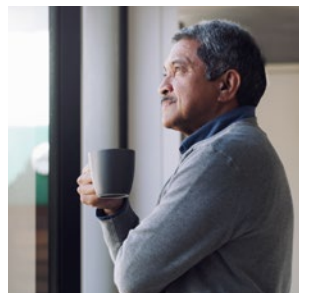
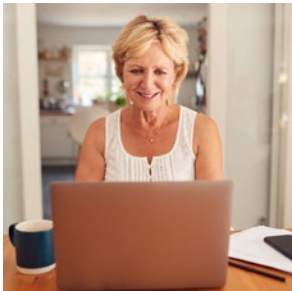
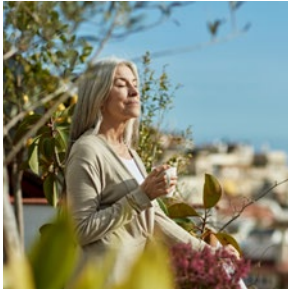
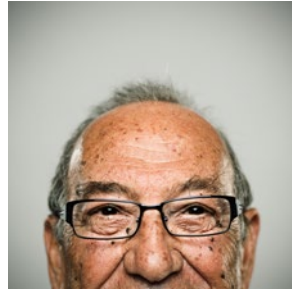
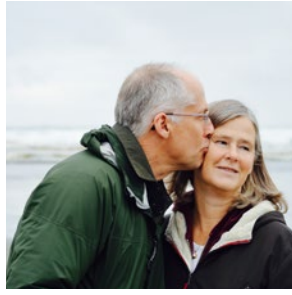
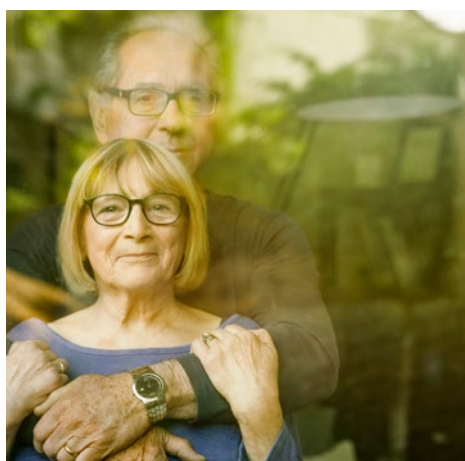


CLASS OF 2021

An in-depth review of the attitudes
and aspirations of this year's retirees
– brought to you by
Standard Life Aberdeen



Welcome to the first ever *Class of* report by Standard Life Aberdeen



Why Class of?

The term 'class of' is often used to refer to a group of students who have successfully completed studies in a particular year.

As they come to the end of their studies and prepare for new, exciting opportunities, they'll likely have celebrations and receive congratulations to mark the significant milestone.

We believe the transition into retirement should be celebrated in the same way. After years of hard work, saving and investing in your future, you've reached the end of one chapter and are about to begin the next.

Our report paints a picture of how ready the Class of 2021 is to retire, identifying what worries and excites them most, and how recent events have impacted their plans for retirement.

We've also spoken to those who retired in 2020 to find out what they wish they'd known.

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Welcome

Through our Retirement Advice service, we speak to customers everyday who are preparing for retirement and looking for professional advice to help them create a plan for their hard-earned savings that will allow them to enjoy their retirement to the fullest. Yet, we know most of those planning to retire in the next 12 months still haven't sought any advice.

Deciding how and when to retire is one of the biggest life decisions and transitions we make. In our inaugural *Class of* report, we reveal what is driving retirement plans in 2021.

Longer life expectancy, volatile investment markets and ever-changing regulation are just some of the reasons why the notion of 'retiring' is currently in flux, not to mention the impact of the coronavirus pandemic on people's immediate and longer-term financial priorities and plans.

The concept of 'retiring' has always been subject to interpretation, with no two people's expectations or aspirations the same. For some, plans might involve holidays abroad once or twice a year, home renovations, a new car and supporting the family. Others might consider working part time and phasing their retirement, or kickstarting a new career to finally pursue a lifelong passion.

Whatever the plan, when it comes to making the decision to retire, most people find it understandably daunting. Even more so if you don't feel prepared. It isn't just a question of whether you can afford to retire, but also whether you are emotionally ready for the change in lifestyle that so often accompanies retirement.

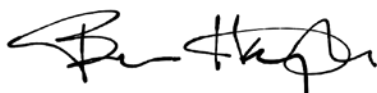
At Standard Life Aberdeen we're proud to be a part of this life-changing decision for so many of our customers via our Retirement Advice service. Since starting the service in 2019, we've developed retirement plans for hundreds of people – not only helping them understand their options and feel confident they're ready, but also helping them build a plan towards achieving their goals.

This year, we wanted to paint a more detailed picture of how retirement is evolving, drawing on real life experiences through one of our biggest studies ever.

Each year, we plan to review our data to deepen our understanding of how social and economic factors impact retirees, not only speaking to those about to retire, but also those who have just gone through the experience themselves.

We hope the findings from our research and insights from our experts help to inspire tomorrow's generation of retirees, igniting a spark in them to create a plan they can have confidence in for their retirement.

Welcome to the first yearbook.



“

Whatever the plan, when it comes to making the decision to retire, most people find it understandably daunting. Even more so if you don't feel prepared.”



Ben Hampton
Head of Retirement Advice at
Standard Life Aberdeen

Class of 2021 – a snapshot

A closer look at this year's retirees

Retirement is what you make of it, and those planning on retiring this year certainly have varied views of how they will spend their time. They also have different pension pots and spending expectations, with some seemingly far more prepared financially than others.

Although many are looking forward to giving up work, others have no intention of doing so fully. Whether it be a financial or emotional driver, the growing trend of working in retirement is clear from our research.

Profile of a 2021 retiree

60 was the average age of a Class of 2021 retiree who completed our survey

77% married or in a relationship

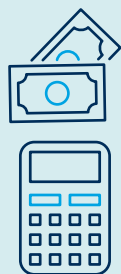
10% single

9% divorced

4% widowed



The average value of a Class of 2021 pension pot is



On average, the Class of 2021 plan to spend £21,000 per year in retirement almost £10,000 less than the average UK household income*

*ONS average household income, UK: financial year 2020

What does it mean to retire in 2021?

"Spending my time doing what I want"

is what defines retirement for the Class of 2021



Goodbye to 9-5? – just 44%

see retirement as giving up work completely



Flexi work – 22%
plan to just reduce their hours



Giving back – 19%
plan to do charity work or volunteering in retirement



Hitting snooze – 30%
see retirement as never setting an alarm again



Will their pension be enough?

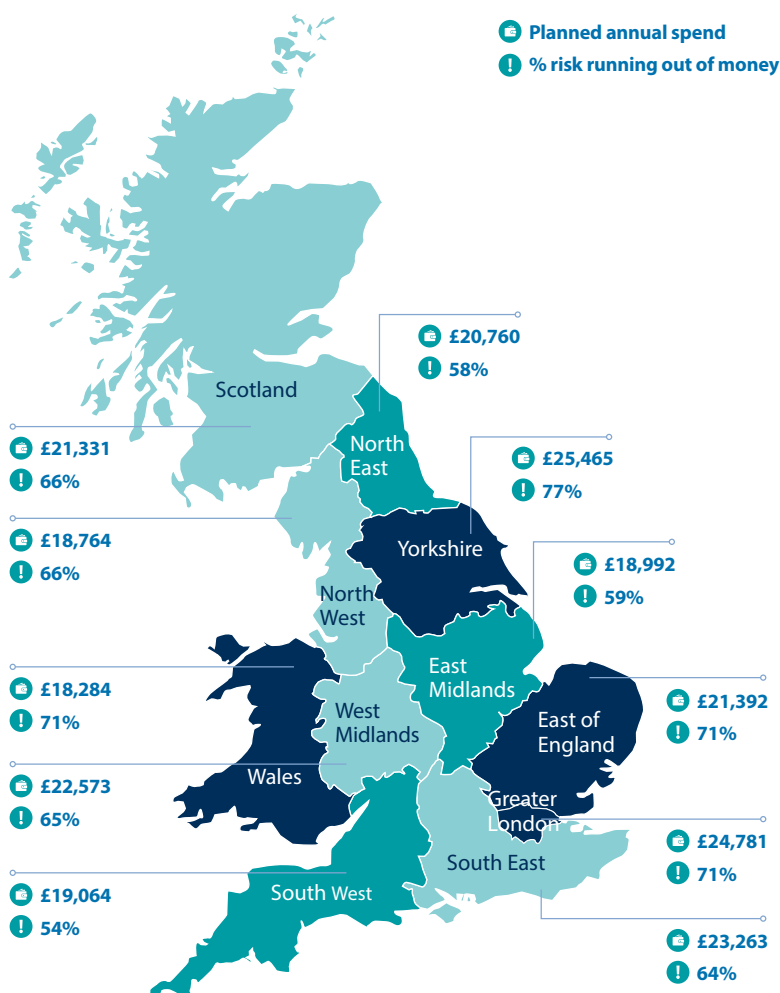
What have this year's retirees saved and is it going to last?

The amount you need in savings to retire depends on so many factors. How you plan to spend your retirement, the income you want and what age you retire are just the beginning.

However, based on the Class of 2021's average planned spending of £21,000 a year, a retiree would need around £390,000 in savings on top of their State Pension income to cover their expenses over the course of a 30-year retirement.

Looking at their pension pots, and factoring in the money they'll receive from their State Pension, we worked out how many will need careful planning and further assets to make their money last.

Two thirds of the Class of 2021 risk running out of money in retirement – based on the average planned spend of £21,000 a year in retirement



Impact of inflation: In reality, the Class of 2021 will likely need much more than £21,000 when you consider inflation. When the price of goods and services increase, the real value of savings lowers as a result.

The full basic **State Pension** for the year 2021/2022 is £179.60 per week, equating to just over £9,000 a year. Alarming, one in 20 plan to rely on this alone.

The Retirement Living Standards by the Pensions and Lifetime Savings Association provides a guide to what life in retirement could look like at three different levels based on annual income.*

Minimum

Covers all your needs, with some left over for fun
£10,200 for a single person
£15,700 for a couple

Moderate

More financial security and flexibility
£20,200 for a single person
£29,100 for a couple

Comfortable

More financial freedom and luxuries
£33,000 for a single person
£47,500 for a couple

*retirementlivingstandards.org.uk/ - Estimates may vary for those living in London.

“According to our research, almost one in five retirees say they plan to rely on one form of income in retirement. Pension pots are without a doubt the most popular option for that, but it's so important that retirees weigh up any other savings or assets when making the decision of whether they can afford to retire.

Alongside any private or workplace pensions, they'll also receive a State Pension. Plus, there might be other forms of income down the line - like investments, property or any expected inheritance. Knowing what you have and how to spend it wisely in retirement can be hard, but that's where preparation and speaking to an expert can help.”

John Tait, Retirement Advice Specialist at Standard Life Aberdeen

How to know if you're financially ready

The three steps to take: estimate, calculate and plan

Choosing when to retire is a big decision - both financially and emotionally. Not only do you need to ask yourself whether or not you can afford to stop working, but you also need to consider if you are ready for this major change in your life.



Here, John Tait, Retirement Advice Specialist at Standard Life Aberdeen, covers three key steps that he regularly takes customers through to help them decide if they're ready.

1 Estimate your annual cost of living

Future expenses are hard to predict, but to get a ballpark figure we work with our customers to review their current regular outgoings – i.e. household expenses, travel and leisure costs, mortgage and rent payments – and subtract any expenses they expect to no longer have.

We also ask them to consider any new ones or planned big purchases, like travel plans or replacing a car, and encourage them to think long-term to future costs that might come up, like care costs or moving home.

If you're doing it yourself, there are a number of online calculators that can give an estimate of how much your annual cost of living adds up to, or you could create your own breakdown in a spreadsheet.

2 Calculate how much you have

Starting with what is likely to be their 'main' pension pot, we'll ask customers to see how much they've accumulated with any workplace pension through their employer. We also encourage them to see if they have any old pensions from previous employers.

Most people are also entitled to the State Pension, a regular payment from the government that can be claimed from age 66, rising to age 67 between 2026 and 2028, so this also needs to be factored into their potential savings pot.

Then last but not least, we ask them to consider if there might be other forms of income down the line. For example, any private pension plans, individual saving accounts (ISAs), investments, or maybe any potential inheritance.

3 Plan your estimated income

Once we've added up the customers various sources of income and savings, it's time to give an estimate of the income they can expect.

There are online calculators that can do this, but most will focus on your main pension pot alone – and don't consider things like the State Pension, or other savings and part time work which can make such a difference to what is possible.

Don't be disheartened if the initial number that you see from calculators is not what you were hoping to achieve. There are a number of options available to you. Working with a financial planner can help make any initial estimates become something that will be a lot more personal to you and will allow you to come up with a plan that aligns with your goals.

If you're looking for a quick and easy way to find out what your retirement income could look like, our online Retirement Report calculates this for you for free in 5 minutes – taking everything we have mentioned above into consideration, and comparing it against a relevant estimate of your annual cost of living.

To try it out, [click here](#).



What are they most excited or worried about?

A look at how the Class of 2021 feel about retiring

There's no rulebook to retiring, no list of dos and don'ts, or user manual. And it's not just a decision of whether you're financially ready, there's the emotional element to it too. Both are equally important, so we asked the Class of 2021 how they are feeling in both aspects.

What are they most excited about?			Are they emotionally ready?		
					
1. The freedom to have their own schedule	2. Simply not having to work	3. Spending more time with their family and friends	85% are ready for the change in lifestyle from their current working schedule	17% say not having a routine worries them	32% are worried about being perceived as old
Do they feel financially confident?					
					
Women feel far less financially ready to retire than men – with 34% feeling very confident versus 43% of men	37% are worried about not having enough money to last throughout retirement	48% plan to reduce their spending habits to support themselves in retirement	27% will work part time to support themselves in retirement	21% plan to sell their property or downsize to fund retirement	

Despite all of these concerns and worries, 96% of 2021 retirees say they feel emotionally prepared to retire, while 93% also think they are financially ready.

Seeking retirement advice

We've still got a way to go to close the financial advice gap

We know that the main worry for the Class of 2021 is if they'll have enough money to last throughout retirement – with a third saying this is their biggest concern.

Professional financial advice can help with that – but how many of our Class of 2021 have, or will, seek support.

Seeking retirement advice

40%

of soon-to-be retirees have sought financial advice for retirement

44%

don't intend to at all

16%

say it's on their list

Women are less likely than men to have sought advice for retirement (**36% versus 42%**)

The Class of 2021 have also prepared by:



Researching options online (**55%**)



Asking friends and family for advice (**30%**)



Getting support and information from their employer (**23%**)



Deciding when to retire isn't a decision to be made overnight so I would urge people to start planning early to ensure they can go into it feeling prepared. Circumstances or priorities may change, particularly if you're retiring amidst a global pandemic, but it will be much easier to adapt a plan you already have, than if you were to have to start from scratch.

There are many pre-conceptions that hold people back from exploring financial advice. For example, some might believe advice is only for the ultra-wealthy or something unnecessarily complicated or expensive. Neither is true.

Financial advice can be valuable at any point in your retirement journey, and particularly in retirement itself.

An adviser can help you with everything from determining the amount of income you might need to support your retirement goals, to how best to use different assets. They'll also help you to assess how much you have and how you can shape your income profile over the years.



Ben Hampton, Head of Retirement Advice at Standard Life Aberdeen



Planning and preparing

On average, the Class of 2021 have spent 5 years planning and preparing to retire. More than half (**55%**) have spent less than two years, while almost one in ten (**7%**) have done no planning whatsoever.

Those that have failed to plan for their retirement are more likely to have concerns about money, with **55%** worried about not having enough money to live on.

Has Covid-19 changed their plans?

A look at how the pandemic has impacted timings and plans

For those approaching retirement in the next 12 months, the plans they might have made at the start of the year are likely to be under continuous review.

The pandemic has shifted attitudes and priorities across almost all aspects of people's lives, but specifically, our research shows the timing of retirement is one thing it has changed for many.



37%

have sped up their retirement date in the past 12 months, while 12% have had to delay it

The top reasons for accelerating retirement include:



1.

Lockdown changing their retirement plans
22%



2.

Health worries due to the pandemic
21%



3.

Job uncertainty due to Covid-19
19%



Over the past year we've seen a noticeable increase in people seeking advice on how they can speed up their retirement date as a result of the pandemic.

While job uncertainty might seem a strange reason to do so, this has been one of the most popular ones we've seen. Whether they have been made redundant, or are expecting to be when the furlough scheme comes to an end, for many a one-off payment like this could be an opportunity to unlock options not yet considered.



John Tait, Retirement Advice Specialist at Standard Life Aberdeen



Those nearing retirement may have been alarmed to see falls in the value of their pension savings and other investments last year. However, if investment performance is a concern, it's important to remember to take a long-term view and not to panic.

At the start of the pandemic, the markets were digesting quite a shock, but over time most pensions likely will or have recovered. Many well diversified portfolios will have already recovered the losses they saw last year.



John Tait, Retirement Advice Specialist at Standard Life Aberdeen



51% worry about not being able to do the things they want to

When it comes to their plans:



43% are concerned they won't be able to see family or friends as much as they'd like



30% say they've had to reconsider their travel or holiday plans in retirement*



14% are scared of being lonely in retirement due to lockdown

When it comes to their finances:



29% have concerns about their pension value falling in volatile markets



17% have seen their income reduced over the past year



16% haven't been able to save as much in recent months



5% have had to lower pension contributions

*Research carried out in February 2021 by 3Gem - 1000 adults, aged 55+ and still working.

Meet our 2021 retirees

Karen's story

After a recent divorce and being made redundant from her job, Karen, 61, was considering her next move. Should she look for new employment, or could she retire?

She hadn't previously dealt with her finances in much detail and wasn't sure if she had enough to take the big step. But she did know what she wanted in retirement – living life to the full in the early years, with money to support her daughter and spend on holidays or home renovations.

As a first step, Karen needed to establish how much she would need to make this a reality – a figure her financial adviser calculated to be £17,000 a year. However, she also had to think about how she could make her goals a reality while trying to ensure her income would last.

With careful planning, Karen and her adviser were able to 'shape' her income plans. Karen's £17,000 a year could be paid up until age 65, at which point she could reduce her income to £14,000 to try to make her savings last up until the age of 95 – an option she felt would give her the retirement she wanted, while also really making the most of her retirement's first four years.

With all of this in place, Karen felt she could confidently wave the world of work goodbye and put her retirement plans into action.

Karen said:

“I knew what I wanted from my retirement. What I didn't know was whether what I had meant that I could take the plunge now, or whether I'd need to stay in work a little longer, and how much I could afford to spend in the years to come.

I really valued having that extra bit of support from an adviser when thinking about my future. Ultimately, it meant I felt more in control of my finances and could confidently make the decision to wave the office goodbye.”

Mr. and Mrs. T's story

Mr. T (56) and Mrs. T (55) had always wanted to retire early, and the coronavirus pandemic only confirmed their decision.

The disruption reminded them of how important it was for them to make the most of the time and health they have now, and prompting them to bring forward their retirement date. But, before they pressed ahead, they needed to see if they had enough money to take the plunge.

Mr. and Mrs. T knew they would need an income of around £29,000 a year to give them the retirement they wanted. Both planned on accessing the state pension and using money they'd saved in ISAs, as well as income from Mrs. T's NHS pension and occupational pensions of Mr. T's.

Working with experts in the Retirement Advice team, they were able to confirm that they could indeed retire early, hopefully taking the income they wanted all the way up to age 90 – potentially with some money to spare. They were also able to stress-test their retirement plans by running a number of scenarios, from market crashes to bereavement, giving them peace of mind that their plan catered for different situations.

In the process of reviewing their finances with their adviser, Mr. and Mrs. T discovered that Mr. T had a valuable benefit with one of his pensions that entitled him to more than the normal 25% tax-free cash – a benefit they made sure to maximise in their retirement income plans.

Mr. T said:

“I'd always wanted to retire early – partly to maximise the tax-efficiency of my retirement savings, but also so that I could make the most of my retirement years while I still had the health to do so. The disruption of 2020 really confirmed my intention.

My wife and I were resolved that, if our finances checked out, we would step back as soon as we possibly could – a situation that ultimately meant us retiring about half a year earlier than we'd initially planned. I'm now really enjoying the freedom of not having to watch a clock and get to spend more time with our new grandchild.”

A retirement plan may involve investing or taking a flexible income from a pension, keeping the remainder of your money invested. The value of investments can go down as well as up, and could be worth less than originally invested. Taking a flexible income will reduce the value of your pension, and if you take too much, there is a risk that you could run out of money.

Retirement plans are individual so each person's scenario will be unique and requires individual advice. Please note, some of our case studies have been anonymised on request to protect their identity.

Class of 2020 – a snapshot

A closer look at last year's retirees

Alongside surveying those who are planning to retire this year, we've also spoken to those that retired last year to find out how they're getting on. Retiring amidst a pandemic isn't what the Class of 2020 planned for - but there are certainly still things that those who retired in 2020 have been able to enjoy.

What are they enjoying most?

The top three things 2020 retirees are enjoying most is exactly in line with what our Class of 2021 are most looking forward to!



"Not having to go to work" is what the Class of 2020 are enjoying most about retirement **(70%)**



Spare time came in second **(58%)**



Spending more time with family was third **(42%)**

70%

said they're happy with their decision to retire last year

34%

have enjoyed taking up new hobbies

The most popular hobbies include:



gardening



fishing



baking



“ I have always enjoyed my garden but since retirement I have become so much more involved and it is now my favourite pastime. ”



“ I have become a fitness fanatic! I have daily work-out routines which involve weight-lifting, exercise bike, treadmill and other general exercises. ”



“ I've been able to get back into painting. I was always quite good at it in my younger days but never had the time when working. ”

Retiring amidst a pandemic

How are they getting on?

The pandemic impacted a lot of last year's retirees' plans – but our research shows a potential positive to come from it is that many are spending less than they planned, and more have now sought advice.

How has Covid-19 impacted plans?



53% were unable to travel as planned



46% say they couldn't spend time with friends and family



13% felt lonely or isolated



12% say they wouldn't have retired in 2020 if they could rewind time

Are they worried about their pension and volatile markets?



5% have worried daily



17% have thought about it at least once a week



57% say they haven't thought about it over the past year

What has spending been like?



51% are spending less money than they budgeted for



15% are spending more money despite lockdown



25% have decided they'll need to spend less in retirement



9% have relied solely on their State Pension over the past year

Would they now consider advice?



42% had advice before retiring – vs. 40% of 2021 retirees



10% plan to seek advice now they've retired



13% wish they'd spent more time planning in advance

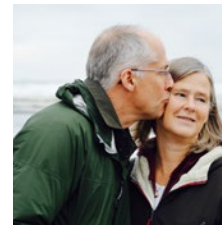
Words of wisdom to future retirees

We spoke to last year's retirees to see what tips they'd pass on to tomorrow's retirees. Here's what they said...

“If you feel you can manage financially and still enjoy yourself – it's worth considering. There's a whole new happier world out there.”



“Check with companies you have worked for to see if you had any forgotten pension pots with them.”



“Do your sums and make sure you have enough money to sustain your lifestyle. Be honest about monthly expenditure and factor in a little bit more for the unexpected items.”

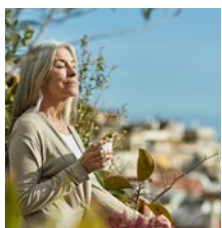


“Make sure you can afford to retire and remember that your savings and retirement pot have to last you the rest of your life. Taking financial advice in the months approaching retirement will be invaluable.”

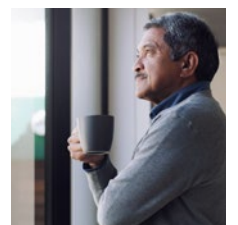
“Approach retirement with an open, positive mind and enjoy a slower pace with less demands on time.”



“Have projects to keep you busy. I've really enjoyed doing voluntary work for example.”



“Beware that your retirement plans can change through no fault of your own, so it is always best to have a plan B.”



Redefining retirement

Exploring how the concept of retiring is changing

What it means to retire has been evolving for some time now. Long gone are the days of everyone having a clear date from which they'll never work again, and instead there is a noticeably growing trend towards flexible retirement and continuing to work.

The pandemic has only further fueled this trend - with our research showing that some of last year's retirees are already contemplating returning to work, while even more of the Class of 2021 plan to carry on working in retirement.

Class of 2020



34% of the Class of 2020 didn't give up work altogether



15% have already found part-time work to stay busy



3% have even set up their own business



21% are considering returning to work part time

Class of 2021



56% of the Class of 2021 don't plan to give up work altogether



27% will work part time to support themselves



6% want to set up their own business



45% are looking forward to learning new skills

Working in retirement:

Mr. Wood's story



Mr. Wood, 65, had been planning his retirement for three years before the day itself arrived.

He felt well-prepared after taking financial advice and doing his research, and through a combination of workplace pensions, an annuity (fixed income) and savings, planned an income to last 30-years.

He also knew exactly what he was looking forward to doing – spending quality time with his wife, grandchildren, and dog

Daisy, as well as investing time in new and existing hobbies, and travelling – when circumstances permitted.

However, for him, the perfect retirement didn't mean giving up all work just yet.

Although he had his income needs fully met by his existing plans, Mr. Wood has continued to do building maintenance and construction work on a part-time basis – work that he intends to continue doing for as long as he's physically able.

Mr. Wood said:

“I'm choosing to work in retirement because I love what I'm doing and I have the flexibility to select the jobs that I want to do. For me, it's about the fulfilment I get from getting the job done – something I don't want to lose just because I'm no longer working full-time.

I feel so relaxed at having more control over my day, but that doesn't mean I'm not busy – I surprisingly have so much on now and I don't know how I found the time to previously fit everything in!”

Advice to the Class of 2021 and beyond

Get the most out of your retirement and feel confident

After a year like no other, the latest generation of retirees have faced more challenges to their retirement plans than almost any other.

From reduced incomes and health concerns, to changing lifestyles and job circumstances, many have been forced to replan. For some, it has been a chance to accelerate retirement, while others have delayed it. But even without the disruptions of the past year, the decision is a big and overwhelming one – and shouldn't be taken without significant thought and preparation.

It's fascinating to see such variations already emerging between those who retired in 2020 and those planning to retire this year. Whether a direct consequence of the pandemic, or constantly evolving retirement trends, part-time retirement already appears to be becoming more prevalent.

Despite the pandemic, our research shows a lower proportion of 2021 retirees have sought advice on their retirement plans. High numbers still not seeking any sort of professional help show that there is a long way to go before taking financial advice becomes the norm for those planning to retire and retirees.

If you're not sure on the best course of action, and want to feel confident that you're financially ready, speaking to a professional adviser can give you peace of mind. An adviser will provide you with a tailored plan and will run you through all the choices available to you.

One thing is for certain, retirement is what you make of it. We all have an idea of what we want to achieve, so if you're about to start your journey, we hope you enjoy every minute.

We look forward to seeing how the retirement journeys of our Class of 2021 progress when we revisit them next year, as well as what new social and economic factors are driving decisions for our next group of retirees – the Class of 2022.

More importantly, we hope this research goes some way to raising awareness of the importance of planning for retirement and closing the advice gap, ensuring more people get the retirement they deserve.



About Retirement Advice from Standard Life Aberdeen

Retirement Advice is an advice service provided by Standard Life Client Management, part of Standard Life Aberdeen plc. It combines the benefits of traditional face to face advice with the convenience of digital. With experienced advisers on the phone supported by innovative technology behind the scenes, it's designed to be a lower cost way to get advice on your retirement.

Retirement Advice from Standard Life Aberdeen can help customers who are ready or preparing to retire, and offers a free retirement income estimate in a personalised Retirement Report via their website.

By answering a few simple questions, in less than 5 minutes customers can get an idea of how much income they could expect from all their assets, not just pensions. Using the Retirement Living Standards, an independent benchmark, customers can see how their income compares. Plus, if they have a partner, they can see all their assets and incomes together.

The value of investments can go down as well as up, and could be worth less than originally invested. Laws and tax rules may change, the value of tax benefits will depend upon individual circumstances. Any examples used throughout this communication are for information only, and not providing advice. Each client's circumstances will be unique and require individual tailored advice.

Methodology

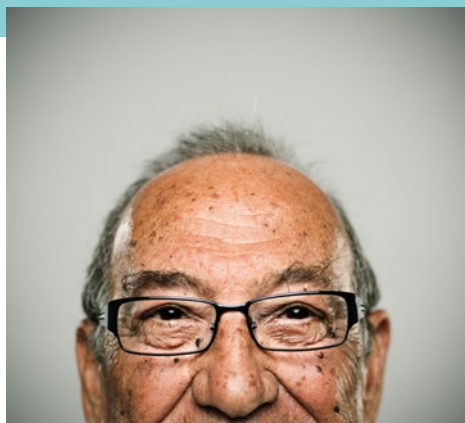
Consumer research of 2,000 UK adults who were either due to retire in the next 12 months, or had retired in the past 12 months.

Research was carried out by Censuswide in February 2021.

Contact us

For further information on the report findings, methodology or press enquiries please contact sla@citypress.co.uk

For more information about Retirement Advice from Standard Life Aberdeen, [click here](#).





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