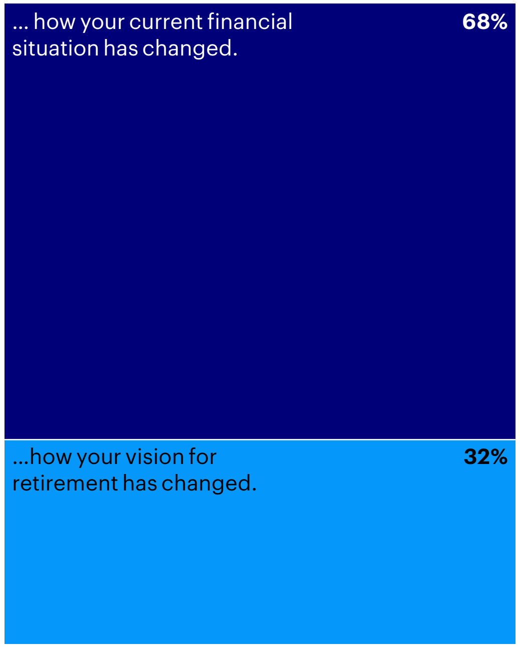
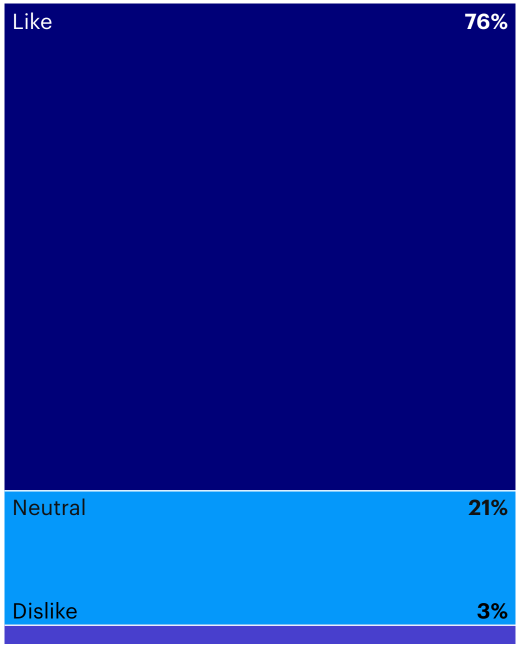


Figure 18
Likes of key phrase tested

Small, regular steps still add up over time and make a meaningful difference in the lifestyle you’ll have in retirement.



Plausible

The best way to keep messages plausible for people in this age group is: don’t ask them to predict the future. We’ve already seen how hard people find it to picture their life in retirement, or even a few years into the future. An approach that starts by asking people to do this can put them off, and they can find it unrealistic. The answer is to ground messages about planning in the realities of today – and then frame the way forward in terms of small, iterative and achievable steps.

Work forwards, not backwards

As we’ve seen, people prefer an approach that starts with their current situation and works forward. This is not just conceptually easier. It also feels more realistic. And it doesn’t require them to conjure up a grand vision for their future lives **(Figure 17)**.

‘It all comes back down to, you can’t predict the future.’

Group session, 40–49

Focus on small steps, not giant leaps

In chapter 3 we showed how the messaging journey works by encouraging savers to make a plan in small, achievable steps, rather than trying to solve the whole retirement challenge in one go. Pragmatic messages using this theme were far more popular **(Figure 18)**.

‘You’ve got to achieve bite-sized chunks. It’s more relevant.’

Group session, 40–49

> Most people do not need to know the minutiae of the pension product. It's a fancy piggy bank, that's all it is.

Expert interviewee

Plainspoken

This theme of pragmatism and straightforwardness continues when it comes to choosing what words and phrases to use when describing the retirement planning journey. Previous studies have stressed the importance of avoiding jargon and keeping language simple. In our research we explored this further by testing ways of making retirement planning messages seem plainspoken.

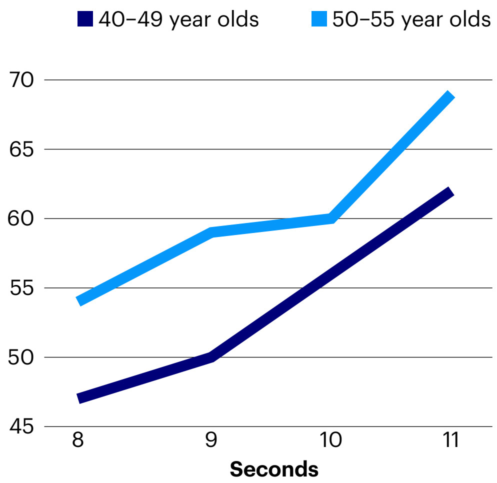
'I think it's simple and most people will understand that language and it will resonate. It's quite straightforward.'
Discussion group participant, 40–49

Draw comparisons to what people know

In chapter 3, we saw that the concept of a financial 'MOT' resonated with mid-life savers. When we probed on why this concept worked, they told us that they liked the comparison with something similar from a more familiar area of life. Analogies and metaphors help make new and challenging topics more digestible and less off-putting **(Figure 19)**.

'I think that analogy works and puts it into perspective.'
Discussion group participant, 40–49

Figure 19
Dial response to the statement: "Just like you regularly take a vehicle in for an inspection, it's important to check in on your retirement plan to make sure everything is running smoothly..."



The chart above shows a positive dial response to the statement "[Just like you regularly take a vehicle in for an inspection,] it's important to check in on your retirement plan to make sure everything is running smoothly." The upward movement of the dial score indicates resonance, with an increase of 5 or more points pointing towards language that's connecting with the audience. The dark blue line represents the aggregate score of participants ages 40-49. The light blue line indicates the aggregate score of participants ages 50-55.

Stick to the language most people use

Sometimes it's not just jargon that puts people off. In the finance industry, there's a tendency to use familiar words in senses that are unfamiliar to most people. When these words creep into messages to savers, they can cause confusion, or make the recipient of the message feel the message is for someone else. In particular, beware of words that sound as though they're meant for affluent or high-status individuals **(Figure 20)**.

'Wealth is someone who has lots of money.'
Discussion group participant, 50–55

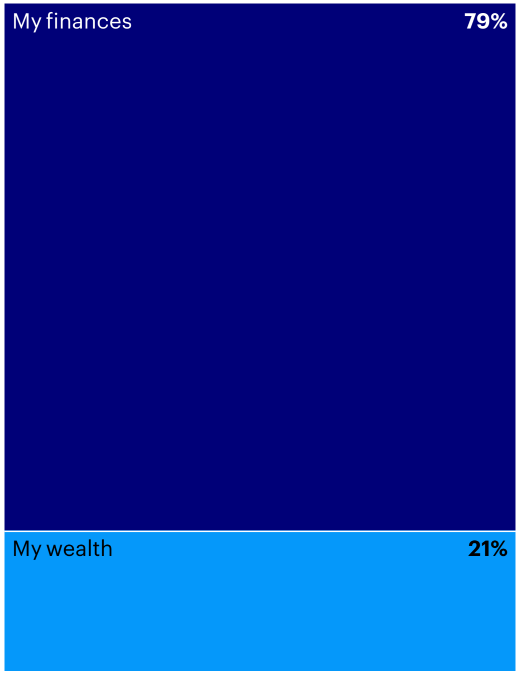
'I prefer the word career but I don't have a career, I have a job.'
Discussion group participant, 50–55

Say what it means, not how it works

When talking about a pension product, the important thing to convey is the purpose it's there to serve. Avoid explanations that go into the complex mechanics that sit between the contributions a saver makes, and the income they receive in retirement.

'Most people do not need to know the minutiae of the pension product. It's a fancy piggy bank, that's all it is.'
Expert interviewee

Figure 20
Which word would you use to describe the combination of any savings, stocks, pension pot(s), property, and other assets you personally may have?



I didn’t like being reminded that I was getting old and getting to middle age.

Group session, 40–49

Personal

Everyone is an individual, but sometimes messages about retirement planning can lump people together. This can cause people to reject a message, solely because they don’t want to identify with the way they’re being characterised – either directly or implicitly. Use the same language people would apply to themselves, and say explicitly what you mean, rather than relying on industry shorthand that might be misunderstood.

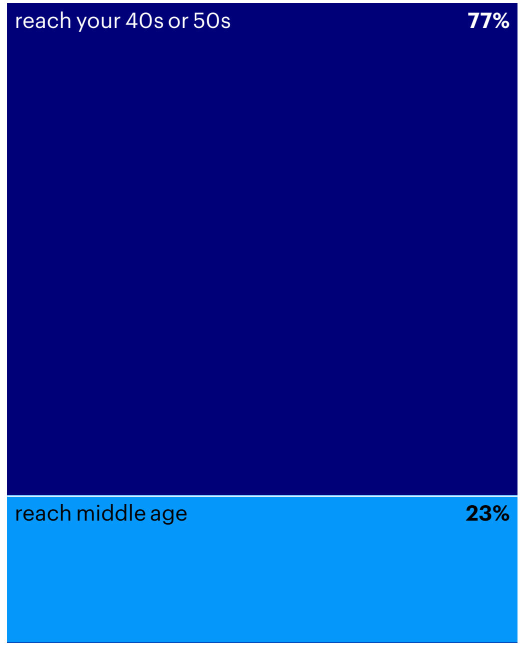
Don’t put people into boxes

Throughout this report, we’ve used phrases like ‘midlife’ and ‘mid-working life’ to characterise a particular age group. We hope we’ve been clear what we mean by this shorthand, given that we defined the age group we’ve been talking about. Yet in day-to-day communications to the very people we’re talking about, life-stage labels like these are unappealing, People don’t naturally think that ‘midlife’ describes their own situation. And if they’re told the term applies to them, they dislike the feeling of being lumped into an arbitrary category. It is far better to use factual language, for instance by stating which age group is being described **(Figure 21)**.

‘If you’re specifically referring to 40s and 50s, let's be specific and say that.’
Discussion group participant, 40–49

‘I didn’t like being reminded that I was getting old and getting to middle age.’
Discussion group participant, 40–49

Figure 21
Once you _____, it’s important to take a closer look at your plans for retirement.



It's telling you what to do – I might not want to go for a picnic in the park with my friends. I don't need to be told.

Discussion group participant, 50–55

Figure 22
Reactions to rules of thumb as explored in the discussion groups

Statement tested	Reaction from participants	Alternative framing
Ten thousand pounds of income per year as a single person will get you a minimum standard of retirement, covering the basics like food and housing with a little left over to spend on things like a picnic in the park with friends.	*'Maybe say the [amount of] money, but don't tell them what they can do with it. I think most people in their own lifestyle know what they can do with 10k. I don't need to be told I can go for a picnic in the park.'* Age 50–55	A good benchmark is that £10,000 per year of income in retirement will cover the basics, £20,000 per year gives you moderate flexibility, and £30,000 will make you comfortable.
Twenty thousand pounds per year will get you a moderate living standard, allowing you more flexibility and discretionary spending, to use on things like attending a concert.	*'He jumps from 10k to 20k with concerts...those examples almost sound unrealistic to me.'* Age 40–49	
Increasing your pension contribution can be the difference between driving your own car and taking the bus.	*"You need that initial one wake up call, and then explanations on how to do it without being condescending and telling me you have to take the bus instead of the car.'* Age 50–55	

Recognise that retirement looks different for everyone

As part of our research, we tested a range of simple rules of thumb. These were designed to make it easy for people to anchor their planning around simple concepts that they could hold onto. We found that whenever we did so, people would immediately start looking for ways to find exceptions or punch holes. And perhaps they are not wrong to do so. Everyone's circumstances are different, and everyone has a different experience of retirement. A generic retirement income target, for instance, may appear clear and simple, but two people on this income could have a very different lifestyle, depending on whether they reach retirement having paid off their mortgage, or continuing to rent.

So, when presenting rules of thumb, acknowledge that you're sharing guidelines, not rules, and recognise that people see themselves as the exception to every rule **(Figure 22)**.

Choose examples with care

Messages about retirement planning often seek to ground financial information in reality by using real-world examples – comparing a contribution increase to the price of a cup of coffee, or suggesting which mode of transport might be affordable on different levels of retirement income. As we've seen, this is a positive step because it reflects the principle of being plainspoken. But this approach comes with a health warning. Avoid hidden assumptions about what counts as 'normal' for any given saver, or making assumptions about what would seem a positive or negative lifestyle.

'It's telling you what to do – I might not want to go for a picnic in the park with my friends. I don't need to be told.'
Discussion group participant, 50–55

'This is where it's at fault because everyone's different. Someone's minimum standard may be someone else's palatial standard.'
Discussion group participant, 50–55

'It's derogatory, what's wrong with the bus? Loads of people take the bus!'
Discussion group participant, 50–55

Bringing it all together

We've seen the steps that can form an effective message journey, and identified a set of rules that will keep language and framing in line with the four 'P's. Based on what we've learned we can now construct an optimised statement, that brings all these principles into play, and avoids potential pitfalls. This statement is a distillation of the language that tested positively in our research, and that demonstrated an impact on people's motivations to start planning **(Figure 23).**

Figure 23
Dial responses to combined, optimum message

Net[27]	Phrase	
+85	The earlier you start saving for retirement, the better.	Opens **positively**
+88	But late is still better than never.	
+83	and there are steps you can take well into your 40s and 50s that can shape your retirement.	
+61	Just like you regularly take a vehicle in for an inspection, it's important to start checking in on your retirement plan to make sure everything is running smoothly.	Introduces the concept as **plainspokenly** as possible
+59	That's why it is important to make sure you keep a financial MoT on your calender.	
+73	It's a time to sit down for 30 minutes once a year and make sure you are on track.	
+69	Log into your pension account and check the balance and contribution level.	Stays **plausible**, with a focus on the present and small actions
+60	Then ask yourself if you financial situation or your goals for retirement have changed since the last time you logged in.	
+66	If you can, increase your monthly contribution – even if it's just 10 or 20 pounds a month.	
+72	You can use a free online retirement calculator to see how much income your pots can provide.	
+72	Retirement will look different for everyone	Introduced a **personal** note of flexibility before providing any benchmark
+54	but a good benchmark is that £10,000 per year of income in retirement will cover the basics, £20,000 per year gives you moderate flexibility, and £30,000 will make you comfortable.	While it's not always a fun metric to hear, this comparision was highly **motivating**
+71	In your 40s and 50s, planning is about saving one step at a time.	
+73	Small, regular steps add up over time to make a meaningful difference in the lifestyle you'll have in retirement.	

[27] During the survey, each participant was exposed to a different version of the narrative (out of a total of four versions). After listening to the narrative, they were shown each phrase rapid-fire and selected if they "liked", "disliked", or felt "neutral" about the phrase. The Net Likability Score shown here refers to the amount of "likes" each phrase received minus the amount of "dislikes" it received.

Impact on intentions

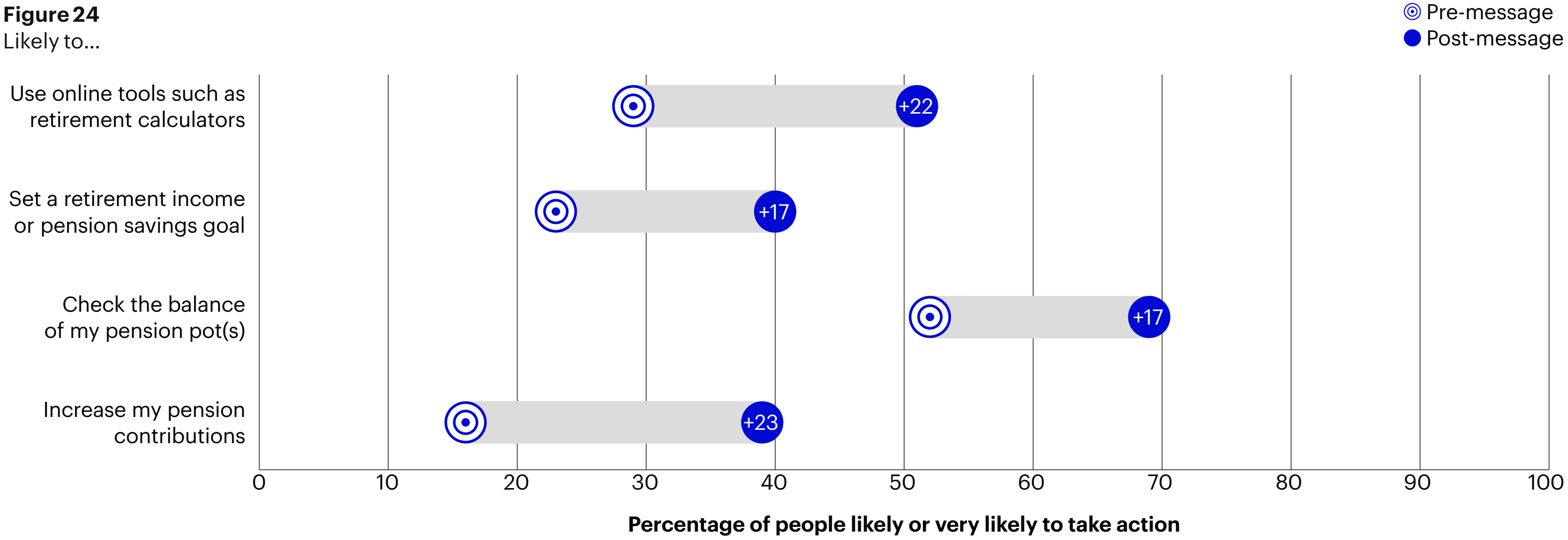
The optimised statements generated positive responses from research participants. We also wanted to understand what impact they might have on people's intentions to take action in relation to retirement planning. We asked participants a series of questions before and after they'd encountered the messages, about how likely they were to take action.

We saw significant increases in the proportion of people saying they were likely, or very likely, to take action when asked before and after reading the messages developed in this research **(Figure 24).**

It's important to stress that these are self-reported statements. We know that when it comes to pension saving, the actions that people say they will take, do not always happen in reality. If we want to know whether the optimised statement can shift people's behaviours, we will need to test it on real pension savers in a real-world context.

Nevertheless, the levels of change in people's intentions that we see here are striking. In some cases, for instance around increasing contributions, the number of people intending to take action more than doubled. Given this level of impact, we recommend that pension providers and employers should start making use of some or all of these language changes. Our research gives strong reasons to expect a positive change in the number of mid-life savers of planning and preparing for a better income in retirement.

Figure 24
Likely to...



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You’re talking here about the ultimate prize that our industry has been trying to get, and no-one’s been able to crack it – the prize here is huge.

Expert interviewee

"You're talking here about the ultimate prize that our industry has been trying to get, and no-one's been able to crack it – the prize here is huge."

Expert interviewee

This statement from one of our panel of experts captures the scale of the challenge we've been tackling in this research – and the value of finding effective solutions. The stakes, for a saver at the mid-point of their career, are huge. In many ways, this is the perfect point for them to take action.

When compared to those who are already approaching retirement age, there's still time for this group to make a positive impact on their future incomes. Yet we've also seen the raft of structural and personal barriers that prevent them seizing the moment and starting to plan.

This is why we've been excited to see how relatively minor changes in the language and framing we use to communicate with this age group can cut through many of their barriers, and encourage them to take the first steps towards a meaningful retirement plan. We believe this creates a real opportunity for industry and policy-makers to achieve a sea change in the retirement readiness of people in mid-life.

As we carried out this research, we were struck to see a wide variety of people in the 35–55 age group share a common set of challenges – and how effective the same language and framing seems to be in helping them through these challenges. This consistency is important. It's often hard to reach individual pension savers with messages tailored to their own particular circumstances. Pension providers only hold a limited amount of data on the finances, demographics and life circumstances of the people who save with them. This makes it nearly impossible to say to any given participant, 'here are the simple steps you need to take to make a difference.'

The power of the optimised statement in this report is that it promises to be equally relevant, and effective, for a large proportion of people in this age group. Clearly the statement has so far only been tested in the artificial context of a research study – albeit using innovative techniques that have proved highly effective in other contexts. It remains to be seen whether the powerful change we've seen in peoples' intentions will translate into concrete actions in the real world. But we believe the results we've presented here are persuasive, and offer an approach that industry and employers can put into practice right away.

As we write, a range of tools and services are being developed that could help encourage retirement savers to take stock and get planning. Pension dashboards, simpler statements, and a range of activities under the Money and Pensions Service's Future Focus agenda, should all make a difference. But for those in mid-life, the window of opportunity is closing all the time – and our research demonstrates that there's no need to wait for these innovations to arrive before making positive interventions for mid-career savers.

Using the optimised statement, employers and providers can raise people's awareness of mid-life MOTs and other existing tools and services. As this research shows, with the right choice of language and framing, such simple interventions could help large numbers of people take stock and begin to take their first simple steps to improve their incomes – and the quality of their lives – in retirement.

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