Aviva Real Retirement Report
Winter 2016

Putting Digital First

Taking pensions from the Stone Age to the Digital Age

| **Retirement** | Investments | Insurance | Health |

AVIVA

Welcome to Aviva's **Real Retirement Report** Winter 2016

Contents

Key findings

- A clear majority (70%) of those aged 45-64 with access to the internet are willing to embrace new technology such as devices, apps and software, describing themselves as tech adopters.
- The majority (71%) of 45-64s are also confident using technology.
- However, technology is not without its risks, and only a quarter (25%) of 45-64s have no concerns when using technology, falling to a fifth (18%) of over-75s.
- Technology is used widely by 45-64s for financial management, including day-to-day banking (84%), utilities bills (78%) and savings & investments (72%).
- But only 31% of 45-64s with a pension manage this online and just 28% feel in complete control of their pension.
- Almost seven in ten (68%) 45-64s say technology is yet to have had an impact on their retirement finances, with significant progress needed to bring the industry up-to-date.

Foreword

"This edition of the Real Retirement Report takes an in-depth look at how people aged 45 and above have been impacted by the advances in digital technology"

In times of change, the challenge of planning for the future can sometimes become harder. As 2016 draws to a close it will be remembered for enormous change with potentially far-reaching implications on a collective and personal level.

Since 2010, Aviva's Real Retirement Report has tracked customer attitudes to their finances as they approach and progress through retirement. Today, its continuing insight provides an important temperature check on the extent to which people feel impacted at this stage of life by the period of economic uncertainty that began after the historic decision by the UK to leave the European Union earlier this year.

Our latest research highlights that, while people are not feeling significant additional pressures on a day-to-day basis, the rising cost of living over the next five years is perceived as a threat by 45% of over-55s.

However, change can also have a more positive and transformative impact. Nowhere is this more apparent than in the realm of technological advancements that many people of all ages have grown accustomed to and integrated into their day-to-day lives.

'Digital' is at the heart of everything we do as a business. It is our vision to work tirelessly towards making things simpler and easier for our customers to take control of their finances and take steps towards a more secure future.

With that in mind, this edition of the Real Retirement Report takes an in-depth look at how people aged 45 and above have been impacted by the advances in digital technology, focusing specifically on those who have access to the internet. This year marks the 25th anniversary of the public launch of what became known as the World Wide Web and with the majority of both working and retired households now online, connectivity alone is not the only measure of technological adoption.[1]

Instead, this report provides a deeper dive into how those in or approaching retirement access and use technology, their reasons for doing so – from managing their finances and social life – and the benefits and dangers they believe it delivers for them.

Overall, it is clear that the stereotype of older generations struggling to get to grips with technology does not ring true for many people: a clear majority of over-45s define themselves as adopters of new technology with only a minority expressing a reluctance to do so. From day-to-day banking to social media usage and online gaming, older generations are making the most of much of the innovation available to them.

However, the findings also suggest the pace of progress is not filtering down as fast when it comes to their long-term financial planning, including pensions provision. Only a third of 45-64 year-olds with a pension manage this online and while many feel their daily finances have benefited from technology, few feel the same way about their retirement finances. The findings support our view that when it comes to technological innovation, the pensions sector is still in the Stone Age.

We believe passionately that technology has great potential to better inform how people plan for their retirement and manage their money, which is why Aviva is a committed supporter of initiatives like the Pensions Dashboard – designed to allow people to view all of their pension pots online in one place – to bring about change and progress in this area. We're also investing millions of pounds in technology for the benefit of our own customers. For example, in October, we launched a new online retirement planning tool called "Shape my future", and it received over 300,000 visits in its first 6 weeks. Elsewhere, our MyAviva platform is helping over 4 million customers manage their Aviva products online. While the internet celebrates 25 years in 2016, Aviva celebrates its 320th birthday. We're proud to be Britain's only 320 year-old disrupter.

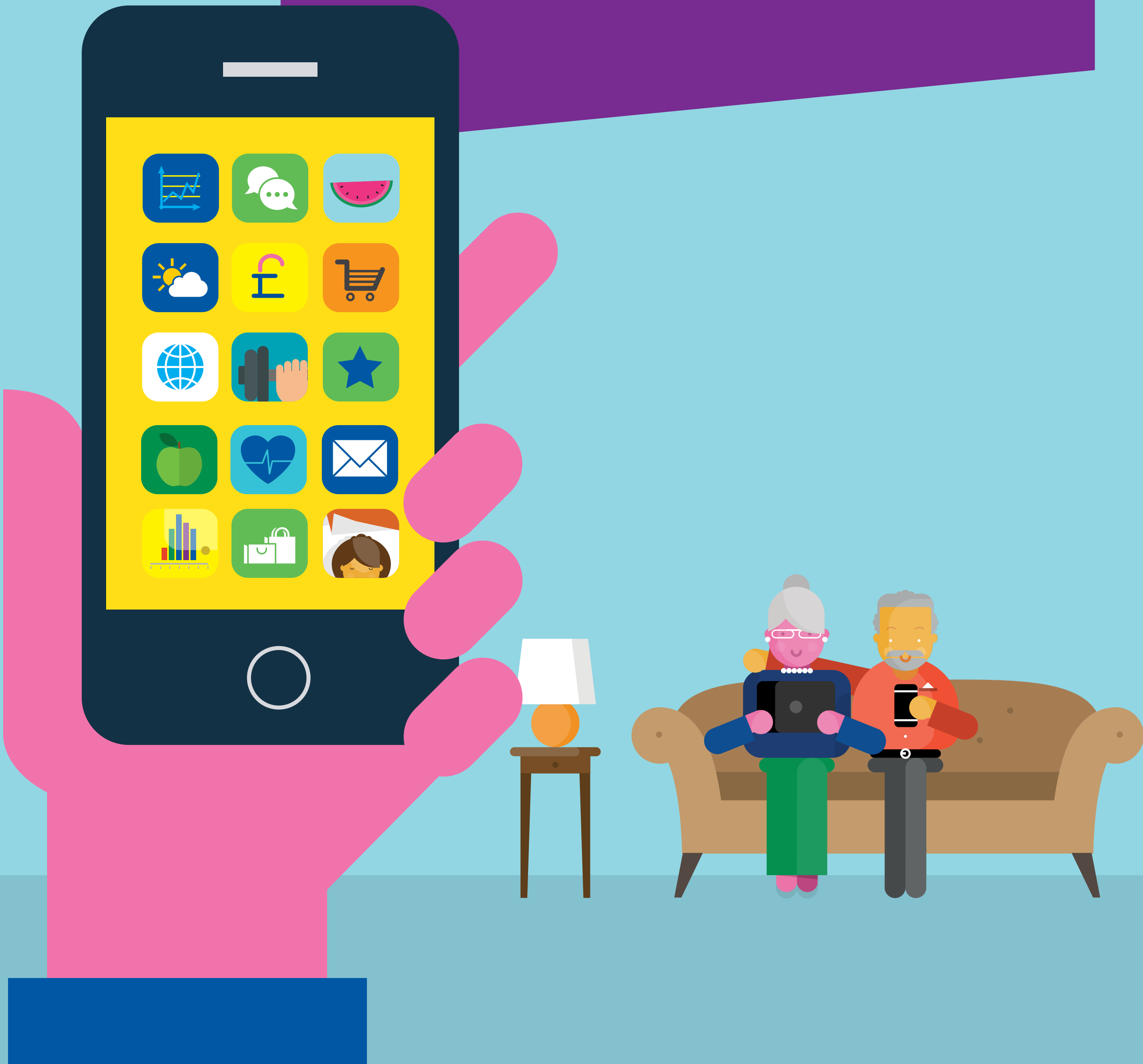
The insights from this report will underpin our thinking as we use technology to help engage, educate and support the UK population with this vital aspect of their finances.

Rodney Prezeau
Managing Director, Consumer Platform
Aviva UK Life

1 ONS Household internet connectivity statistics, August 2016 – ONS

Over-45s' personal use and **comfort with technology**

Technology is increasingly influencing daily life. From socialising to transport, finance and health, technology is opening up new ways to gather greater insights and enrich what people can do by simplifying familiar tasks and opening up new possibilities.



Key findings

- A clear majority (70%) of 45-64 year-olds with internet access consider themselves 'adopters' of new technology, versus a quarter (24%) who are reluctant to adopt new tech
- A quarter (26%) of 45-64 year-olds use social media several times a day, dropping to just under a fifth (19%) of 65-74 year-olds
- The majority (71%) of 45-64s are also confident using technology

Aviva's exploration of the influence of technology on over-45s begins by asking how people relate to this in general. On the whole, a clear majority (70%) of those aged 45-64 with access to the internet are willing to embrace new technology such as devices, apps and software, describing themselves as tech adopters.

In comparison, close to a quarter (24%) view themselves as non-tech adopters in that they are reluctant to use new technology. Only 6% describe themselves as tech innovators who are not only willing to embrace technology but are also among the first to adopt new technology.

The percentage of non-adopters rises to more than a third (35%) of over-75s, although 63% still view themselves as adopters. The findings highlight that although there is a clear reluctance among some of the older population, for the most part those approaching retirement are comfortable engaging with new technology and are likely to continue doing so in later life.

Tech innovator or resistor? How over-45s view themselves
%

	45-64	65-74	75+
Innovator	6	2	2
Adopter	70	71	63
Non-adopter	24	27	35

Accessing the internet

The vast majority of our internet-enabled research sample of over-45s have been online for many years, with almost four fifths (78%) of 45-64s having had internet access for longer than ten years and close to a fifth (19%) having been logging on for between 21-25 years. A similar trend is found among those aged 65-74 with 81% having had access for more than ten years.

The most common method for accessing the internet among 45-64 year-olds is via their laptop (47%), followed by their PC (29%), tablet (13%) and smartphone (9%). However usage of PCs rises among those in 65-74 age bracket (38%) and over half (51%) of those over 75.

45-64s most commonly access the internet via their laptop (47%), with only 9% most likely to use their smartphone

Ownership of devices and how the internet is most commonly accessed by over-45s
%

Device	45-64		65-74		75+	
	Ownership	Used to access the internet	Ownership	Used to access the internet	Ownership	Used to access the internet
Laptop	76	47	72	40	55	33
Smartphone	75	9	62	2	47	2
iPad/tablet	52	13	53	38	54	14
PC	50	29	56	17	63	51

Overall, ownership of technology generally mirrors how people access the internet. Laptops are the most commonly owned device, with over three quarters (76%) of 45-64 year-olds owning one, just ahead of smartphones (75%). The fact that smartphones have such widespread ownership, yet are not the most commonly used for online use, suggests over-45s prefer to access the internet within a home or office environment rather than on the go.

Ownership of iPads and tablets is broadly similar across all three age groups, with over-75s slightly more likely to own this type of device (54% vs. 52% of 45-64s). This suggests older age groups online are just as happy to engage with more recent as well as older forms of technology.

Seven in ten (71%) 45-64s are confident when using technology

What other devices do over-45s own?
%

Device	45-64	65-74	75+
Smart TV	34	32	22
E-reader e.g. Kindle	28	36	29
Games console	27	9	7
Smartwatch	3	2	1

Confidence using technology

The common stereotype that older people are fearful of technology or less able to use it is challenged by Aviva's findings. On the whole, 71% of 45-64s and 64% of 65-74s are confident when using technology. People are most confident when using a laptop or PC, highlighted by 93% of 45-64s and 92% of 65-74s. The device people are least confident in using is a smartphone, though 72% of 45-64s are still confident in using this versus 51% of 65-74s.

The research also highlights that when 45-64s do seek to better understand how to use technology, they are most likely to search online for help (34%), closely followed by asking their children (32%), with over-75s most likely to rely on their children for help (48%).

When seeking help with technology, 45-64s are most likely to search online (34%)

Where over-45s go for help with technology
%

Device	45-64	65-74	75+
Online search engine	34	37	29
Children	32	43	48
Other family members	23	19	19
My friends	17	19	18
My grandchildren	2	12	28
Customer helpline	7	10	14

Where technology fits into everyday life

When it comes to how people are using technology, there are varying degrees of usage depending on the reasons for its use. Email has become part of many people's everyday routine with 70% of those aged 45-64 highlighting that they check their email at least several times a day. Such tendencies continue into retirement with 69% of 65-74s and 59% of over-75s checking their email throughout the day.

In addition, two fifths (40%) of 45-64s and 65-74s use the internet to manage their schedules or to access their contacts at least once a week. This is true of a slightly smaller proportion (29%) of over-75s.

When social media first emerged it was generally regarded as exclusively belonging to teenagers and young adults. However, Aviva's research indicates that a quarter (26%) of 45-64 year-olds are using social media and messaging apps several times a day, dropping to just under a fifth (19%) of 65-74s and 15% of over-75s. Half (50%) of 45-64s check social media at least once a day. The findings chime with broader ONS research from earlier this year that found the proportion of over-65s who say they are active on social media grew by eight percentage points over the last year, with one in four older people now using social platforms.[2]

2 Internet access – households & individuals: 2016 – ONS research

Half (50%) of 45-64s check their social media profiles at least once a day

One possible factor behind such growth could be efforts by people to maintain relationships with family and friends they don't see on a day-to-day basis. Such a motivation for using technology was highlighted by 57% of those aged 45-64. However, despite the availability of free video calling services such as Skype or Apple FaceTime, uptake among older generations is relatively low with only 25% of 45-64 year-olds using such apps at least once a month, rising slightly to 28% across the 65-74 age bracket.

How often social media is used
%

Usage	45-64	65-74	75+
Several times a day	26	19	15
At least once a day	24	24	24
At least once a week	14	11	14
At least once a month	4	4	5
At least once a year	0	1	0

Health, entertainment and leisure

In recent years, the increasing digitisation of health services has made it easier to carry out some tasks online that previously had to be done via the telephone or face-to-face. Such advancements have made certain processes much more efficient for patients. Aviva's findings show a quarter (25%) of 45-64 year-olds typically use online services at least once a month to manage health issues, including organising a GP appointment or ordering a repeat prescription.

Interestingly, usage rises further for those aged 65-74 with more than a third (34%) using technology to manage health issues each month.

One in four (25%) 45-64s use online services to manage health issues at least once a month

Nevertheless, despite the fact that a substantial proportion of people are willing to use online health services, the majority of people stop short of engaging more widely with digital tools, such as fitness trackers, to track and better manage their everyday health. Four fifths (79%) of 45-64 year-olds never use such technology, rising further to 86% among those in the 65-74 age bracket.

Looking at more traditional pursuits, reading emerges as the most common reason for over-45s to use technology for entertainment and leisure purposes. Nearly three quarters (73%) aged 45-64 access news via digital sources at least once a week while 27% use a digital device to read books. This rises further to 78% reading news and 34% reading books among 65-74s – perhaps an indication of those who have retired in this age group having additional free time to do so.

Online film and TV streaming services have become increasingly popular in recent years with estimates indicating that around 40% of adults in the UK have a subscription to a service like Netflix or Amazon Video.[3] Aviva's findings indicate that this popularity extends to the 45-64 year-old age group with 29% using such services at least once a month, including 20% who do so on at least a weekly basis. Less than one fifth (16%) of those aged 65-74 use these services each month.

Two in five (40%) 45-64s play online games at least once a week

Far from being a preserve of youth, online gaming apps are also played regularly by those in and approaching retirement. Two fifths (40%) of 45-64s are now playing games at least once a week, as are a third (34%) of those aged 65-74.

3 Streaming subscription usage – The Times

Seven in ten (69%) 45-64s do not use technology to help with budgeting and planning

Technology and everyday finances

When it comes to managing money, using online banking seems to be established as a routine habit among many over-45s. Two thirds (66%) of 45-64 year-olds log in over the course of the week with a quarter (25%) doing so on at least a daily basis. Weekly use is marginally higher among those aged 65-74 (68%), while only 16% of 45-64s and 14% of 65-74s with internet access don't use online banking at all.

However, aside from day-to-day banking activities, Aviva's research highlights that people do not use online technology quite as regularly for broader financial management. Just over two fifths (42%) of 45-64 year-olds use technology to manage other financial products such as loans and mortgages at least once a month. Almost half (47%) never use technology in relation to these products, rising to 59% of 65-74s and 69% of over-75s, though this could be influenced by people within these age brackets being more likely to be mortgage free.

Even so, people are even less likely to use technology to help with financial budgeting and planning. Overall, 69% of 45-64 year-olds do not use such tools, rising to 74% among those aged 65-74. Despite the growing availability of free online tools, it would seem that there is low uptake of such tools among those approaching or in retirement. The findings reiterate the importance of the financial services industry continuing to focus its efforts on engaging with people in later life in order to promote online solutions as an option.

Use of technology for financial purposes
%

Usage / age	Online banking 45-64	Online banking 65-74	Budgeting & planning 45-64	Budgeting & planning 65-74
Several times a day	6	7	1	2
At least once a day	19	25	3	3
At least once a week	41	36	9	6
At least once a month	16	16	11	9
Less than once a year	1	0	3	2
I don't use this technology	16	14	69	74

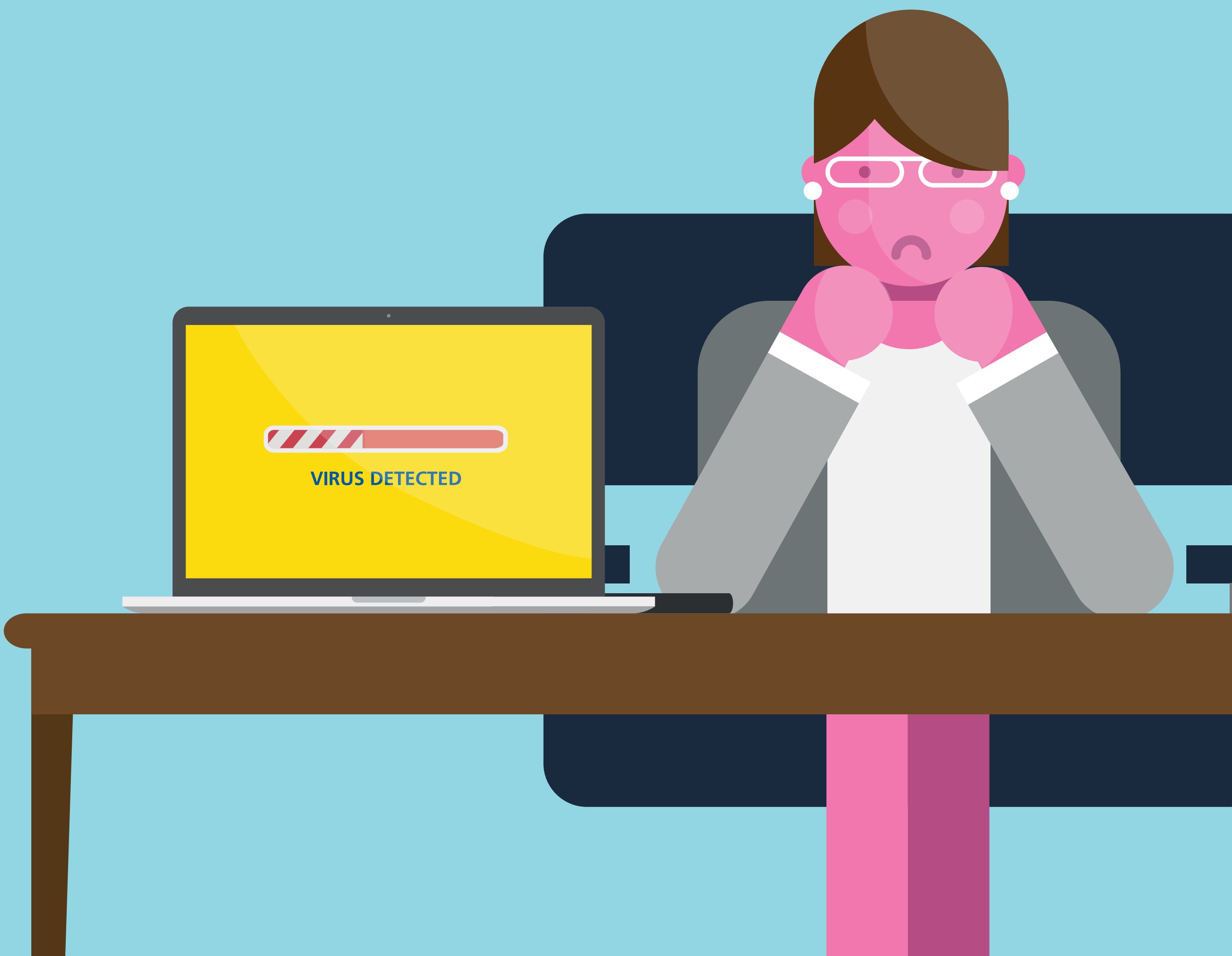
Expert view →

"The common belief that those in or approaching retirement are less prone to using technology is not the case, with our research suggesting that the older population is broadly comfortable when using the latest tech. However, while gaming and social media are popular everyday habits, harnessing the power of tech to help with financial planning is not common practice. Despite the pace of change in technology, there is clearly some way to go to realise the potential of digital applications when it comes to helping us manage our financial futures."

Alistair McQueen
Savings and Retirement Manager, Aviva

The **risks and limitations** of technology

Despite being confident in their technology usage, 74% of 45-64 year-olds have concerns when using technology, rising to four in five (81%) over-75s.



Key findings

- Anxiety about use of technology is highest among older age groups, with only 18% of over-75s having no concerns about this
- Those aged 75 and over are most likely to have been targeted by phone (69%) or email (76%) scams
- Over-75s are also more likely to feel excluded or left behind by technology (21% vs. 14% of 45-64s)

The top concern when using technology among 45-64s is being hacked (64%)

Men appear to be less concerned about the safety of technology: while 22% of women aged 45 and over are frequently concerned about using technology, just 12% of men in this age bracket expressed the same level of concern.

Those with less internet experience who are worried about using technology have plenty of support available to them in the form of online tutorials and helpdesks. This support is vital to ensure that they feel confident when surfing the web.

Fears when using technology

Technology is not without its risks and there are three main concerns over-45s have when using it: being hacked, scammed or getting a computer virus.

Overall, two thirds (66%) of over-45s are worried about being hacked, with these fears increasing with age: while 59% of 45-54s share this concern, this rises to 69% of 55-64s and 68% of 65-74s. Older age groups are also more likely to be concerned about falling victim to a scam. Seven in ten (72%) 65-74s are worried about being scammed, higher than the 61% of 45-64 year-olds who feel the same. Six in ten (60%) 45-54s worry about getting a virus, rising to 64% of 65-74s.

In line with age, retirement status has a role to play when it comes to the perceived risks of technology. For example, over two-thirds (69%) of retired over-45s are worried about being hacked, seven percentage points higher than the 62% who are still in work and share the same worry. Seven in ten (70%) retirees are wary of being scammed, again much higher than the 59% of workers concerned about the same issue.

It is no surprise that older age groups and the retired are more worried about hacking, scamming or getting a computer virus than their younger counterparts as these groups are more concerned in general when using technology.

People concerned about the risks of using technology
%

	45-64	65-74	75+
Being hacked	64	68	67
Being scammed/fraudulent activity	61	72	70
Getting a virus	60	64	61
Not knowing where the personal information I give will end up	41	48	45
Giving away too much information	34	46	45
Equipment/software crashing	25	26	28
Accidentally browsing or downloading illegal/inappropriate content	12	16	11
Not knowing what I am doing/where to look for information	9	9	15
The cost/high bills	11	8	6
None of the above	5	3	4

Targeted scamming

Looking specifically at potential scams and fraudulent activity, over-45s report that they are predominantly targeted via email and over the phone. Seven in ten (71%) of those aged 45-64 say they have been targeted through email, rising to 75% of 65-74s and 76% of over-75s. Over-75s are also twice as likely to fall victim (8%) to email scams when compared to 65-74 year olds (4%).

Over-75s are more likely to be targeted by phone (69%) or email (76%) scams

Two thirds (66%) of 65-74s and 69% of over-75s have been targeted by scammers over the phone – in both cases, noticeably lower than the percentage targeted by email. With 5% of 65-74s targeted in this way falling victim to such scams, along with 6% of over-75s, Aviva's data suggests older people are more likely to be duped by email approaches than telephone approaches: highlighting the importance of remaining vigilant online and ensuring people are educated and supported to reduce the risks associated with increased digital activity.

Over-45s who are targeted by, avoid and fall victim to scams
%

	45-64	65-74	75+
% targeted by phone scams	54	66	69
Of those targeted, % who avoid phone scams	92	95	94
Of those targeted, % who fall victim to phone scams	8	5	6
% targeted by email scams	71	75	76
Of those targeted, % who avoid email scams	94	96	92
Of those targeted, % who fall victim to email scams	6	4	8

Attitudes towards technology

Aviva's broader findings suggest more can be done to involve older generations in technological change. One in five (19%) over-65s feel left behind by advancements in technology, compared with just 14% of 45-64s. In addition, over half (51%) of over-75s believe technology is becoming too complicated, compared with 32% of 45-64s.

Nearly one in five (17%) over-75s say their fear of technology prevents them from enjoying the benefits

The complicated nature of technology also appears to make older generations feel alienated, with 43% of over-75s agreeing that it is not designed with their age group in mind. Nearly one in five (17%) over-75s say their fear of technology holds them back from enjoying the benefits, compared to just 13% of 45-64s.

Despite this, older age groups are still benefiting from technology: 66% of over-75s say it has made their life easier. It is important that future technologies are developed with older generations in mind to ensure the benefits are more keenly felt.

One area that affects younger age groups as well as the over-75s is vulnerability: 24% of 55-64s, 65-74s and over-75s say technology makes them feel vulnerable. The only age group less affected by this is 45-54s (14%).

Net percentages of over-45s who agree with the following statements
%

	45-64	65-74	75+
Feel excluded or left behind by technology	14	17	21
Digital technologies are becoming too complicated	32	42	51
Digital technologies are becoming easier to use	49	42	40
Fear of technology holds them back from enjoying benefits	13	15	17
Technology not designed with their age group in mind	21	30	43
Technology has made life easier	68	74	66
Technology makes them feel vulnerable	19	24	24

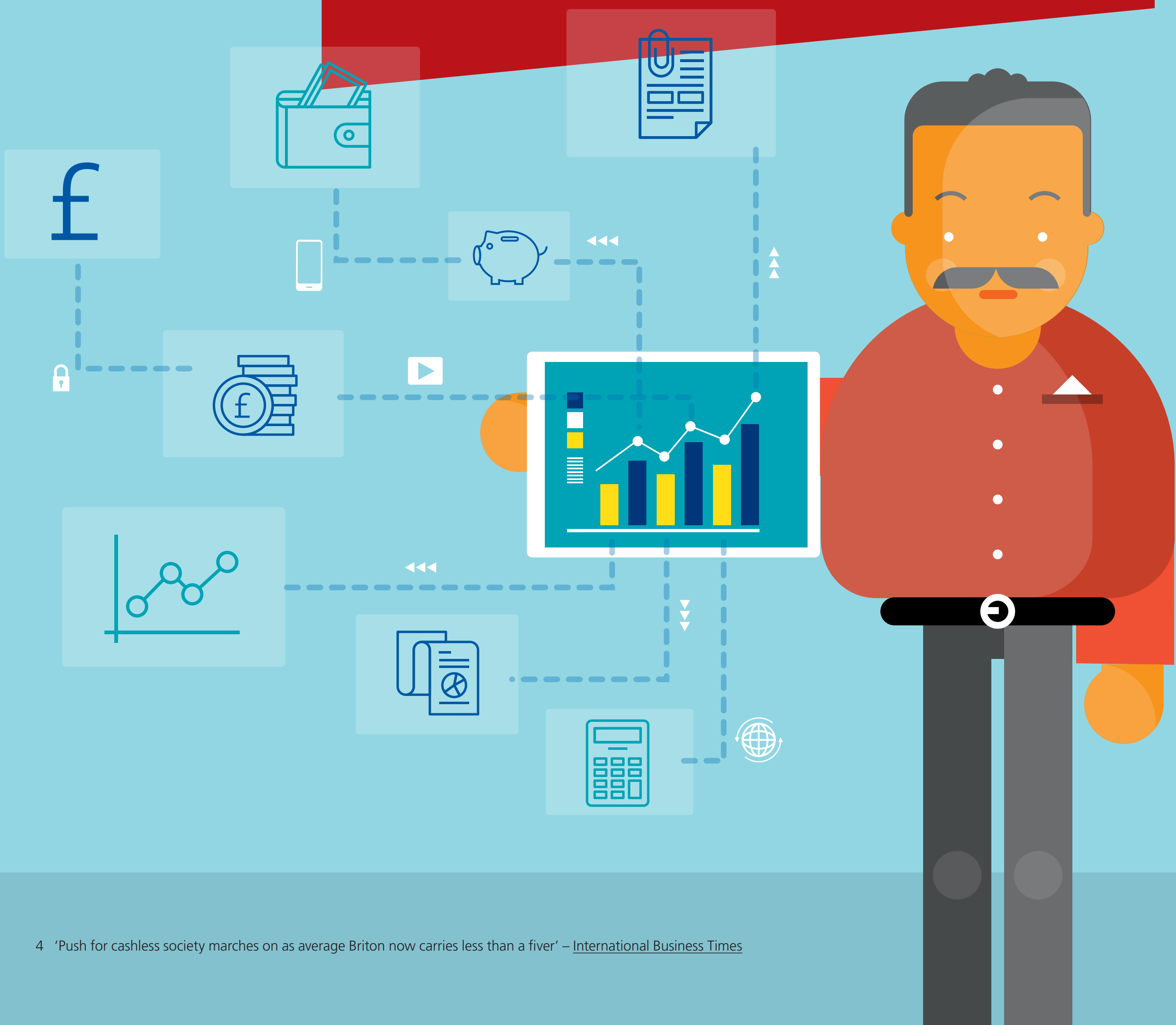
Expert view →

"Stories in the news about online security issues affecting businesses and people are a regular occurrence and it is unsurprising that many people are fearful they might be targeted, with the majority also having first-hand experience of email scams. It is vital that, in the drive to support and empower people through the greater availability of digital services, we also take adequate steps to guard against the risks this can bring."

Alistair McQueen
Savings and Retirement Manager, Aviva

Technology and **financial management**

The potential for technological innovation in financial services is significant and the industry has been transformed in recent years, with the move towards a cashless society just one example.[4] Yet despite such developments, to what extent has technology already been embraced by older generations when it comes to the detail of managing their finances online?



4 'Push for cashless society marches on as average Briton now carries less than a fiver' – International Business Times

Key findings

- Day-to-day banking (84%), utilities bills (78%), and savings and investments (72%) are the most popular aspects of finance that are managed online among 45-64s – yet less than a third (31%) manage their pension online
- Just 28% of 45-64s feel completely in control of their pension, compared to 62% who feel in full control of day-to-day banking
- Face-to-face (49%) and email correspondence (38%) are preferred by 45-64s when communicating about their finances, with safety (51%) and convenience (85%) cited as key advantages

As highlighted earlier in the report, Aviva's data indicates the majority of over-45s with internet access manage their day-to-day banking online, such as their current account, with 84% of 45-64 year olds and 85% of 65-74 year-olds doing so where applicable.

People within these age brackets are also likely to manage the process of paying regular payments such as utility bills or insurance policies online. Paying utility bills such as gas, electricity or internet online (where applicable) is the preferred method for 78% of 45-64s and 86% of 65-74s. As for insurance policies, almost three quarters (71%) of 45-64s do so online, rising to 73% of 65-74 year-olds.

Aspects of finances managed online among those who have them*
%

	45-64	65-74	75+
Day-to-day banking, e.g. current account	84	85	80
Utilities bills (energy, water, internet)	78	86	81
Savings & investments	72	73	66
Insurance policies	71	73	65
Tax returns/self-assessment via HMRC	57	56	50
Pension	31	26	19

* Among those who have these types of products/services

Managing pensions online

While Aviva's data highlights that nearly three quarters (72%) of 45-64 year-olds with savings and investments manage this online, the number of people who manage a pension online is considerably lower. Less than a third (31%) of 45-64 year-olds with a pension manage it this way, falling to 26% in the 65-74 age group. In comparison, more than double this percentage (69%) of 45-64s have a pension but do not manage it online.

Only 28% of 45-64s feel completely in control of their pension

Strikingly, people are also less likely to feel in control of managing their pension compared to other areas of their finances. Only 28% of 45-64s feel completely in control of their pension, versus two thirds (62%) who feel completely in control of their current account and 46% who feel the same way about their savings and investments. Half of those within this age bracket also feel in complete control of both utility bills (50%) and insurance policies (48%).

While Aviva's research does not directly ask whether control is linked to online management, it is clear from the data that the aspects of their financials which people generally feel more in control of also tend to be those that are more often managed online.

Proportion of 45-64s who feel in control of their finances and manage them online
%

	% of 45-64s who feel completely in control	% of 45-64s who have this and manage it online
Day-to-day banking	62	84
Utilities bills	50	78
Insurance policies	48	71
Savings and investments	46	72
Pensions	28	31
Tax returns/self-assessment via HMRC	25	57

When dealing with their finances, face-to-face interaction is preferred among 45-64s (49%), followed by email (38%)

The changing nature of financial services means pensions have increasingly moved online. At the same time, following the pension freedoms, income drawdown capability has become more popular. Drawdown is not a "set-and-forget" type of pension: it needs regular care and attention regarding investments, withdrawals and cashflow management. This could prove challenging to those who are not comfortable or have not yet had experience in managing their pension online.

The fact that people approaching retirement age feel less likely to be in control of managing their pension also demonstrates that more needs to be done to simplify this process. This is exemplified by the Government's Pensions Dashboard initiative which, as revealed at Aviva's Digital Garage in July 2016, will deliver a prototype platform by March 2017 so that savers can see all their pension pots in one place, helping them to plan for their retirement more effectively.

Face-to-face communication favoured by majority

Beyond pensions, the shape of tomorrow's financial services industry is frequently the topic of considerable future gazing, with some predictions that automated 'robo-advice' will reduce or even replace the need for people and will instead allow customers to navigate all their financial needs through the use of technology. But as the Financial Conduct Authority's 'Ageing Population and Financial Services' discussion paper sets out, some customers may be unable or unwilling to interact digitally with financial services, and this must not come at the expense of increased vulnerability and social exclusion.[5]

Aviva's research indicates that despite the potential for such advancements, human interaction remains the preferred form of communication about finances for many of those in or approaching retirement. Despite the sample being internet users, almost half (49%) of 45-64s and 57% of 65-74s still prefer to deal directly with a person – either through a face-to-face meeting or on the phone.

The second most preferred method is sending an email or filling in an online form. This is favoured by almost two fifths (38%) of 45-64 year-olds and over a third (35%) of 65-74 year-olds. However, talking to a member of staff specifically through an online chat function is unanimously unpopular, preferred by just 8% of 45-64 year-olds and 5% of 65-74 year-olds. Even fewer prefer written correspondence, although this may be influenced by Aviva's research focusing on those over-45s who are internet users.

86% of 45-64s who prefer email communication do so because it is convenient

Over-45s' communication preferences when dealing with their finances
%

	45-64	65-74	75+
Dealing directly with a human – either face-to-face or on the phone	49	57	66
By using email / filling in online forms	38	35	25
Talking to staff via online chat	8	5	4
In writing / by letter / snail mail	4	4	4

The leading factor influencing why people prefer dealing with a human is because they feel such an interaction to be safer than doing it through other methods. Over half (51%) of 45-64 year-olds and 55% of 65-74s list this as the most important reason. This presents a challenge for the financial services industry to provide online communication services that are perceived as safe as well as convenient, helping to encourage the use of technology for communication, where appropriate.

Out of those who listed using email or an online form as their first preference, only 6% of 45-64 year-olds and one in ten 65-74 year-olds selected safety as the reason why they prefer this method. Instead the convenience offered by email communication is the overwhelming reason, cited by 85% of those aged 45-64 and 87% of those aged 65-74.

5 'Ageing population and financial services' – Financial Conduct Authority

Only 15% of 45-64s feel bank branch closures have negatively affected their ability to manage their finances

Reasons for communication preferences when dealing with finances among 45-64s
%

Dealing directly with a human (face-to-face or on the phone)		By using email/filling in online forms	
Feels safer	51	Convenience	85
Social aspect	29	Feels safer	6
Convenience	19	Cost	5

With much-publicised high profile cyber hacks on leading commercial organisations, it is unsurprising that there are high levels of cynicism when it comes to the security of managing finances online. Recent figures from Financial Fraud Action UK highlighted that the number of online bank fraud cases increased by 23% over the past year, reiterating the scale of the issue and the importance of ensuring people understand what they can do to minimise the risk of being a victim of fraud.[6] Aviva's data acts as a reminder that the financial services industry as a whole must continue to work to combat fraud and educate customers on how to be safe online.

Bank branch closures

Other changes in society are potentially impacting on how people manage their finances. Figures obtained earlier this year by the BBC highlighted that over 600 bank branches have closed over the past year with older customers cited as those most affected.[7] However, Aviva's data reveals that only 15% of 45-64 year-olds feel bank branch closures near them have negatively affected their ability to manage their finances, dropping to 12% among 65-74 year-olds.

Among those able to envisage it, 24% of 45-64s say they would have saved more for their retirement if they had today's technology when they were younger

The potential of technology

Despite now being an established part of their daily lives, over-45s find it hard to envisage what their current financial situation would be like had they had access to the same technology when they were younger. More than two in five (44%) said they don't know what the implications would have been or how things might have turned out differently for them. However, among those who do have an idea, two in five (40%) 45-64s say they would have managed their finances better, rising to more than half (53%) of over-75s.

Similarly, a quarter (24%) of 45-64s say they would have saved more for retirement if they had had access to technology when they were younger, rising to more than a third (36%) of 65-74s. It is interesting to see that older age groups are more likely to believe there would have been a benefit, as they will have lived the longest without technology at their disposal and may have only encountered it after their financial course had already been set.

What older generations would have done differently through technology*
%

	45-54	55-64	75+
Managed finances better	40	44	53
Saved more for retirement	24	36	29

* Not including those who answered 'I don't know'

6 Financial Fraud UK – Fraud the Facts 2016
7 Bank branch closures – BBC News

Expert view →

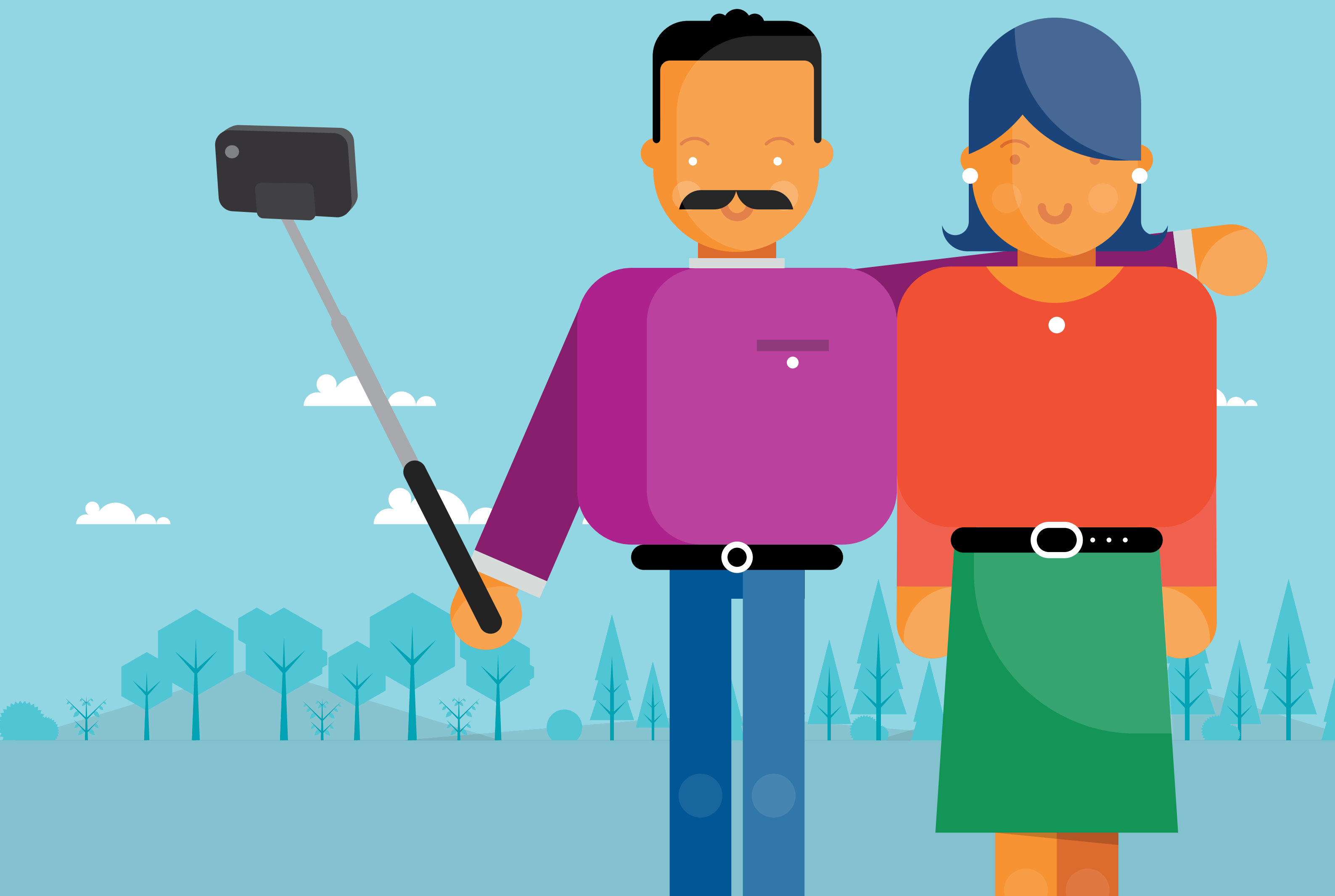
"Technology is being used by many people to give them a greater sense of control over their finances. Pensions, however, are at the back of this pack. Worryingly, few feel in control of their pensions, and it is unlikely to be a coincidence that only a small minority are managing their policies online. We must take advantage of all that technology can offer, to help more people to save.

"Aviva is taking proactive steps to bring about change in this area by signing up to support the Government's Pensions Dashboard initiative. Our online service My Aviva also allows policyholders to manage all of their policies in one place, as well as project what their plan will be worth when they reach retirement. It's important that efforts continue to focus on improving the availability and access to these types of online services, so people can feel as in control of their retirement savings as they feel they are about other areas of their personal finances."

Alistair McQueen
Savings and Retirement Manager, Aviva

Technology, communication and **empowerment**

Irrespective of the generation in which they were born, technology now impacts the daily communications of nearly everyone living in the twenty-first century. But our research shows that people still value face-to-face communication, particularly in their personal lives.



Key findings

- More than two thirds (67%) of 45-64s say technology is important in managing their finances, while the same proportion (67%) say it has improved the day-to-day management of their finances
- But 68% of 45-64s say technology has yet to impact on their retirement finances, showing there is progress still to be made in this area
- Over-45s are also more than three times as likely to write to a pension provider than their bank or utility provider

Technology takes over for less-personal, purpose-led conversations. For instance, when it comes to getting in touch with utilities providers, email is by far the chosen method of contact, with over half (59%) of those aged 45-64 preferring to type and submit their queries online, followed by a quarter (28%) who opt to call.

Similarly, email is the first port of call when contacting a pension provider (43%), but the second most popular method of contact is sending a letter in the post, with 25% of respondents claiming to do so – more than the 21% of those who call.

Preferred method of contact with providers among 45-64s*
%

	Your pension provider	Your utilities provider	Your bank
Email	43	59	30
Letters	25	7	2
Phone calls	21	28	20
In person/via a financial adviser	8	2	43
Phone or instant messaging	3	5	4

* Among those who communicate with a pension provider/utilities provider/bank. Percentages do not add up to 100% as options with small responses are not included.

Technology's impact on day-to-day life

When asked how technology makes them feel, more than two fifths (43%) of those aged 45-64 say they are grateful for the impact it has had on their life, while 44% say they feel well connected with others. Encouragingly, only a small proportion say that technology leaves them feeling overwhelmed and out of the loop (10%).

It is perhaps no surprise that older users are more likely to feel this way. But at the same time, perhaps because they have witnessed a greater shift over the course of their lifetimes, over-75s are the age group most likely to feel happy and grateful about the impact technology has had on their lives.

More than two in five (43%) 45-64s are grateful for the impact technology has had on their life

How does technology make you feel?
%

	45-64	65-74	75+
Happy and grateful of the impact it has had on my life	43	47	48
Well connected with others	44	46	43
Overwhelmed and out of the loop	10	12	15
Young & up to date	9	8	12
Isolated	3	2	3

Two thirds (67%) of 45-64s agree that technology has improved the day-to-day management of their finances

Drilling deeper into the notion of technology positively impacting individuals' lives, there are areas where this impact is more strongly felt than others. For instance, two thirds (67%) of 45-64s agree that technology has improved the day-to-day management of their finances, such as through the widespread use of banking apps. This corresponds to the fact that day-to-day banking is also the area of their finances that 45-64s are most likely to manage online (84%).

Only 29% of 45-64s say technology has had a positive impact on their retirement finances

An additional 64% of 45-64s feel technology has had a positive impact on travel planning, preparation and booking. Over half (56%) have personally benefited from its assistance with education and learning, while 46% feel it has improved their family life.

The areas of life where technology's positive impact has been the least felt are retirement finances (29%) and, somewhat surprisingly, work life (37%). Similarly, over two thirds (68%) of those aged 45-64 feel that technology has had no impact at all on their retirement finances.

Those aged 45-54 are the most likely to feel technology has had no impact on their retirement finances (73%). Although 67% of 45-64s say technology is important in managing their finances, it's clear they feel this applies more to their day-to-day financial planning than their pensions.

What impact do 45-64s feel that technology has had on different areas of life?*
%

	Positive impact	Negative impact	No impact
Day-to-day finances	67	3	30
Travel	64	2	34
Education/learning	56	3	41
Social life	47	6	48
Family life	46	7	47
Culture	44	4	52
Work life	37	6	57
Health	33	6	62
Retirement finances	29	4	68

* Some figures add up to more than 100% due to rounding.

Expert view →

"While our findings suggest technology has had a clear impact on many areas of people's lives – including day-to-day finances – many feel it has yet to improve their retirement finances. The popular view seems to be that pensions have been left behind in the digital revolution, and it's true that much more needs to be done to bring the industry up-to-date.

"The onus is now on the financial services industry to invest in digital innovation and provide services that benefit pension holders. At Aviva we've implemented a Digital First strategy, as we're well aware of the importance of having convenient digital services that allow customers to self-serve and connect with us."

Alistair McQueen
Savings and Retirement Manager, Aviva

Conclusion –

what this means for consumers and industry

"The retirement landscape is in the Stone Age when it comes to technology. There is a lot of catching up to do and we must rise to the challenge. Technology has the power to radically transform how people plan for retirement."

Our analysis has aimed to bring to life the relationship that older generations have with technology and it is our belief that such innovation is an enabler that can improve the lives of those in or approaching retirement.

These insights allow us to better understand how to engage with this audience and adapt to their needs in order to ensure that everyone can maximise the opportunities that technology offers.

- A generation firmly made up of 'tech adopters' who still value the human touch
  These characteristics stand out among the key traits revealed among those in or approaching retirement age in the UK, emphasising that technology is not just for the young. Looking ahead, the willingness of older people to embrace technology is likely to intensify as those currently of working age progress into retirement having been digitally active for a number of years. With technology already being used on an everyday basis to do online banking, play games and use social media, demand for digital services and entertainment is only likely to grow.

  However, given that over a fifth (21%) of 45-64s and almost a third (30%) of 65-74s feel technology is not always designed with their age group in mind, providers need to ensure they are focused on the needs of older users as well as the younger generation in the future. This is especially true when it comes to financial services, with many people valuing personal interaction by email, phone or face-to-face alongside the added functionality that digital can bring.

- Security concerns highlight the need to protect consumers and reduce vulnerability
  Our findings also show that those in or approaching retirement have considerable security concerns, with two thirds (66%) fearful of being hacked. As consumers see media reports of security breaches, such fears are entirely understandable in a digital world where new risks and potential pitfalls continue to emerge.

  With 71% 45-64s reporting that they have been targeted by email, as an industry we must ensure people are adequately protected and not put off from exploring the benefits that digital innovation can bring to their lives. There are clear steps that consumers can take to be safer online and it is important to ensure wide awareness of these precautions.

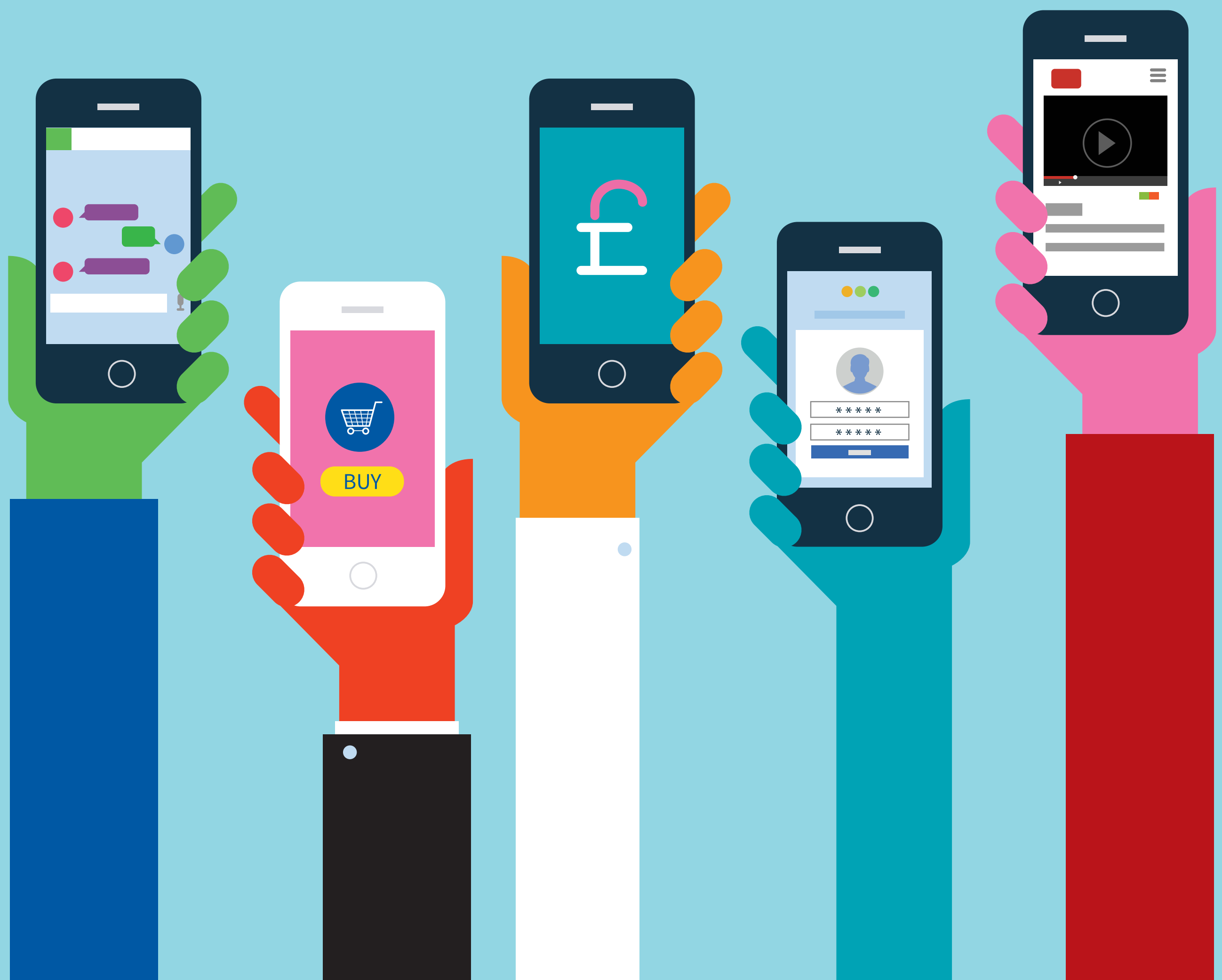
- Retirement planning 2.0 – time to make a change
  Finally, the attitudes uncovered by our research suggest that while technology has benefited many areas of people's lives, this cannot yet be said of retirement planning. The percentage of those in or approaching retirement who go online to manage their pension is far lower than those who do the same for other financial tasks. More than twice as many people manage their pension offline than online, and retirement planning is the area of life where people feel the gains of technology have been felt the least.

  Such statistics need to change. The retirement landscape is in the Stone Age when it comes to technology. There is a lot of catching up to do and we must rise to the challenge. Technology has the power to radically transform how people plan for retirement, making pensions less complex and more efficient to manage in the process. In partnership with industry, there is a clear role for government and regulators to create the right environment and the correct incentives to accelerate the pace of digitising the customer experience.

The pace of technological change is unrelenting. However, there is no reason why the next generation of tech adopters shouldn't be able to view all their pension information and plan for their retirement on a tablet or smartphone in the same way they would access a social media account, providing they are given the tools, safeguards and incentives to do so.

Digital lies at the very heart of everything Aviva does as a business. As the UK's largest composite insurer, we will be sure to play our role in taking responsibility to help chart a new course for the industry.

Aviva Real Retirement Report: **over-55s quarterly index**



Quick read

- The rising cost of living remains the most common perceived threat to current living standards for over-55s, cited by 45%
- The value of savings and investments held by over-55s has grown since the beginning of 2016, but more are concerned about the threat of falling returns on their savings and investments over the next five years
- Almost one in two (48%) unretired over-55s are yet to be convinced that pension freedoms will make any difference to their retirement plans

More than half (56%) of over-55s receive income from a state pension

The Real Retirement Report has offered a unique insight into the financial experiences and attitudes of the over-55s[8] by examining their wealth over the last six years against the backdrop of the UK's recovery from the post-2007/8 recession. Following the economic uncertainty since the UK's landmark vote to leave the European Union in June this year, the latest findings provide an insight into the shifting outlook for older generations as people navigate the potential for change in their financial circumstances.

Income and savings

Over-55s typically have a monthly income of £1,382 in Q3 2016, an increase of 3% from the previous quarter when monthly income stood at £1,341, mirroring the same level recorded in the first quarter of 2016. Looking back over the last five years, income levels today are 27% higher than they were in Q3 2011, the first year Aviva began tracking data, when monthly income levels stood at £1,091.

Over-55s' typical incomes have grown over the last three years
£

	Typical monthly income
Q3 2011	1,091
Q3 2012	1,373
Q3 2013	1,270
Q3 2014	1,317
Q3 2015	1,378
Q3 2016	1,382

The main source of income for over-55s continues to come from their pensions, with 56% receiving income from a state pension, 39% from an employer pension, 32% from a personal pension and 30% from a spouse's pension.

Following the dip in savings and investments held by over-55s at the beginning of the year (possibly due to the financial hangover from Christmas), the typical amount has now recovered to £19,110 (Q3 2016), a rise of 25% since Q1 2016 (£15,230).

That said, the levels seen in Q3 2016 are still 6% lower than those seen in the same quarter 12 months before when the typical amount held in savings and investments was £20,399. It is unclear the extent to which the volatility in the run up to, and after the UK's referendum on membership of the EU, has contributed to such swings. However, it is possible that factors such as rises in the stock market, increased yields on UK Government bonds and falls in the value of the pound have played a role in the unpredictability behind current levels.

Over-55s are showing increased confidence in their ability to save, with at least 62% putting money aside each month in Q3 2016 compared to 57% a year ago. Two in five (40%) cite current income as a source of their savings in Q3 2016, up from 35% in Q2 2016 and 34% this time last year. The most popular source of savings remains money contained within a separate savings account, cited by three quarters (76%) in Q3.

Aviva's data shows that more over-55s are also saving money accrued through a range of investments and bonds in Q3 (33%, up from 29% in Q2) and from premium bonds (30%, up from 29% in Q2). Those using inheritance from their family to save is at the highest level since the data has been tracked, rising to 21% in Q3 2016 from 16% in Q2.

8 Respondents age 45-54 are not included in this section of the report.

The typical amount saved each month has also risen in the third quarter of 2016, with approximately £66 put aside each month. This is an increase of 32% from the previous three quarters where the typical amount saved was £50, and a year-on-year growth of 43% from £46 in Q3 2015.

Typical monthly spending rose 2% from £774 in Q2 2016 to £788 in Q3

Monthly spending

While levels of savings rose among over-55s in Q3, typical monthly spending also increased by 2% from £774 in Q2 2016 to £788 in Q3. However, this is still 5% lower than the £826 spent on average each month in the previous year (Q3 2015). Over-55s could be changing their spending habits as they pre-empt future inflationary pressure squeezing household budgets: alternatively, pressures predicted on the back of the fall in the value of the pound since the UK voted to leave may not have been felt yet.

Comparing spending habits quarter-on-quarter, expenditure on mortgage and rental costs fell by 15% (from £118 in Q2 to £100 in Q3) and travel expenses fell by 3% (from £30 in Q2 to £29 in Q3). While spending on these essential costs has declined over the quarter, monthly spending on entertainment, recreation and holidays is up 13%, from £69 to £78. Holidaymakers travelling abroad are likely to have been hit hardest by the swings in currency exchange rates since the UK voted for Brexit which is likely to have played a role in increasing spending on holidays in Q3. Outgoings on clothing and footwear is up 9% (from £29 to £32), and expenditure on eating out or takeaways is up 7% (from £33 to £36).

Monthly spending between Q2 and Q3

	Q2 2016	Q3 2016	Quarterly change %
Entertainment, recreation and holidays	£69	£78	+13%
Clothing and footwear	£29	£32	+9%
Eating out or takeaways	£33	£36	+7%
Food	£184	£195	+6%
Motoring	£51	£53	+5%
Leisure goods such as sports equipment or CDs	£9	£9	+4%
Debt repayment	£44	£45	+4%
Alcohol	£30	£31	+3%
Fuel and Light	£88	£90	+3%
Postage, telephone calls and internet connections	£40	£41	–
Furniture, appliances and pet care	£19	£19	–
Personal goods and services such as make- up and medicine	£18	£17	-1%
Cigarettes and tobacco	£13	£13	-1%
Fares and other travel costs	£30	£29	-3%
Housing (mortgage or rent)	£118	£100	-15%

Unsecured debt

The average debt held by over-55s is up 15% on the same period last year at £1,904, although this is 8% lower than Q2 this year. The greatest amount of debt held by over-55s is on their credit cards with £840 owed in Q3 2016: a rise of 26% from Q3 2015 (£668). However this level of credit card debt is lower than the previous quarters in 2016 with £913 in Q1 and £967 in Q2.

Despite a year-on-year rise in total debt, loans from family members and friends fell by 61% (from £109 in Q3 2015 to £43 in Q3 2016) and overdraft debt fell by 57% over the year (£137 to £59 in Q3 2016).

The average debt held by over-55s is up 15% on the same period last year at £1,904

Average amount of debt owed
£

	Q3 2015	Q2 2016	Q3 2016
Credit cards	668	967	840
Personal loans	456	668	648
Hire purchase	172	159	233
Overdraft	137	78	59
Any other informal borrowing	73	78	46
Loans from family members and friends	109	71	43
Store cards	22	29	32
Doorstep lenders	25	16	2
Total unsecured debt	1,662	2,067	1,904

Property and mortgages

The post-EU referendum environment saw respondents reporting a 3% rise in their average property value from Q2 2016 (£264,457) to Q3 2016 (£271,667). Such a rise has come on the backdrop of warnings before the referendum that a vote to leave could lead to a fall in house prices.[9] However, over-55 homeowners hold 1% less in the value of their home from the £273,491 figure recorded in Q3 2015.

Average mortgage debt held by over-55s has fallen 12% annually

The average amount of mortgage debt accrued by over-55s has dropped by 12% to £66,968 when compared to the same time last year when debt stood at £75,776 in Q3 2015. Following the decision by the Bank of England to reduce the base rate in August from 0.5% to 0.25%, some homeowners may also be able to better manage their mortgage repayments in the months ahead.

Over-55 mortgaged homeowners hold £204,699 in equity in their homes (Q3 2016) with an average loan-to-value (LTV) ratio of 23%. Homeownership levels in Q3 2016 also show signs of recovery from the dip in Q2 2016, with four in five (80%) over-55s owning a home (vs. 76% in Q2 2016) and 64% owning their home outright (vs. 58% in Q2 2016).

Trends in over-55 homeowners' property wealth

	Q3 2015	Q2 2016	Q3 2016
Average value of property	£273,491	£264,457	£271,667
Average value of mortgaged property	£268,476	£250,345	£287,143
Average value of mortgage	£75,776	£60,106	£66,968
Average equity	£197,772	£204,351	£204,699
LTV (loan-to-value)	28%	24%	23%

9 What does Brexit mean for house prices? – Daily Telegraph

Over-55s are now more concerned about falling returns on savings (17% in Q2 2016 vs. 22% in Q3)

Threats to retirement and expectations for a happy retirement

The rising cost of living remains the most common threat perceived by over-55s to their current standard of living in the next five years, with 45% citing such a fear. Since the UK's decision to vote to leave the EU, concerns over rising inflation and the state of the economy have fallen slightly from 28% (Q2 2016) to 27% (Q3 2016). However, over-55s are now more concerned about falling returns on savings (17% vs. 22% in Q3) and investments (12% vs. 13% in Q3), potentially indicating added anxiety around the uncertainty caused by the result of the referendum and the subsequent decision by the Bank of England to cut the base rate from 0.5% to 0.25%.

Making the most of retirement finances in order to fund later life remains the most important decision that will need to be made in retirement according to two thirds (66%) of over-55s. This is followed by how to maintain health through diet and exercise (58%) and deciding which hobbies to pursue in retirement (40%). Close to two fifths (38%) list whether to stay in their current home or move to a new property as an important decision that they will need to make in retirement.

Only 10% in Q3 2016 see the decision of moving overseas as an important decision in ensuring a happy retirement, the lowest percentage seen since Aviva started tracking the data two years ago in Q3 2014.

Pension freedoms

Aviva has also been tracking the plans of the unretired over-55s since the Coalition Government's Pension Freedoms were announced in April 2014, as well as their awareness and attitudes to planning for retirement. The latest Q3 data shows an increasing willingness for retirement planning compared to the previous quarter, with half (50%) of unretired over-55s having started to plan for retirement versus 36% in Q2 2016: the highest percentage since records began. This leaves 31% (vs. 41% in Q2 2016) who have thought about it but not actively done anything and 19% (vs. 23% in Q2 2016) who haven't even thought about it.

Despite more over-55s taking time to plan ahead for their retirement, awareness of the changes ushered in by the Pension Freedoms remains fairly unchanged in Q3 with 86% saying they are aware of the changes (including 57% who are definitely aware and 29% who think they are aware). This was slightly above the 85% recorded a year ago (Q3 2015) and just below the 88% in Q2 2016.

Almost half (48%) of unretired over-55s believe there are no advantages from the Pension Freedom reforms

When looking at the perceived advantages of the Pension Freedoms among over-55s, just 21% feel it would help them to supplement their income in retirement and 10% said they would use it to pay off their mortgage, with another 1 in 10 paying other debts such as credit cards. However, despite the flexible access given to over-55s by the Pension Freedoms, almost half (48%) of those who have not yet retired believe there are no advantages from the reforms, only down marginally from 51% in Q3 2015.

Although more data would be needed to make a firm judgement, the findings suggests that having more flexible access to their pensions is more likely to appeal to consumers with higher monthly incomes, while those on lower incomes are more likely to see no advantage in this.

Potential benefits of being able to take your pension savings as a lump sum from the age of 55 years
%

	Q3 2015	Q2 2016	Q3 2016
I don’t see any advantages	51	46	48
To supplement my income in retirement	22	19	21
To have some spending money before I retire or during retirement for my personal interested, such as hobbies and travelling	20	26	19
To supplement my income whilst I’m still working	9	14	13
To pay off my mortgage	10	7	10
To pay off my debts such as credit cards	10	11	10
To give some money to my family (such as my children) as early inheritance)	4	8	9
To pay for house improvements	8	10	9

Almost half (48%) of unretired over-55s say they don’t think the Pension Freedoms have affected how they will plan their retirement, down from 54% in Q3 2015 but still a sizable number of the target group of consumers. However, they are now slightly more anxious about not having enough money to last the whole of their retirement (14% vs. 12%) or confused about having more decisions to make (8% vs. 7%) than they were a year ago.

Expert view →

“Although we have not witnessed significant inflationary pressure on prices as yet following the devaluation of the pound that followed the EU referendum, it is clear that people are concerned that such pressure in the future may impact them financially. It is noteworthy however that more people are now starting to consider how best to plan for retirement and perhaps this is a reflection on people’s effort to prepare more given the added economic uncertainty.”

Alistair McQueen
Savings and Retirement Manager, Aviva

Methodology

The Real Retirement Report is designed and produced by Aviva in consultation with ICM Research and Instinctif Partners. The Real Retirement tracking series referenced within this report has been running since 2010 and totals 25,990 interviews among the population over the age of 55 years, including 1,199 in October 2016 for the latest wave of tracking data (Q3 2016).

This edition's spotlight examines data from 1,700 UK adults aged 45 and over, who were interviewed at the same time.

Technical notes

- A median is described as the numeric value separating the upper half of a sample, a population, or a probability distribution, from the lower half. Thus for this report, the median is the person who is the utter middle of a sample. All figures in this report are medians unless otherwise specified and are referred to as 'typical' rather than 'average' (mean).
- A mean is a single value that is derived by adding all the values on a list together and then dividing by the number of items on said list. This can be skewed by particularly high or low values.
- Percentages displayed in tables may not always add up to 100% due to rounding.

For further information on the report or for a comment, please contact Fiona Whytock at the Aviva Press Office on 01904 452659 or fiona.whytock@aviva.com

For further information, please contact
Fiona Whytock at the Aviva Press Office on:

T: 01904 452659
E: fiona.whytock@aviva.com