BlackRock.

Ready or not.

How are we feeling about retirement?



2024 BlackRock
Read on Retirement™

FOR PROFESSIONAL CLIENTS ONLY.

MKTGM1624E4297D0EXP01/24

5th UK Read on Retirement

1,000

UK DC participants surveyed by our research partner, Illuminas

Foreword 3

Key themes 4

01 The generational differences 5

02 Staying on track is a concern 10

03 Encouraging better savings behaviours 15

04 The later life retirement conundrum 20

This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or financial product or to adopt any investment strategy. The opinions expressed are as of October 2024 and may change as subsequent conditions vary.

FOR PROFESSIONAL CLIENTS ONLY.

MKTGM1623E4S9702094202/24

Foreword

The UK faces a retirement crisis. As the first generation of people who have been saving through a Defined Contribution (DC) pension scheme approach retirement, many feel they are not on track to attain a reasonable standard of living in retirement. This uncertainty has grown since 2021, reflecting both a significant rise in the cost of living and a lack of engagement with pensions.

The BlackRock 2024 UK Read on Retirement is a comprehensive analysis of the key themes and trends shaping the retirement landscape in the UK. The report is based on a survey of 1,000 UK DC savers and highlights not only generational differences in retirement readiness, but also similarities – the challenge of staying on track to achieve a comfortable retirement, the importance of encouraging better saving behaviours and the need for greater engagement.

As we navigate the complexities of retirement planning, this report aims to offer valuable insights and actionable recommendations for policymakers, employers, and individuals. It offers an urgent call to action for better retirement planning and support, and the need for better income solutions for those nearing retirement.

We hope the BlackRock 2024 UK Read on Retirement serves as a useful resource for understanding the current state of retirement readiness in the UK and provides guidance on how to improve retirement outcomes for all generations.



Gavin Lewis

Head of BlackRock Institutional Business, UK and Ireland

Key themes

Our takeaways from 2024's Read on Retirement

01

There are generational differences in retirement readiness

Saving for retirement is one of many competing priorities with which participants juggle – or struggle, **only Gen Xers and Pre Retirees are able to prioritise retirement saving.**

02

Staying on track is a concern

Only one-quarter of UK DC plan participants feel they are on track for a reasonable standard of living in retirement; and many are simply unsure.

03

Encouraging better savings behaviours is essential

In 2024, 55% of participants feel they don't contribute enough to their workplace pensions. Increasing contributions is one lever policy makers and employers can pull to improve participant outcomes.

04

The later life retirement conundrum

As Gen Xers and Pre Retirees near retirement, and they face the prospect of making decisions regarding retirement income generation, **more guidance and better decumulation solutions is a glaring unmet need**.

01 | Generational differences

The competing priorities across generations



Gen Z

Not looking too far ahead … yet

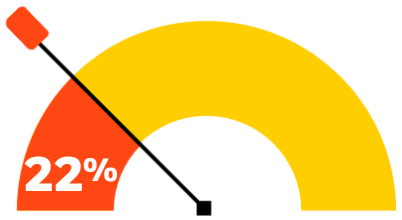
57% Want to enjoy life today rather than stress too much about planning for the future

9th out of 10 Being on track for retirement is very low on Gen Z's list of biggest concerns

Gen Z

Helping them achieve their goals

95% Are interested in 'Sidecar Savings' as a mechanism to help them save more effectively



Feel sponsors' #1 priority should be schemes that require little or no member engagement



FOR PROFESSIONAL CLIENTS ONLY.

MKTGM1[illegible]6/24



Millennials

Under considerable pressure

70%

Feel unable to plan for the future, due to current financial pressures

10th out of 10

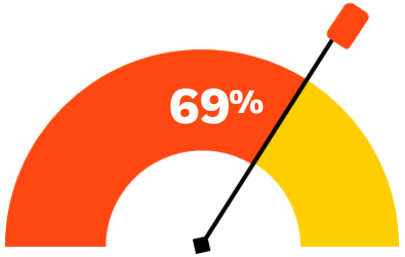
Being on track for retirement is bottom of Millennial's list of biggest concerns

Millennials

Helping them feel more positive

85%

Are interested in 'Sidecar Savings' as a mechanism to help them save more effectively



Consider it important that sponsors ensure the scheme is invested sustainably

Gen X

The Retirement Industry's lost generation?

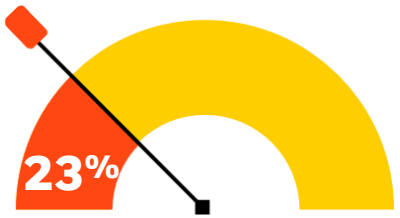
61% Are concerned they will outlive their savings

3rd out of 10 Being on track for retirement is one of Gen X's biggest concerns

Gen X

Helping them achieve their goals

88% Think schemes should focus on guiding participants to and into retirement



Believe sponsors' #1 priority should be **maximising scheme returns**





Pre Retirees

Focused on the transition

70%

Feel able to plan for the future, due to fewer financial pressures

1st out of 10

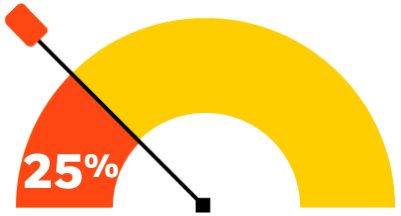
Saving for retirement is **Pre Retirees number one financial priority**

Pre Retirees

Help them make the transition

84%

Think schemes should focus on guiding participants to and into retirement



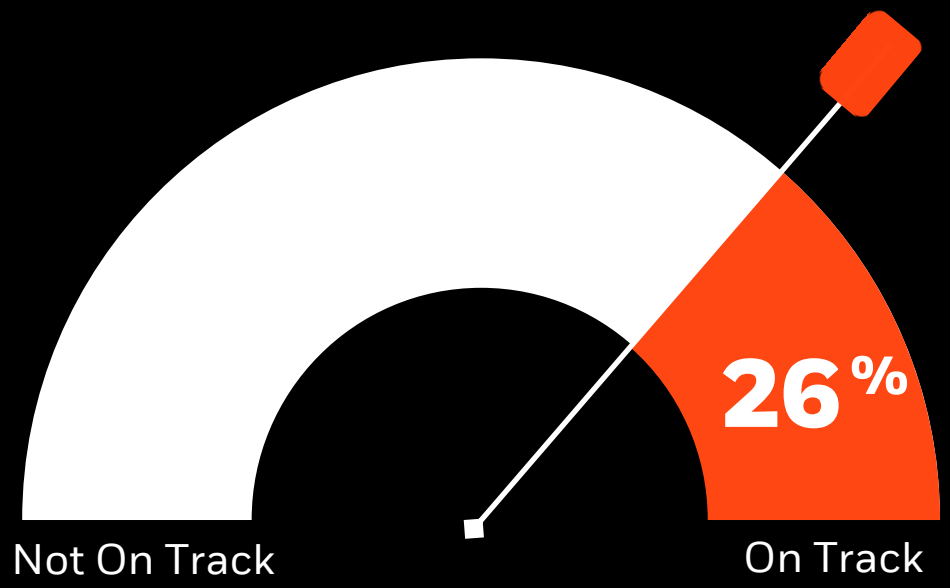
Believe sponsors' #1 priority should be **maximising scheme returns**

02 | Staying on track is a concern

Few UK participants feel on track or retirement ready



Only one-quarter feel on track

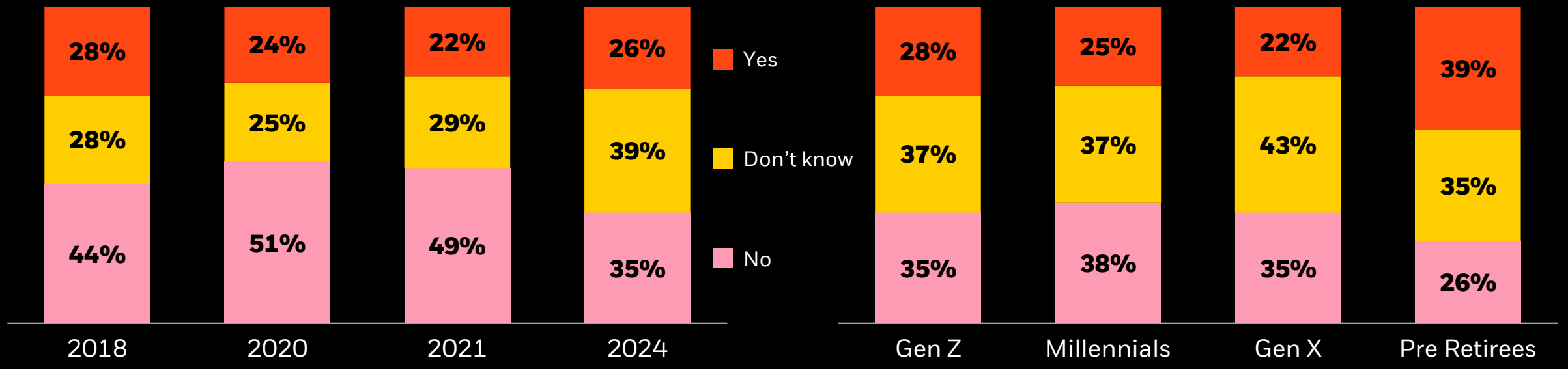


Q Do you think you are on track to allow you to have a reasonable standard of living in retirement?

Only **one-quarter** of UK participants (26%) feel on track to achieve a reasonable standard of living in retirement. Confidence is at its lowest ebb since BlackRock began surveying participants in 2017, with the Cost of Living crisis a focus for many.

> "The uncertainty, it's corrosive, I think. Part of the challenge is who knows what a good standard of living will be if its 20+ years away? Modelling is very rough on those timelines. Some of this we can solve by giving members a few simple numbers and just reinforcing those. But that's costly."
>
> **Head of Pensions; FTSE 100**

Uncertainty has built up over time

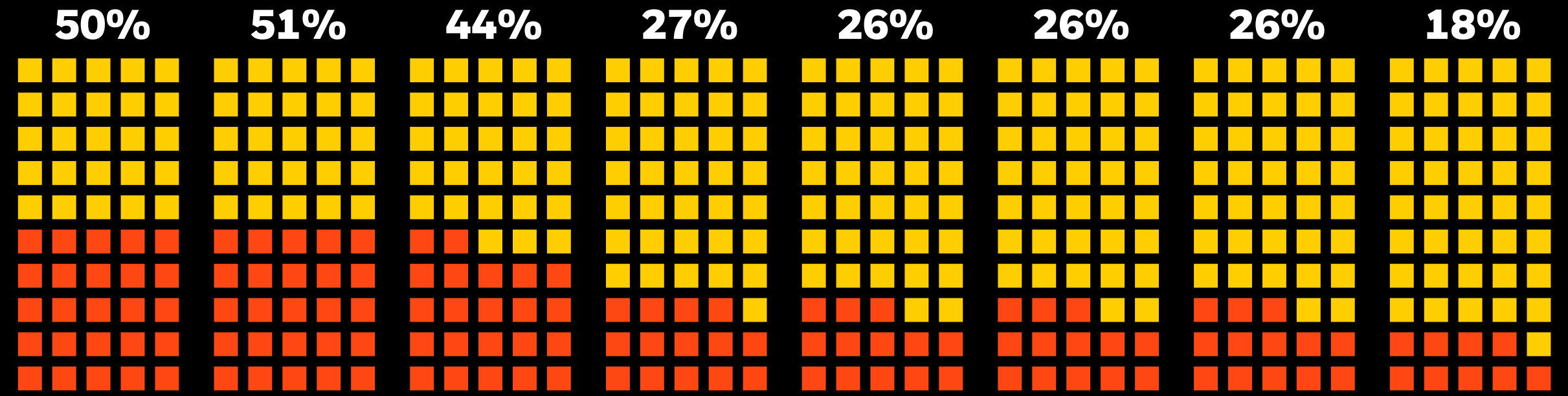


Confidence has recovered only slightly since the pandemic, but uncertainty is at a 6 year high.

Q | Do you think you are on track to allow you to have a reasonable standard of living in retirement?

Pre Retirees are feeling most confident in retirement readiness.
Gen Xers are particularly concerned they may fall short and need help to prevent them becoming the UK's "lost generation".

51% feel they need to save more



Can’t afford to save enough

Think I should be saving more

Don’t believe State Pension will be worth much when I retire

Don’t know what I should be targeting

Only saving the AR minimum

Focusing on other priorities

Started saving too late

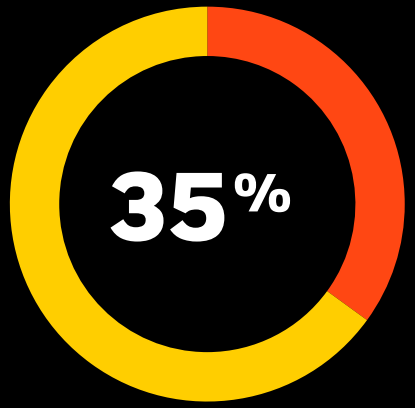
No-one has told me what I should be targeting

Q | For what reasons do you feel you’re **not on track** to have a reasonable standard of living in retirement?

Simple steps can help

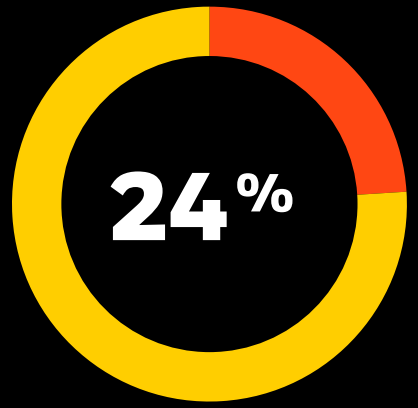
There are **a few simple steps** that help participants to feel **better prepared** for retirement.

Push savings to the max



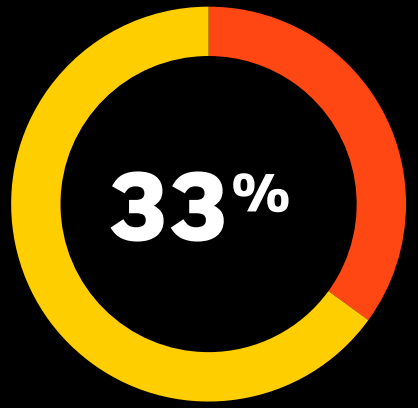
that feel on track are **savings as much as they can at all times**

Max out the employer contribution



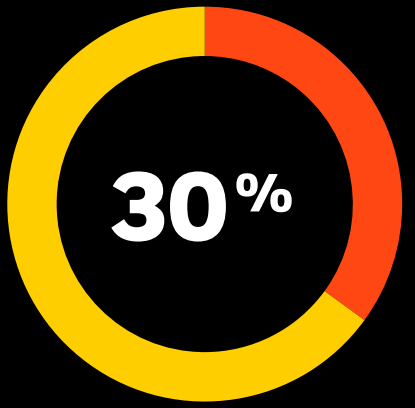
that feel on track contribute enough to **ensure they get the maximum employer contribution**

Keep checking on progress



that feel on track **keep an eye on whether their pension is performing as expected**

Talk to someone



that feel on track have **taken advice, be that formal advice from an advisor, or informal advice from friends and family**

Q | For what reasons are you confident you're currently on track with your retirement savings?

03 | Encouraging better savings behaviours

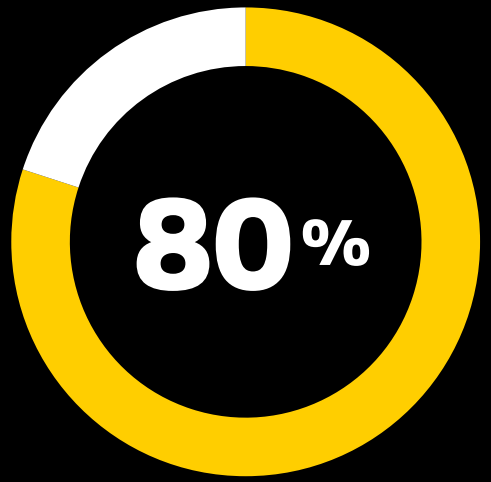
Participants are far from confident they are saving enough to be secure in later life



The best way to save for retirement

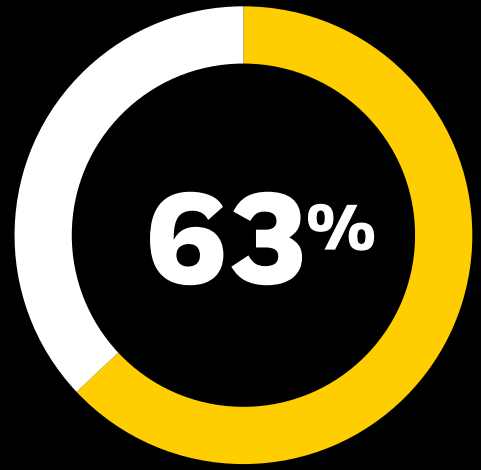
Pensions are recognised as being the **most important – and for many, the only mechanism available to them to try to secure a reasonable standard of living in retirement**.

The best way to save for retirement



say that putting money into a pension is **the most effective way to save for retirement**

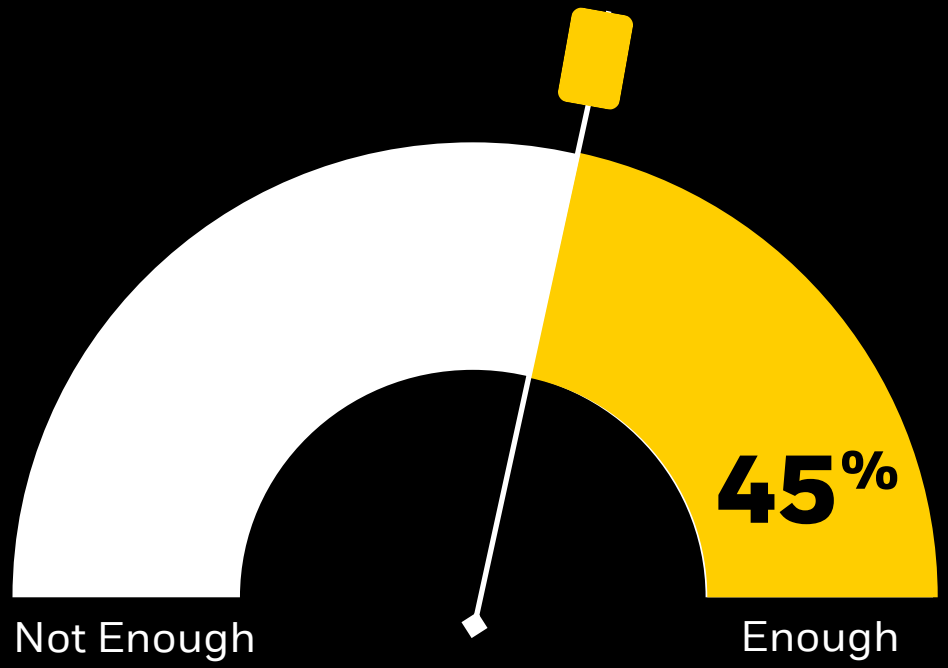
For many, the 'only show in town'



say that putting money into a pension is **their ONLY chance of a decent income in retirement**

Q Please look at the following things others have said about pensions and, for each, please tell us how much you agree or disagree?

Pensions are as good as the contributions you make



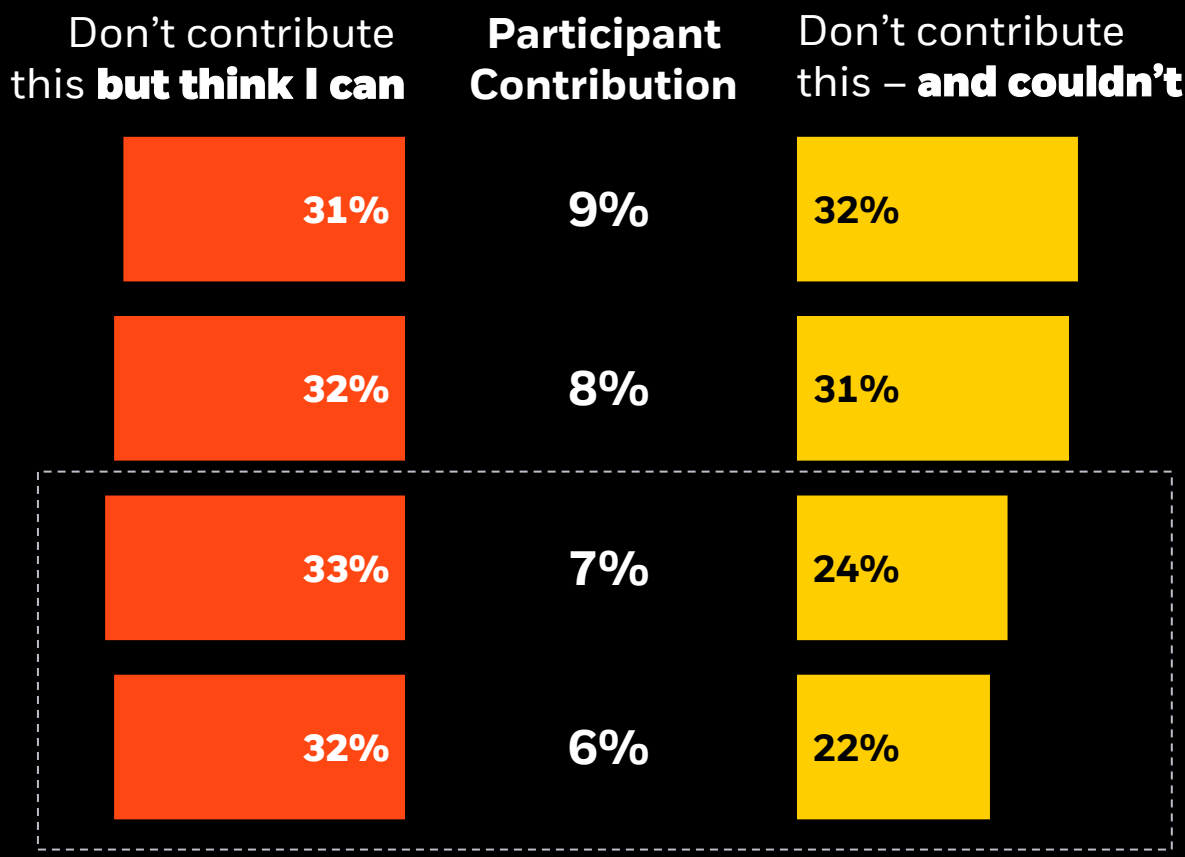
Q Which of the following best describes how you feel about the **level of contributions** to your pension?

Fewer than half of UK participants (45%) believe they are contributing adequately to their pensions.

> Increasing contributions is obviously the most effective way [to get better outcomes] but it's not likely to happen soon. We've talked about using our DB surplus to give active members an additional boost, but it's a big maybe. And members … even if they can afford it, and at the moment I'm not sure of that, but they'd need to engage to work that out. And they don't."
>
> **Global Head of Pensions; FTSE 250**

People want to contribute more

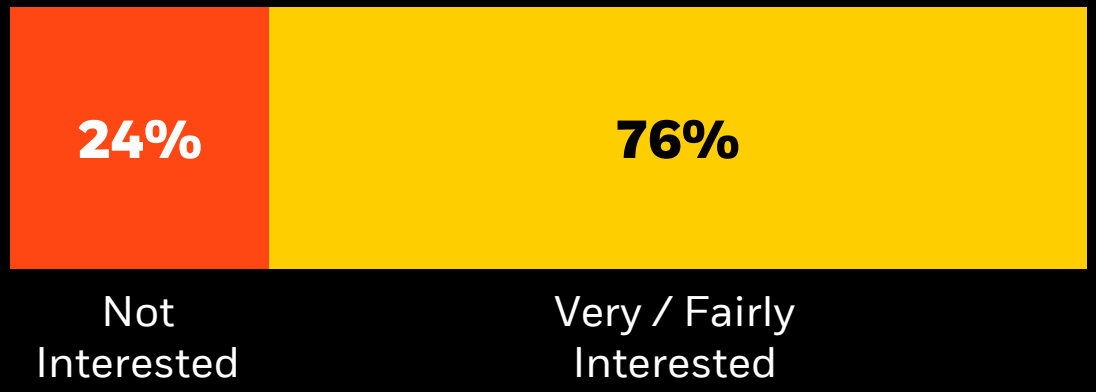
There is appetite to increase contributions to the PLSA's recommended minimum of 12%, but much will depend on employers' ability to do more and match.



In previous years' Read on Retirement studies, the numbers willing to move to a 6% contribution **increase markedly when 'employer matching' is used specifically in terminology**.

Q The recommended minimum is 12%. Which of the following best describes your view of a split like this?

Emergency savings are key



Three-quarters of UK participants (76%) would value the flexibility of savings solutions such as the NEST Insight 'Sidecar'. Gen Z and Millennials are most interested in the idea. Large proportions of both groups have fewer than three months' 'rainy day' savings on which to fall back, and **this solution is a 'win-win' in this context**.

Q How interested would you be in [The NEST Insight 'Sidecar Savings' Concept] if that could be offered in your scheme?

"As a concept I really like it. It gives people that comfort that they can save, but the comfort of some liquidity. If they don't want to save into a pension, fine. They lose a tax relief. But we need to get the saving habit developed."

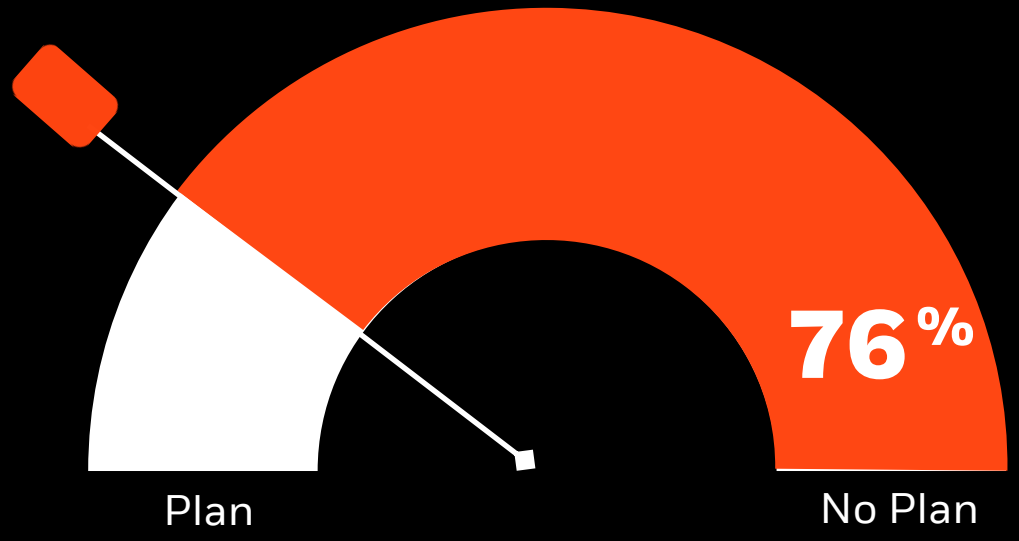
Head of Pensions; FTSE 100

04 | The later life retirement conundrum

Helping those nearing retirement make a smooth transition



Over three quarters of Pre Retirees do not have a plan



Just under **one-quarter** of UK participants (24%) have a plan to move their money out of their workplace pension upon retirement, however they haven't given much thought to moving their money to generate income in retirement.

Q | Please tell me how strongly you agree with each of the following statements?

The big worry – finding income for life

Areas with which those nearing retirement need most guidance.

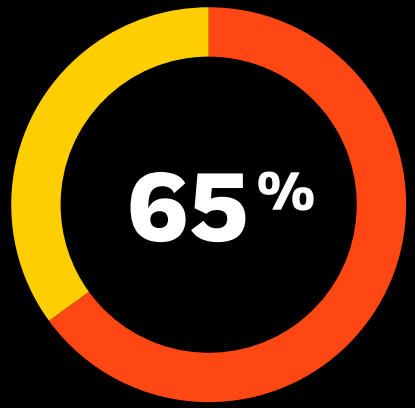
I would really value **help calculating the income I will need** in retirement	**75%**
It's difficult to know how my retirement pot will **translate into monthly income**	**70%**
The thought of **having to generate my retirement income worries me**	**65%**
I worry about **outliving my retirement savings**	**60%**

Q | Can you tell me whether you agree or disagree with the following?

Pre Retirees need guidance

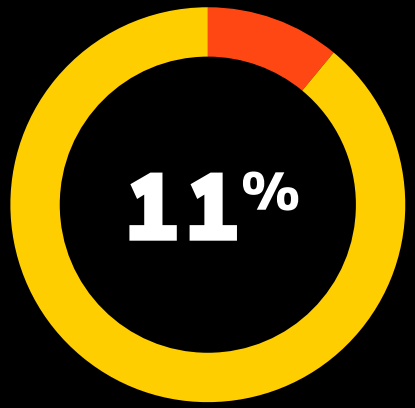
Those nearing retirement would value simple information on how much they'll have and what is best to do with it. More than that, they need solutions that facilitate the journey into decumulation.

Help them budget more effectively



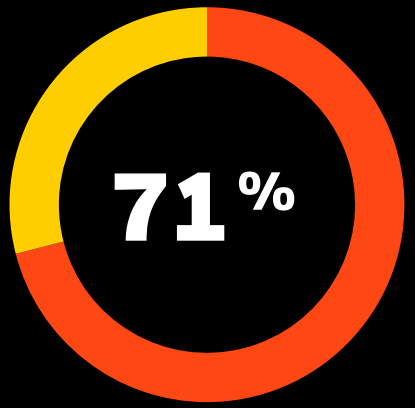
have ***at best* only a vague idea** of how long their retirement savings might last

More guidance is essential



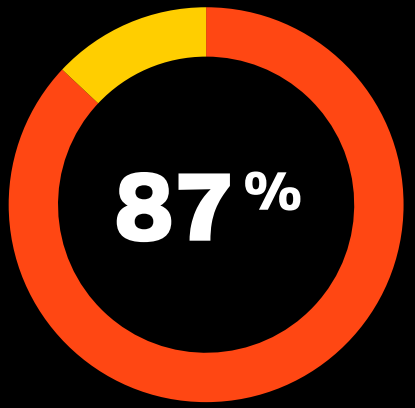
have a very clear understanding of the options available to them to generate income in retirement

Give them simple choices



would value further education on the options available to generate income in retirement

Offer solutions



of Gen X and Pre Retirees believe plan providers should offer help to invest pension savings up to and after retirement

BlackRock.

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Important Information

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

This document is marketing material.

Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

© 2024 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, and iSHARES are trademarks of BlackRock, Inc. or its affiliates All other trademarks are those of their respective owners.