# Additional material

## Retirement income expectations among the younger generation

The younger generation’s expectations of retirement income sources may be largely based on current pensioners’ experiences, although there are indications that individuals are aware of their role being greater, as previously reported (MacLeod et al., 2012). As *Figure S1* shows, while younger age groups are less likely to include a state pension as one of their possible income sources, this decrease is not compensated by increases in other sources. While those in their 30s have counted savings and investments as being additional sources to a greater extent compared to older age groups, less than half viewed savings or investment as a potential source. Future inheritance is less frequently mentioned compared to other options, although it is more frequently mentioned among those in their 30s and 40s. While more of the younger age group (30-39) mentioned sources such as own savings and investments, more older individuals (40-49) identified retirement income sources such as the state pension, occupational pension and housing. How viable are different options for the younger generations in the new pension system? Future income sources are uncertain, but it is worthwhile reviewing recent policy changes and assessing the implications for the future generation’s retirement income outlook.

Figure S1. Expected retirement income sources by age group (20-64, GB: 2012/14)

Note: Author’s own calculation based on 19,494 individuals who completed the full interview in person (with the age group with the smallest respondents: 20-29: 2,261individuals). All sources mentioned are included. Other\* categories include income sources from borrowing against a home, renting out a home, selling a property, selling a business, and other sources. It is not possible to distinguish between occupational or personal pension due to the way the response is formulated.

**Perceptions of the retirement saving options**

The younger generation’s perception on the safest and the best way to save for retirement also reveal that these expectations may have been built based on the previous generation’s experience. More than four out of ten believe investing in property yields the highest return, and just around a quarter view that contributing to the employer pension scheme is the most effective way to save (See *Figure S1*). On the other hand, nearly four out of ten believed that saving through employer pension scheme is the safest option, while only around three out of ten considered property investment as the safest option. These expectations on future income sources and perceptions of saving mechanisms reiterate the gap between the awareness and behaviours in retirement saving in the changing pension policy environment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **The best-value method**  **to save for retirement (%)** | | **The safest method**  **to save for retirement (%)** | |
| **Options listed** | **Age group 30-39** | **Age group 40-49** | **Age group 30-39** | **Age group 40-49** |
| Investing in property | 47 | 43 | 31 | 29 |
| Paying employer pension scheme | 24 | 27 | 38 | 41 |
| Investing in stocks or shares | 9 | 7 | 1 | 1 |
| Saving into an ISA | 7 | 7 | 10 | 9 |
| Saving into a high rate account | 6 | 6 | 6 | 5 |
| Paying into a personal pension scheme | 5 | 6 | 10 | 10 |
| Other | 2 | 4 | 3 | 4 |
| Buying Premium Bonds | 1 | 1 | 2 | 2 |

Table S1. Perceptions of the safest and the best-value options for retirement saving by age group, in percentage (2012/14)

Note: Author’s own calculation based on the respondents aged between 30 and 49 (corresponding to the general population in Table 1, excluding missing response < 5%). All proportions are cross-sectionally weighted.

## Comparison between general savers and retirement savers

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Proportion of savers** | **Proportion of retirement savers** |
| **Age group (2012/14)** | Aged 30-39 | 58.1% | 7.0% |
| Aged 40-49 | 55.1% | 9.6% |
| **Gender** | Males | 57.8% | 9.5% |
| Females | 55.3% | 7.4% |
| **Marital Status** | Married | 58.2% | 8.9% |
| Separated/Divorced  /Widowed | 47.8% | 4.5% |
| Single | 56.4% | 8.9% |
| **Education level** | Degree holders | 68.8% | 12.3% |
| Non-degree holders | 49.2% | 6.0% |
| **Household income (Equivalised)** | Low | 32.3% | 2.7% |
| Medium | 57.3% | 6.9% |
| High | 73.1% | 15.3% |
| **Inheritance, gifts and informal loans** | Not received | 66.3% | 10.9% |
| Yes | 54.4% | 7.8% |
| **DB schemes** | No | 63.9% | 8.5% |
| Yes | 51.4% | 8.3% |
| **DC schemes** | No | 66.3% | 11.7% |
| Yes | 53.8% | 7.4% |
|  | **All Savers** | 56.5% | 8.4% |

Table S2. The characteristics of the (all-purpose) savers and retirement savers (WAS; 2012/2014)

Note: All proportions are weighted using a cross-sectional weight provided in the dataset. \*Inheritance, cash gifts and informal loans are measured at the household level. Individual records are identified using following thresholds in Wealth and Assets Survey (WAS): inheritance equal or greater than £1,000, cash gifts equal or greater than £500 and informal loans equal or greater than £500.