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PPI

Designing Guided Retirement Solutions: Meeting member needs

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A research report by the UK's leading independent authority on pensions and retirement policy

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Published by the Pensions Policy Institute

ISBN 978-1-914468-34-6

www.pensionspolicyinstitute.org.uk

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Executive Summary

Guided Retirement solutions, as set out in the Pension Schemes Act 2026 (PSA 2026), are intended by the Government to underpin the development of a more structured approach to supporting individuals in the process of converting pension savings into retirement income. While the PSA 2026 establishes the overall framework for these solutions, the effectiveness of Guided Retirement will ultimately depend on the further details to be consulted on and provided in regulations, on how it is designed and implemented in practice by providers and schemes, and on engagement and feedback from consumers of early offerings.[1]

Guided Retirement will need to operate in a complex environment, particularly in relation to the information available to schemes and the diversity of member circumstances. In practice, solutions will not be expected to be based on fully tailored approaches. Instead, they will need to function using partial information, grouping individuals into broad, data-informed categories based on characteristics that schemes can reasonably observe or infer.

This places segmentation at the center of solution design. However, segmentation approaches must balance two competing objectives: using available information to design meaningful pathways, while remaining simple enough for members to engage with. Variables commonly observed by schemes and providers, such as pension pot size, are unlikely to be sufficient on their own to capture members' wider personal and financial circumstances to provide some type of tailoring, particularly in a system where individuals hold multiple pension pots. Additional proxies, such as the role of a pot within an individual's wider retirement income, alongside age, demographic or life stage factors, will also be important.

At the same time, designing Guided Retirement solutions requires explicit trade-offs. While the PSA 2026 emphasises the provision of a regular income, it does not specify the extent to which solutions should seek to mitigate risks such as longevity, inflation, or investment volatility. Retirement income solutions must balance multiple objectives, including income security, adequacy, flexibility, simplicity, and the ability to respond to changing circumstances over time. These objectives cannot all be maximised simultaneously, meaning that varying approaches to design will reflect different priorities.

The report also highlights that the concept of a "default" in decumulation remains open to interpretation. Different models, explored in the report, ranging from structured recommendations to stronger forms of automatic placement, imply different levels of intervention, different expectations of member engagement, and different governance considerations. Clarifying how defaults are intended to operate in practice for various consumer segments and the evolution of solution offerings will be an important step in the development of the framework.

Guided Retirement is unlikely to function effectively as a single decision point. Retirement is a journey that unfolds over time, during which individuals' circumstances change. This suggests that Guided Retirement may need to operate as an ongoing, dynamic pathway, rather than a one-off decision at the point of access. This has implications for when the pathway begins, how it evolves over time, and how members are supported to navigate shocks and revisit decisions. Communications are therefore imperative. If Guided Retirement is a solution that is a pathway rather than a stand-alone product, communications will need to support member engagement over time, rather than simply presenting options at retirement. This includes helping members understand how decisions taken earlier in retirement may affect outcomes later in life.

Finally, Guided Retirement sits within a wider and evolving retirement support landscape. Its effectiveness will be shaped by how it interacts with existing and emerging forms of support, including Pension Wise, targeted support, and regulated financial advice. As these elements develop, there is an opportunity to support more coherent member journeys and clearer pathways through the retirement decision-making process.

Overall, Guided Retirement represents a new layer of support within the UK pensions system. Its development provides a vital opportunity to translate a broad policy framework into practical solutions that operate with limited information, reflect diverse member needs, and balance competing priorities in retirement income design. Over time, as approaches evolve and greater insight into members is developed, Guided Retirement has the potential to play a critical role in improving how individuals navigate retirement income decisions.[2]

[1] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted
[2] For further explanation of key terms and concepts referenced in this report, see the PPI Pensions Glossary.

Introduction

The way individuals access and use their pension savings in retirement is changing. Over the past two decades, the UK pension system has shifted away from defined benefit (DB) provision and towards Defined Contribution (DC) saving. Automatic enrolment (AE) has significantly expanded participation in workplace pensions, bringing millions of individuals into DC schemes, many of which operate across multiple employers and schemes. As a result, a growing population of retirees will depend on accumulated DC savings to support their retirement.[3]

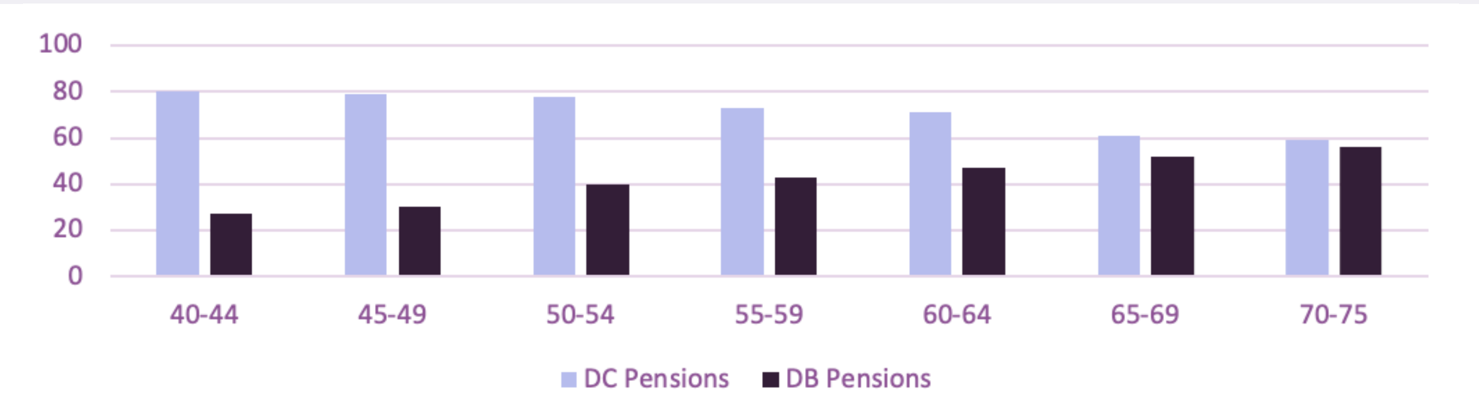
This shift has important implications for how retirement income decisions are made. In the past, DB pensions provided a predictable income stream for life, with limited decision-making required from members. In contrast, DC pensions place greater responsibility on individuals to determine how and when to draw on their savings for income in retirement, particularly following the introduction of Pension Freedoms.[4]

DB pensions already play a smaller role for younger cohorts approaching retirement. PPI analysis of Planning and Preparing for Later Life (PPLL) survey data shows a clear generational shift in pension type (Figure 1): around 80% of individuals aged 40 to 49 report having a DC pension (either in accumulation or in payment), compared with 59% of those aged 70 to 75.[5] By contrast, DB pension coverage increases steadily with age, reflecting the historical prevalence of DB provision among older cohorts.

This pattern highlights the transition underway in the UK retirement landscape: while older retirees are more likely to rely on DB income streams, younger cohorts approaching retirement are increasingly dependent on DC savings. As a result, a growing share of future retirees will face more complex decisions about how to convert accumulated pension wealth into sustainable retirement income.

Figure 1: The shift from Defined Benefit (DB) to Defined Contribution (DC) pensions across age cohorts.

Shift from DB to DC pensions across age cohorts



Source: PPI analysis of DWP Planning and Preparing for Later Life 2024 survey data.

The introduction of Pension Freedoms in 2015 significantly expanded the options available to individuals accessing DC pensions. Savers gained greater flexibility over how to withdraw their pension savings, including the ability to choose between taking lump sums, entering drawdown arrangements, and/or receiving a lifetime income through the purchase of an annuity. While these reforms increased choice and control for savers, they also transferred greater responsibility for managing investment and longevity risk onto individuals.[6] In parallel, both the number of individuals reaching retirement with DC wealth and the size of their pension pots are expected to increase. Median DC pension wealth at retirement is projected to rise across successive cohorts, reflecting longer contribution histories under AE and the growing role of workplace DC schemes.[7] As DC balances grow, the financial consequences of retirement income decisions will become even more significant.

However, navigating these decisions is challenging. Retirement planning requires individuals to consider multiple factors, including longevity risk, investment uncertainty, spending needs over time, and potential changes in health or household circumstances. Many people lack the financial capability, confidence, or engagement required to make these decisions independently. Survey evidence shows that 47.5% of UK adults report lower than medium confidence in managing their money, reinforcing concerns that individuals may struggle to make informed retirement income decisions without additional support.[8] Recognising these challenges, policymakers have increasingly focused on how to provide greater support to individuals navigating these decisions. The Department for Work and Pensions' (DWP) consultation Helping Savers Understand Their Pension Choices (DWP, 2023) highlighted the need for improved support mechanisms to help individuals make informed choices.[9] Several policy initiatives have emerged in response, including proposals underpinned by the Pension Schemes Act 2026, the Advice-Guidance Boundary Review, and reforms related to Value for Money (VfM) in pension provision.[10]

One proposal with the potential to improve the support structure available to DC scheme members navigating the decumulation landscape is the development of the Guided Retirement solutions framework. Overall, these solutions aim to provide more structured support for members accessing their pension savings, helping them convert accumulated pension wealth into a sustainable retirement income. Early policy discussions described these solutions primarily as default arrangements that would provide a retirement outcome for individuals who did not actively select a decumulation option.[11] However, the concept of Guided Retirement has evolved as policy proposals have developed.[12]

Rather than functioning solely as a passive backstop for unengaged members, Guided Retirement solutions may play a broader role in helping individuals navigate complex retirement income decisions. This shift introduces a number of key design and implementation considerations. In particular, there is a need to clarify the extent to which Guided Retirement should operate as a default for disengaged members versus a more active decision-support mechanism. It is also important to consider how these solutions can be designed to reflect differences in member circumstances, and how they can be effectively integrated within the wider pensions system alongside existing, and evolving, forms of guidance and advice.

This report explores these questions by examining the emerging policy framework for Guided Retirement, underpinned by the Pension Schemes Act 2026, and the practical considerations involved in designing and implementing such solutions. While Guided Retirement requirements apply initially to trust-based schemes regulated by The Pensions Regulator (TPR), the Act also places a statutory duty on the Financial Conduct Authority (FCA) to make equivalent rules for contract-based arrangements, with the aim of ensuring that the outcomes achieved in contract-based schemes correspond to those in trust-based schemes. While the implementation timeline and regulatory frameworks may differ between the two contexts, the underlying principles discussed in this report apply broadly across the retirement income market.

[3] Garcia Requejo, M. (2025). Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM. Pensions Policy Institute.
Invesco (2024). Better retirement outcomes in the DC era.
[4] Department for Work & Pensions (DWP) (2023). Helping savers understand their pension choices. Consultation Outcome.
[5] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.
[6] Garcia Requejo, M. (2025). Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM. Pensions Policy Institute.
[7] Boileau, B., Cribb, J. and Emmerson, C. (2025). Individuals' challenges managing pensions through retirement. Institute for Fiscal Studies (IFS).
[8] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[9] Department for Work & Pensions (DWP) (2023). Helping savers understand their pension choices. Consultation - Outcome.
[10] Garcia Requejo, M. (2025). Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM. Pensions Policy Institute.
[11] Department for Work & Pensions (DWP) (2023). Helping savers understand their pension choices. Consultation Outcome.
[12] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted

Research Aims and Approach

The aim of this research is to examine how Guided Retirement solutions could be designed and implemented within the UK pensions system. It considers some of the key design and implementation challenges associated with these solutions, and how they may fit within the wider retirement support landscape.

To address this aim, the research explores a number of key questions:

- What factors should schemes or providers consider when designing Guided Retirement pathways that meet the needs of diverse member profiles?
- How can schemes or providers balance flexibility and security in retirement solutions while managing key risks and trade-offs across different member groups and across the market?
- How might differences in consumer characteristics and risk profiles influence the design of Guided Retirement solutions?
- How do members engage with retirement support mechanisms, and what communication or decision-support approaches may improve understanding and trust?

This research adopts a mixed-methods approach combining quantitative evidence, industry analysis, and a policy and evidence review to explore how Guided Retirement solutions may operate in practice. The analysis is structured around three complementary strands of evidence that are outlined in further detail in the report's Methodology Appendix. A set of representative member vignettes were modelled to illustrate how Guided Retirement solutions would be able to support individuals in converting pension savings into retirement income.

Chapter One – Understanding Challenges in the Decumulation Landscape and the Case for Guided Retirement

This chapter examines behavioural patterns in the existing pensions decumulation landscape that shape how individuals access and use their pension savings at retirement. It shows that retirement decisions are often made in a fragmented system, with limited planning and a strong preference for liquidity and flexibility, highlighting the growing need for structured support at the point of retirement.

Chapter Two – Guided Retirement: Policy Direction and Design Challenges

This chapter examines the policy context and emerging framework for Guided Retirement, and explores the needs, risks, and trade-offs that retirement solutions may need to address. It sets out what Guided Retirement is intended to achieve and the key design considerations that will shape how these solutions operate in practice.

Chapter Three – Member Characteristics and Design Implications

This chapter examines the role of member characteristics in shaping retirement income needs and considers how these characteristics could inform the design of Guided Retirement solutions. It focuses in particular on the practical question of what information schemes or providers can realistically use to understand their membership and design retirement pathways for different groups of members.

Chapter Four – Emerging Products and Features: Providing Additional Support for Members

This chapter examines emerging retirement income products and international experience to identify design features and implementation lessons that may be relevant to Guided Retirement. It highlights how providers and schemes are already addressing issues such as income sustainability, flexibility, and later-life protection, while recognising that these products sit in a different context from the Guided Retirement framework set out in the Pension Schemes Act 2026.

Chapter Five – Embedding Guided Retirement in Practice

This chapter examines how Guided Retirement could operate in practice, focusing on the member journey, rather than individual product features. It examines key implementation questions, including when the Guided Retirement journey should begin, how schemes can design solutions using partial information, how strongly schemes should guide member decisions, how solutions operate over time, and how Guided Retirement fits within the wider pensions and support system.

CHAPTER ONE:

UNDERSTANDING CHALLENGES IN THE DECUMULATION LANDSCAPE AND THE CASE FOR GUIDED RETIREMENT

This chapter examines behavioural patterns in the existing pensions decumulation landscape that shape how individuals access and use their pension savings at retirement. It shows that retirement decisions are often made in a fragmented system, with limited planning and a strong preference for liquidity and flexibility, highlighting the growing need for structured support at the point of retirement.

Key Messages:

- **Many individuals approach retirement with pension savings spread across multiple pots, making holistic retirement planning more difficult.**
- **Pension Freedoms have increased individual responsibility for retirement income decisions, but many people reach retirement with limited planning and low confidence.**
- **Pension access decisions often prioritise flexibility and cash access rather than a long-term income strategy.**
- **The tax-free lump sum often acts as a behavioural trigger for accessing pensions, with income planning frequently deferred until later.**
- **These patterns suggest that retirement decisions are often made reactively, rather than as part of a structured plan, highlighting the potential role for Guided Retirement.**

Behavioural patterns in an evolving Pension Freedoms landscape

This section builds on PPI's previous retirement income market research by examining several features of the current decumulation landscape that are particularly relevant to Guided Retirement.[13] It focuses on wider trends and behavioural patterns that underpin why support is increasingly needed at the point of retirement and why designing that support is complex.

Fragmented pension pots and the complexity of holistic planning

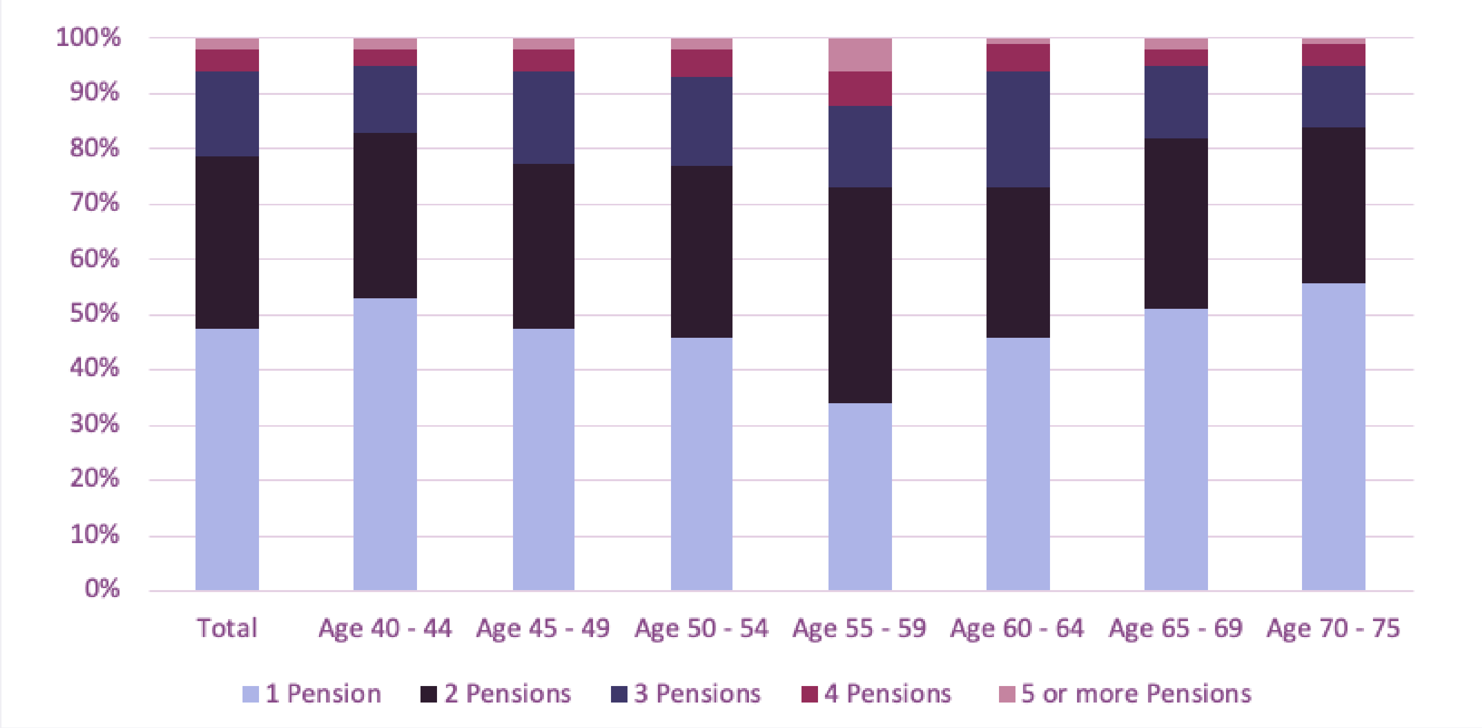
A central feature of the current decumulation landscape is the fragmented nature of pension saving. Over the course of their working lives, individuals often move between multiple employers, accumulating pension entitlements in different schemes. As a result, many people approaching retirement hold several separate pension pots rather than a single consolidated source of retirement income.

Findings from the 2024 Planning and Preparing for Later Life Survey show that fewer than half of individuals with private pensions report having only one DB or DC pension. More than half (52%) report having two or more, and a meaningful minority hold three or more. Among those aged 55 to 59, only 34% report having a single pension, while 39% report having two, 15% report having three, and a further 12% report four or more.[14]

These survey-based estimates are likely to understate the true extent of pension fragmentation. Individuals work for multiple employers over the course of their lives, with recent data showing that individuals aged 18 to 25 have already had an average of six employers.[15,16] Given that automatic enrolment typically results in a new pension pot with each employment spell, multiple pot holding is likely to be more widespread than self-reported figures suggest. In addition, disengagement and the prevalence of forgotten pots mean that self-reported data may not fully capture the number of pensions individuals hold.

[13] Garcia Requejo, M. (2025). Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM. Pensions Policy Institute.
[14] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.
[15] Department for Work & Pensions (DWP) (2014). Thousands more make contact with long lost funds.
[16] Canada Life (2025). 42% of Brits plan for multiple careers as Gen Z job-hopping rivals over-65s.
[17] Pension Freedoms were introduced following the 2014 Budget and implemented from April 2015. They allow individuals to access their defined contribution pension savings flexibly, without a requirement to secure a guaranteed retirement income, with the aim of giving savers greater freedom and choice over how they access their pension savings in retirement.
[18] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.

Number of Pensions by Age Cohort



Source: PPI Analysis of Planning and Preparing for Later Life (2025) survey data.

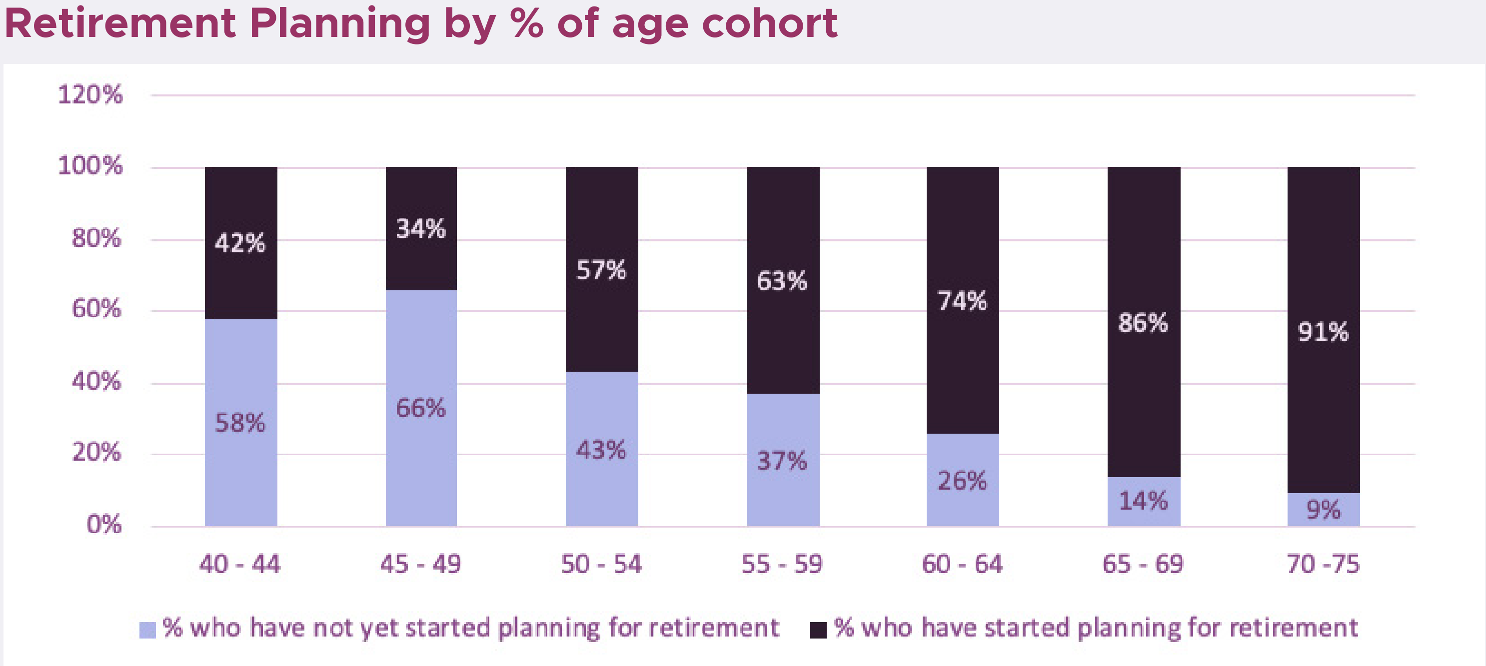
This matters because fragmented pension saving makes holistic retirement planning more difficult. Retirement income decisions are ideally made by considering a person's (or possibly even household's) overall financial position: the pension wealth they have accumulated, additional sources of income, how spending needs may change over time, and what level of security or flexibility is appropriate. In practice, however, there is a risk that individuals make decisions on a pot-by-pot basis, as different schemes may contact members at different times, present different access options, or frame choices in different ways. A member may also treat smaller pots differently from larger ones, depending on immediate needs or how central they perceive a particular pot to be within their overall retirement finances.

Fragmentation also creates challenges for schemes and providers. A scheme may be able to observe the value of a pot held within that scheme, but not whether that pot is the individual's main source of private pension income, one of several similar-sized pots, or just a small residual pot from a short-lived job. This pot-level structure of the system is important when considering the potential role of Guided Retirement. If retirement decisions are being made in a fragmented system, then support mechanisms also risk being fragmented unless they can account, at least partly, for the wider context in which members are making decisions.

Greater individual responsibility, but limited planning and support

A second defining feature of the evolving decumulation landscape is the extent to which responsibility for retirement income decisions now sits with the individual. Pension Freedoms[17] expanded the choices available to savers, but they also increased the degree to which individuals must decide for themselves how to turn pension wealth into income, how much to withdraw, and how to balance immediate needs against future security. This transfer of responsibility has taken place in a context where many people have limited engagement with their pension and relatively low levels of retirement planning. Evidence from the Planning and Preparing for Later Life Survey suggests that a large proportion of people approach retirement without having actively planned how they will use their pension savings. Across the survey as a whole, 37% of individuals in the UK reported that they had not yet started planning for retirement. Among those in their late 40s, the proportion was higher still: 66% of those aged 45 to 49 had not yet started planning, falling to 43% among those aged 50 to 54 and 37% among those aged 55 to 59.[18]

Figure 2: Retirement Planning by age cohort



Source: PPI Analysis of Planning and Preparing for Later Life (2025) survey data.

Responses to the Financial Conduct Authority's (FCA) Financial Lives Survey are consistent with this pattern: only a minority of DC pension holders aged 45 and older report having a clear plan for how they will access their DC pensions.[19]

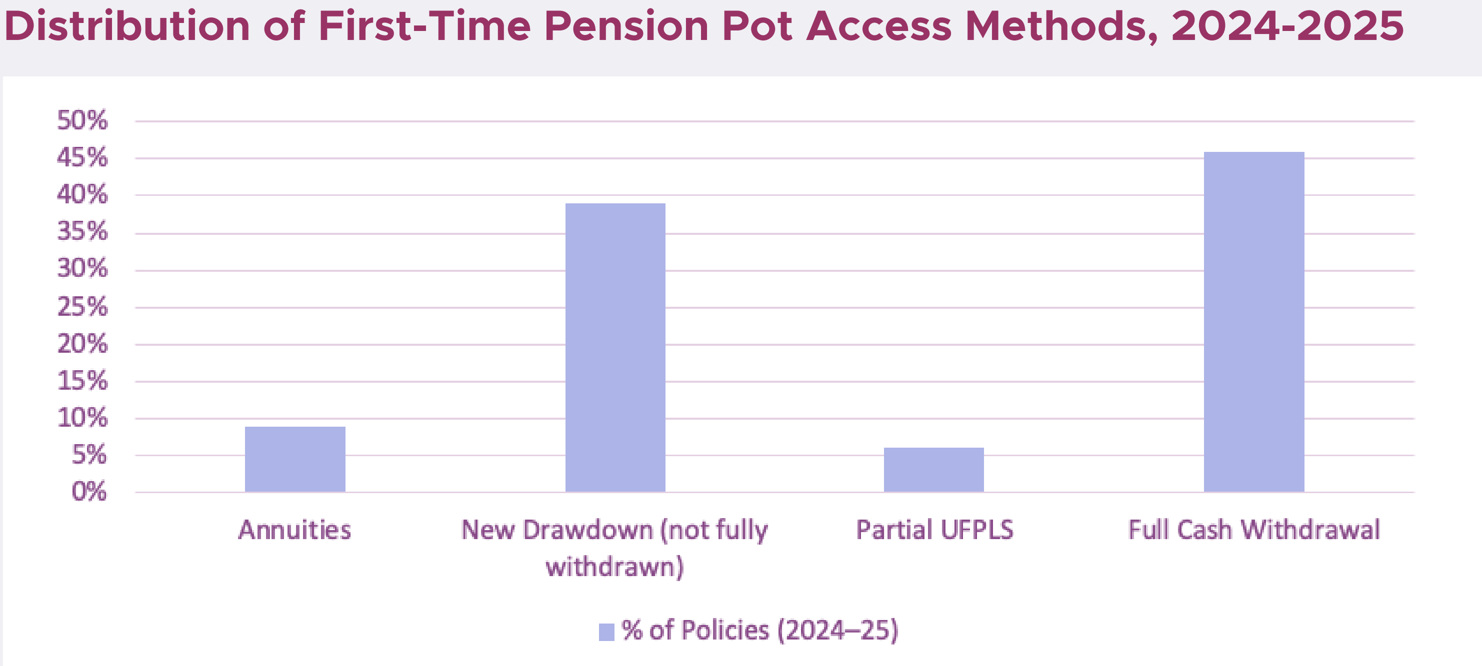
This matters because the decisions individuals face are complex. They are required to engage with products and concepts that many do not understand well, including annuities, investment options, and withdrawal rates. FCA findings suggest that awareness of some of these options remains low, even among those planning to access their pension in the near future and misunderstanding of key product features is common. The Money and Pensions Service (MaPS) estimates reinforce this: around 22.5 million UK adults do not feel they understand pensions well enough to make decisions about retirement, and many (around 46% of adults) lack confidence in managing their money.[20]

In parallel, a significant proportion of individuals do not access regulated financial advice when making retirement decisions. Recent FCA data indicates that around 30% of pension plans accessed for the first time are supported by regulated advice, with higher proportions for larger pots.[21] While this suggests advice plays an important role for some, the majority of pension access decisions are made without regulated advice. Use of guidance services is also limited, leaving a substantial group of savers making complex, high-stakes decisions with limited professional support.[22] Taken together, this evidence suggests that many individuals approach retirement income decisions without having developed a clear strategy for how their pension savings will be used. While engagement tends to increase as retirement approaches, a substantial proportion of people still reach the point of pension access with limited prior planning and at best only a partial understanding of the options available to them. As a result, decisions about how to use pension savings are often made in response to immediate circumstances rather than as part of a structured, long-term retirement income plan.

Pension access decisions reflect a preference for liquidity and flexibility

Behavioural patterns can be observed in how individuals access their pension savings for the first time. Evidence on the distribution of first-time pension access methods shows clear trends in how DC savings are used at the point of retirement. FCA data indicates that only around 9% of first-time pension accesses result in the purchase of an annuity, which remains the clearest example of a lifetime income decision.[23] This low take-up appears to contrast with stated consumer preferences for secure retirement income. Survey research suggests that around 44% of individuals say they would like a guaranteed income in retirement, yet fewer than half of those respondents recognised an annuity as a potential way of achieving this outcome.[24] Instead, most individuals either move into income drawdown or withdraw their pension savings as cash.

Figure 3. How individuals access their pension savings for the first time.



Source: PPI analysis of FCA Retirement Income Market data (2024/2025)

Close to half of pension pots accessed for the first time are fully withdrawn, with 90% of these withdrawals involving pots under £30,000. Alongside full withdrawals, income drawdown has become the dominant structured method of accessing pension savings.[25] Drawdown allows individuals to remain invested while withdrawing income over time, providing flexibility in how and when funds are accessed. However, the way drawdown is used varies significantly. Some retirees adopt structured withdrawal strategies designed to provide a regular income throughout retirement, whilst others withdraw funds intermittently, accessing their pension savings on an ad-hoc basis in response to more immediate financial needs.

[19] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[20] Money and Pensions Service (MaPS) (2025). MoneyView 2025: How people in the UK feel about money.
[21] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[22] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].

[23] Financial Conduct Authority (FCA) (2025b). Retirement Income Market Data 2024/25.
[24] Legal & General (2023b). New research reveals: Financial stability is the UK's ultimate retirement dream.
[25] Financial Conduct Authority (FCA) (2025b). Retirement Income Market Data 2024/25.

Deciding how much to withdraw from drawdown each year can be a significant challenge for many. Qualitative research indicates that individuals are often unsure how much they can safely withdraw each year and express concern about the possibility of exhausting their pension savings too early.[26] This has led to growing interest in solutions that offer more flexible and accessible support on sustainable withdrawal levels.

Overall, pension access decisions are driven by a preference for liquidity and flexibility, rather than by the establishment of a long-term retirement income strategy. In practice, many decisions appear to be made at the level of individual pension pots and in response to short-term financial considerations, rather than as part of a coordinated retirement income plan.[27] This interpretation is also consistent with evidence on how withdrawn funds are used. Survey data indicates that when individuals access their DC pension savings, a majority take at least some funds as cash. These withdrawals are often used to cover immediate financial objectives - paying off debts, covering living costs, or funding major purchases.[28]

The behavioural role of the tax-free lump sum

The ability to withdraw up to 25% of pension savings tax free is one of the most widely recognised features of the UK pension system, and acts as a clear and tangible incentive for individuals to save into pensions. For many savers, it is also the feature of the system they most clearly understand and expect to use when they reach 55 (expected to rise to 57 in 2028). Many individuals withdraw the maximum 25% tax-free amount, often treating this figure as a natural default. Behavioural explanations such as anchoring and mental accounting help explain this pattern.[29] As 25% represents the maximum tax-free amount available, individuals may anchor their decision around this figure and withdraw the full amount even if their initial intention had been to take less.

At the same time, many individuals mentally separate this lump sum from the remainder of their pension savings. Rather than viewing it as part of a longer-term strategy, it is often treated as a separate pool of money that can be used for specific purposes when retirement is reached. Qualitative insights highlight this behaviour as a “lottery effect”, where the lump sum is perceived as a reward for years of saving.[30] However, the available evidence provides limited insight into the motivations underlying these decisions, and observed behaviours may reflect a range of drivers. Data shows that common uses for the tax-free lump sum include paying off mortgages, clearing debts, financing home improvements, supporting family members, or funding major purchases.[31]

One important implication of this behaviour is that accessing pension cash does not necessarily coincide with the point at which individuals begin planning their retirement income. In practice, individuals may access the tax-free lump sum first while decisions about how to generate income from the remaining pension savings are deferred until later. As a result, the decumulation journey often begins with cash access rather than income planning. This creates important challenges for how retirement income decisions are supported and raises questions about when individuals should be engaged and supported in planning how their pension savings will be used throughout retirement. This pattern of early withdrawals can also affect the resources available later in retirement. Withdrawing funds reduces the amount that remains invested and therefore the potential for further investment growth. Where withdrawals occur well before income is required, this may result in a smaller pool of savings available to support spending over the remainder of retirement.

[26] Standards Life Centre for the Future of Retirement (2026). Decisions in the Dark: How the DC pioneer generation are navigating retirement income decisions.
[27] Overton, L. and Smith, C.. (2026). Pension Decision-making in the New Retirement Landscape.
[28] Overton, L. and Smith, C. (2026). Pension Decision-making in the New Retirement Landscape.
[29] Invesco (2022). Gearing up for Retirement.
[30] Llewellyn, P. (2025). Supporting the person behind the pension. Legal & General.
[31] Overton, L. and Smith, C. (2026). Pension Decision-making in the New Retirement Landscape.

CHAPTER TWO:

GUIDED RETIREMENT – POLICY DIRECTION AND DESIGN CHALLENGES

This chapter examines the policy context and emerging framework for Guided Retirement, and explores the needs, risks, and trade-offs that retirement solutions may need to address. It sets out what Guided Retirement is intended to achieve and the key design considerations that will shape how these solutions operate in practice.

Key Messages:

- **Retirement income solutions must balance multiple objectives, including income security, flexibility, simplicity, and ideally the ability to respond to changing circumstances over time.**
- **Individuals face a range of risks in retirement, including financial risks (such as longevity, inflation and investment risk), behavioural risks (such as withdrawing too quickly or too cautiously), and life-course risks (such as health shocks, care needs, and changes in household circumstances).**
- **The effectiveness of Guided Retirement will depend on the interplay between clear regulatory requirements that define what is expected of schemes, and how solutions are designed and implemented in practice, including the choice architecture used, the point at which support is introduced, and how members are grouped into broad segments.**
- **Guided Retirement should be evaluated against current decumulation outcomes, rather than against fully personalised retirement strategies that would in practice require regulated financial advice.**

The previous chapter highlights several structural and behavioural challenges within the decumulation landscape. Many individuals approach retirement decisions without a clear plan, while pension access behaviour often reflects a preference for liquidity and flexibility rather than structured retirement income planning. These dynamics have led policymakers to consider how the pension system can provide greater support to individuals on their journey to and through retirement, through mechanisms such as Guided Retirement.

Guided Retirement in the Pension Schemes Act 2026: What Has Been Defined and What Is Still Evolving

The Pension Schemes Act 2026 establishes the legislative framework for “default pension benefit solutions”, often referred to in policy discussions as Guided Retirement solutions. The PSA 2026 sets out a clear direction of travel: pension schemes will be expected to support members in converting their pension savings into retirement income, rather than leaving individuals to navigate complex decumulation decisions on their own.[32]

Several elements of this framework are already clearly defined in the legislation and accompanying explanatory notes:

- Firstly, trustees or scheme managers of relevant occupational DC schemes will be required to design and make available (one or more) default pension benefit solutions for their members.
- Secondly, these solutions must be designed to provide members with a regular income in retirement, although they may also include other features or benefits alongside that income.
- Thirdly, the solutions operate as “defaults” in the sense that members will receive pension payments through them as regular income, unless they choose to access their pension in another way.

The Pension Schemes Act (PSA) 2026 also recognises that members’ circumstances vary. Schemes may therefore design different solutions for different groups of members, reflecting factors such as pot size, retirement timing, or other characteristics of the scheme’s membership.

In designing and periodically reviewing these solutions, trustees are expected to take account of members’ needs, interests and circumstances, including the fact that some members may have already accessed part of their pension savings before entering a retirement solution. Schemes may also request information from members to help inform the design of these solutions. Finally, schemes will be required to set out a pension benefits strategy, explaining how they understand the needs of their members, how their set of solutions are designed, and how retirement options will be communicated.

While the PSA 2026 provides the overall structure, many important aspects related to the design and implementation of Guided Retirement solutions will be shaped through secondary regulation and industry practice.[33] For example, the legislation does not yet specify in detail what constitutes “regular income” or how retirement should be defined for the purposes of these solutions, including the circumstances in which the regular income requirement may not apply. It also leaves open how the “default” will operate in practice, including how solutions should be presented to members when they begin accessing their pension savings, and how strongly scheme-led solutions will shape member decisions. Similarly, while the PSA 2026 makes clear that schemes should take account of members’ circumstances, it does not yet specify how far solutions are expected to be tailored in practice, or what level of information schemes will realistically be able to obtain from members.

A further area of uncertainty relates to the extent to which Guided Retirement solutions are expected to protect members against key retirement risks. While the legislation emphasises the provision of a regular income, it does not specify whether, or to what degree, solutions should seek to mitigate risks such as longevity, inflation or investment volatility. This raises important questions about whether solutions should aim to reduce members’ exposure to these risks, or to provide stronger forms of protection (backstop-solutions), and how such trade-offs should be reflected in design.

Figure 4: Pension Schemes Act 2026 – what has been defined and what is still evolving (May 2026)[34]

What has been defined:

- Trustees or managers of a relevant scheme to design one or more default pension benefit solutions for members.
- These are intended to provide **regular income in retirement** (possibly alongside other benefits).
- Members will receive pension payments through them unless they choose an alternative.
- Trustees or managers or a relevant scheme must take account of members’ needs, interests and circumstances.
- Trustees or managers of a relevant scheme may **request information** from eligible members of the scheme to design pension benefit solutions, or to determine which pension benefit solution may be appropriate.
- Trustees or managers of a relevant scheme must set out a “**pension benefits strategy**”.

What is still evolving:

- How “**regular income**” and “**retirement phase**” will be defined in regulation, and in practice.
- Circumstances where the regular income requirement may not apply.
- How Guided Retirement solutions will be presented when members access benefits.
- How the “**default**” experience will operate in practice for members.
- How far schemes are expected to reflect member needs and circumstances.
- What level of tailoring vs. standarisation will be workable in practice.
- The extent to which solutions are expected to protect against **key retirement risks** (e.g. longevity, inflation, investment, etc.)
- The degree to which Guided Retirement is intended to deliver minimum standards versus more holistic retirement outcomes.
- How strongly scheme/provider led defaults are expected to **shape member decisions**.

[32] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted
[33] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted
[34] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted

These open questions raise several practical considerations for schemes designing Guided Retirement solutions. These include how retirement decisions are made in practice, how member needs and competing priorities should be reflected in solution design, what member characteristics should be taken into account, and how options are presented to members to support decision-making. The remainder of this report aims to explore these design questions in greater depth.

What is Guided Retirement trying to achieve?

Many of the design considerations discussed above ultimately point to the need for greater clarity on the core objective of Guided Retirement solutions. Establishing this objective is important, as it underpins key design choices explored in this research.

Guided Retirement cannot optimise every possible retirement outcome for every individual. Retirement outcomes are influenced by a wide range of factors (saving levels, housing tenure, household income, health and longevity), many of which are broader than the pension system itself. Rather, Guided Retirement can be understood as focusing on a more specific objective: providing structured support to help individuals convert their pension savings into a sustainable retirement income, particularly given the complexity of the decisions involved.

The legislative framework established by the Pension Schemes Act 2026 is best understood as setting a floor.[35] Government requirements are designed to secure minimum standards of support, ensuring a baseline of consistency and protection across the market. However, the framework should allow for schemes to go further, offering more innovative approaches where they have the capability and member data to do so. Retirement solutions can therefore vary in the degree to which they rely on structured approaches, where schemes provide broadly designed pathways that prioritise income sustainability while requiring limited information about individual circumstances, or incorporate more tailored elements, using additional information about members' financial situations, preferences or retirement plans to better align outcomes with their circumstances. In practice, fully personalised solutions would require levels of information and engagement that pension schemes may not realistically be able to obtain, while overly rigid approaches may not reflect the diversity of circumstances and needs among retirees. There is also a question of consistency in the level of support available across different parts of the market (particularly between trust-based and contract-based schemes). Approaches such as targeted support may play a role in helping members engage with retirement decisions but will also be designed to operate at a segment level. Guided Retirement therefore sits between these approaches, combining structured support with some ability to reflect differences across cohorts of members.

Another important consideration is the baseline against which Guided Retirement should be evaluated. The relevant comparison is not a perfectly tailored retirement strategy for each individual (which would, in practice, require regulated financial advice), but rather the outcomes observed when members access their pension savings without structured support for retirement income planning. From this perspective, the objective of Guided Retirement is to improve retirement outcomes within the existing system, particularly for groups of members who may struggle to engage with, or navigate, complex retirement decisions. This reflects an approach that prioritises improving outcomes on average across groups of members, rather than seeking to optimise outcomes for each individual.

The following section focuses on exploring the needs, risks, and trade-offs that Guided Retirement solutions may need to address in order to support members more effectively throughout retirement.

[35] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted
[36] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.
[37] Scottish Widows (2025). Decumulation: Understanding the Needs of the Nation.
[38] Crawford, R., Karjalainen, H. and Sturrock, D. (2022). How does spending change through retirement? The Institute for Fiscal Studies.

Design Considerations: Member Needs and Retirement Risks

Retirement needs:

Although individuals approach retirement with different financial circumstances and preferences, research consistently shows that retirees tend to seek a combination of several objectives from their pension savings rather than a single outcome. Data from the Planning and Preparing for Later Life Survey (2024) shows that nearly half of respondents identify a guaranteed income for life as the most important feature they want their pension to provide. Other respondents prioritise flexible income arrangements and income to bridge the period between retirement and State Pension age (SPa).[36]

Figure 5: Top 3 features individuals consider the most important for their pension to provide

Most important feature I'd want my pension to provide

Source: PPI analysis of DWP Planning and Preparing for Later Life (2024) data.

Clearly, retirement planning revolves around multiple objectives. A stable, predictable income with some degree of flexibility in how their pension savings can be used is desired.[37] While overall spending may remain relatively stable over retirement, the composition and timing of that spending can change, with potential shifts in housing, health-related costs or lifestyle over time.[38] As a result, retirees value solutions that combine some flexibility in withdrawals with mechanisms that help provide longer-term income security.

Analysis of evidence on retirement preferences highlight several objectives:

- secure income (a reliable income that meets essential living costs and provides financial security throughout retirement);
- flexibility in how savings can be accessed (the ability to adjust income over time as needs and circumstances change);
- protection against longevity and inflation risks (confidence that pension savings will last throughout retirement);
- simplicity and clarity in how retirement income is managed; and
- reassurance that decisions made at retirement are appropriate for their circumstances.

However, **these objectives cannot all be maximised simultaneously. Designing retirement income solutions necessarily requires trade-offs between competing priorities**, such as flexibility versus income security, or scalability versus a higher degree of tailoring.

While individuals may still value the possibility that remaining funds could pass to family members, planned bequests generally appear to be a secondary consideration for most savers. For example, only around 2% of DC pension holders report a firm intention to leave their pension savings as an inheritance, while around two-thirds agreed that pension savings are primarily intended to support themselves or their partner in retirement.[39]

Retirement risks:

In addition to addressing the needs outlined above, Guided Retirement solutions are intended to help members navigate various risks that arise when managing pension savings throughout retirement. These risks are not limited to financial uncertainty but also reflect behavioural factors and life events that can affect individuals' ability to manage retirement income over time.

Figure 6: Risks that could be managed by Guided Retirement solutions

Financial Risks	Behavioural Risks	Life-course Risks
Longevity risk	Overspending	Health shocks
Sequencing risk	Underspending	Care costs
Inflation risk	Inertia and disengagement (not only at the point of access, but throughout)	Cognitive decline
Market shocks	Decision paralysis	Bereavement (survival risk)

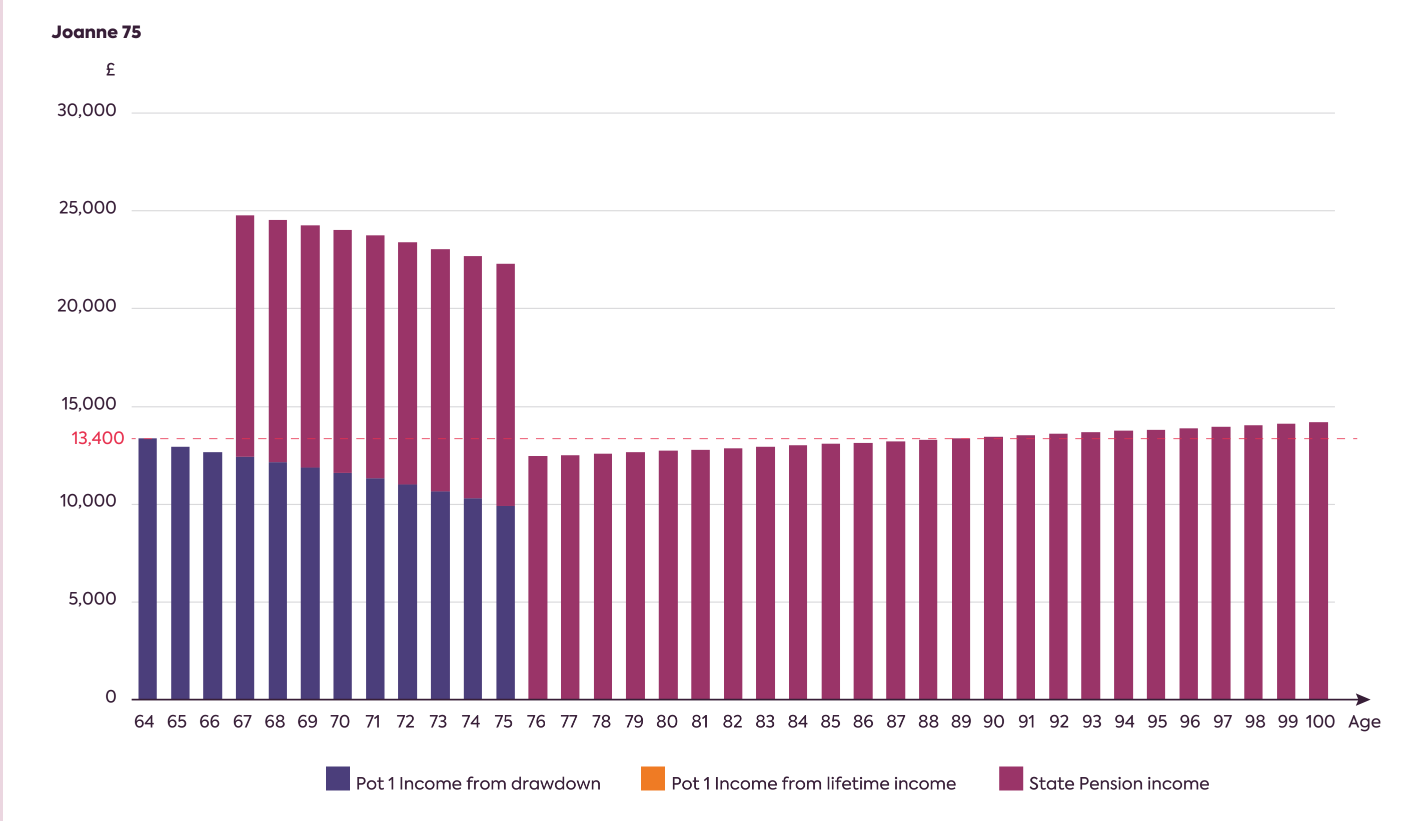
Financial risks relate to uncertainty surrounding how long retirement savings must last and how financial markets perform over time. One of the most significant challenges that Guided Retirement could support members to manage is longevity risk: the possibility that individuals may outlive their pension savings. This reflects the inherent uncertainty around individual life expectancy, which complicates decisions about the appropriate pace and structure of accessing retirement resources. Retirees drawing income directly from their pension savings may also face sequence of return risk, where poor investment performance in the early years of retirement can significantly affect the sustainability of their withdrawals. In addition, inflation risk can erode the real value of retirement income over time, and market shocks can impact saving levels.

Vignette 1: Joanne, Retired

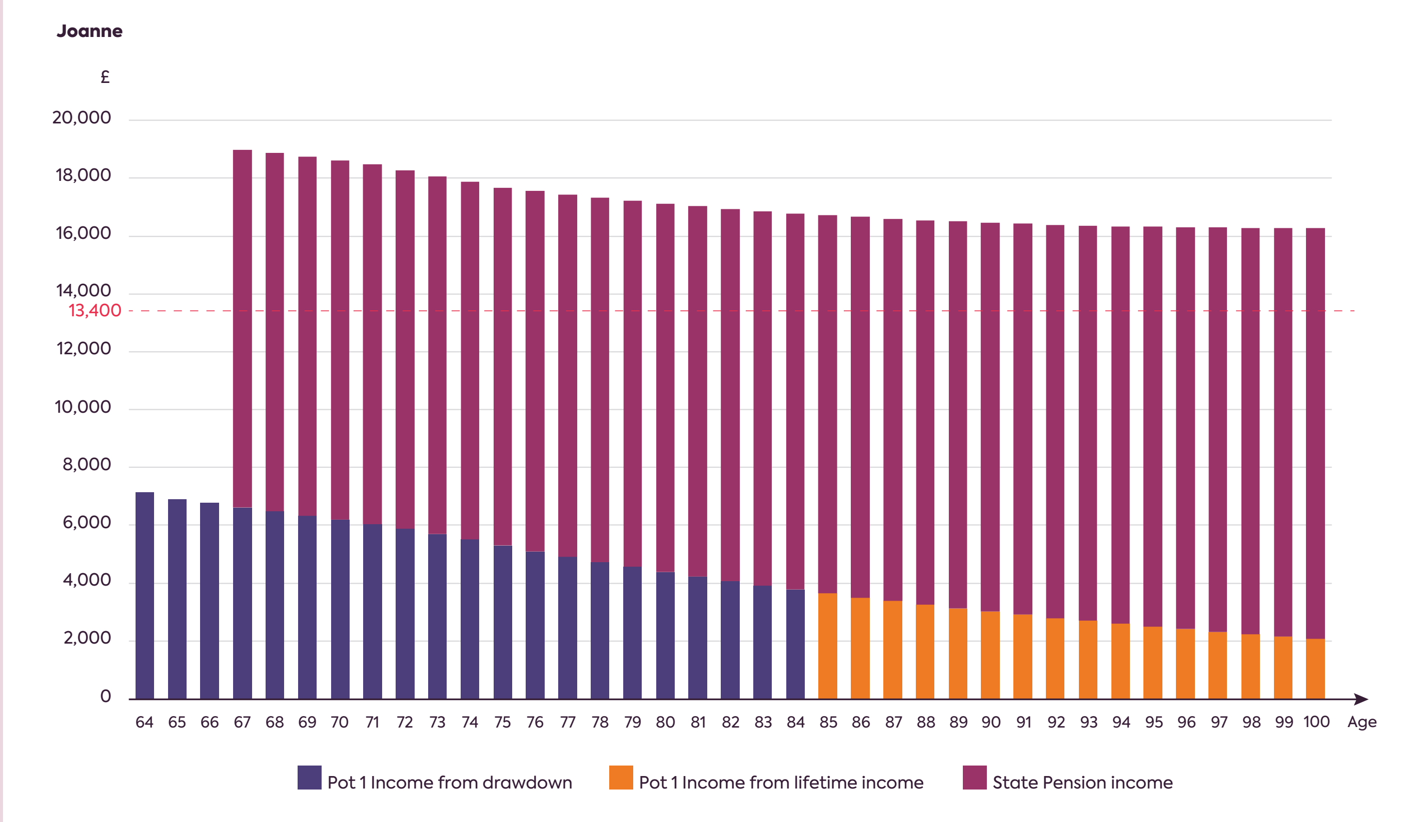
- Age 64 (3 years to SPa)
- Employment: Retired, supported by partner's DB pension
- Married
- Private renter
- Total DC savings: £120,000
- No DB pension, entitled to full State Pension
- Engagement Level: low

Joanne's case is modelled as an extreme comparison between two "journeys":

1. No structured decumulation support, where she withdraws from her pension at a rate of around 11.1%, causing her pension savings to run out by age 75, and;



2. A Guided Retirement solution, under which her pension is converted into a more structured and sustainable income pathway.



Under a Guided Retirement solution, Joanne's pension is drawn down more gradually, and is protected by both a lifetime income, that kicks in at 85, and a protected emergency access fund she can choose to withdraw at any time to cover unexpected expenses.

Rather than maximising income in the earlier years of retirement, the pathway is designed to smooth income over time and preserve pension resources into later life. Before SPa, Joanne receives a lower level of private pension income than under the unsupported drawdown scenario. However, once State Pension begins, the Guided Retirement pathway helps maintain a more stable overall income across the remainder of retirement.

The contrast between the two pathways is most visible in later life. Under the unsupported drawdown scenario, Joanne receives a relatively high private income in the earlier years of retirement, with pension withdrawals of more than £12,000 a year before SPa and continuing at a high rate until the pot is exhausted at age 75. This produces higher income in the short term, but once pension savings are depleted, Joanne is left relying almost entirely on State Pension income. As a result, from age 76 onwards her income drops sharply and remains below the Minimum Retirement Living Standard for a prolonged period.

By contrast, under the Guided Retirement pathway, Joanne's income is lower in the early years of retirement, Under a Guided Retirement solution, Joanne's pension is drawn down more gradually, and is protected by both a lifetime income, that kicks in at 85, and a protected emergency access fund she can choose to withdraw at any time to cover unexpected expenses.

This vignette highlights several important considerations for the design of Guided Retirement solutions:

- Under the unsupported pathway, Joanne appears financially better off in the early years of retirement, but this comes at the cost of exhausting pension savings by age 75. A more structured pathway smooths income over time and reduces the risk of members drawing too much too early.
- As a private renter, Joanne remains exposed to ongoing housing costs throughout retirement, making the consequences of pension depletion more severe.
- For individuals with similar circumstances, clear modelling of future income paths, including what happens if withdrawals are increased, could be a valuable part of the decision-making journey.
- Joanne is supported by her partner's DB pension, but her own pension pathway still matters for her individual income security and for resilience later in retirement. Prompting members to consider their wider household resources may also be important.

Behavioural and decision risks arise because retirement income planning requires individuals to make complex decisions against a backdrop of uncertainty. Guided Retirement solutions may help address some of these risks by providing greater structure and support around retirement income decisions. For example, individuals may withdraw funds too quickly and risk depleting their savings prematurely or withdraw too cautiously and limit their spending to levels below what their savings could sustainably support, reducing their standard of living in retirement. Evidence also suggests that, as a result of the complexities involved in navigating the current retirement income system, inertia, disengagement or decision paralysis are barriers when faced with decisions surrounding their pensions.

A related behavioural risk concerns how individuals approach the 25% tax-free lump sum. As discussed earlier, this feature is one of the most widely recognised elements of the pension system and is frequently accessed in full when individuals first draw on their pension savings. While this may be appropriate in some circumstances, large withdrawals can reduce the portion of pension savings that remains invested, limiting future investment growth and potentially reducing the level of income available later in retirement. Depending on their design, Guided Retirement solutions could help members consider how decisions around tax-free cash interact with longer-term retirement income planning.

Members may also face a range of life-course risks that are difficult to anticipate at the point of retirement. These include unexpected health shocks, rising care costs, cognitive decline, or changes in household circumstances related to care provision and bereavement. While these risks cannot be eliminated, Guided Retirement solutions may need to account for the possibility of circumstances changing over time, and support members in managing their income throughout retirement in spite of them.

Taken together, these needs and risks highlight the complexity of managing pension savings throughout later life. Guided Retirement solutions will need to operate within this complexity, providing support that helps individuals navigate changing circumstances and competing priorities over time. The effectiveness of these solutions will depend not only on their objectives, but on how they are delivered in practice, including how and when members are engaged, how far Guided Retirement solutions are expected to manage existing risks for members, and how support is structured across different groups. These design choices will shape the extent to which Guided Retirement can improve outcomes within the existing system.

CHAPTER THREE:

MEMBER CHARACTERISTICS AND DESIGN IMPLICATIONS

This chapter examines the role of member characteristics in shaping retirement income needs and considers how these characteristics could inform the design of Guided Retirement solutions. It focuses on the practical question of what information schemes can realistically use to understand their membership and design retirement pathways for different groups of members.

Key Messages:

- **Retirement circumstances vary significantly across individuals and across schemes, meaning that a single retirement solution across the market is unlikely to be suitable for all members.**
- **A wide range of characteristics may shape retirement income needs, including age, health, household circumstances, pension wealth, housing tenure, engagement and financial capability, but many of these are difficult for schemes to observe directly or keep up to date.**
- **Guided Retirement is therefore likely to operate using partial information, relying on characteristics that are both materially important and realistically feasible for schemes to incorporate into solution design.**
- **Segmentation is likely to be a central feature of Guided Retirement, allowing schemes to group members into broad, data-informed categories and design retirement solutions intended to work well for those groups.**
- **Pot size alone is unlikely to provide a sufficient basis for segmentation, particularly in a system where many individuals hold multiple pension pots, and where a single pot may play either a central or secondary role in retirement income.**
- **Simple proxy questions, such as whether a pot is expected to be a member's main source of retirement income, may help schemes distinguish between different types of retirement solutions without requiring extensive data collection.**
- **Age and life stage are likely to be among the most practical segmentation variables, as they are consistently available to schemes and can help structure retirement solutions around broad phases of the retirement journey.**
- **Segmentation approaches are likely to need to remain relatively simple, iterative and flexible over time, balancing the use of available information with the need to keep retirement solutions simple enough for members to engage with.**

Member Characteristics

Retirement circumstances vary significantly across individuals, meaning that the same approach to providing a retirement income will not be suitable for everyone. Individuals may differ in how and when they retire, the level of pension savings accumulated, contribution patterns, and the extent to which they rely on DC savings income to support their standard of living.[40] In addition, pension schemes themselves may serve very different memberships. Schemes vary by average size of a member's pension pots, the industries/sectors they work in, retirement patterns across the membership, and overall demographic composition.[41] As a result, the characteristics most relevant to solution offerings may differ across schemes.

Guided Retirement solutions will need to operate with gaps in member data. This makes it important to prioritise characteristics that are materially important and realistically feasible for schemes to incorporate into solution design. In principle, a wide range of information could be relevant when designing retirement income solutions. In practice, the closest setting in which all of these factors are typically explored in detail, is through regulated financial advice, where advisers gather extensive information about an individual's financial situation, retirement objectives and personal circumstances. However, most pension savers do not access regulated financial advice. Guided Retirement is therefore intended to support a broader group of members who are unlikely to access advice, meaning that solutions will need to be designed to function effectively without the level of detailed personal information that would normally be available through an advised process.

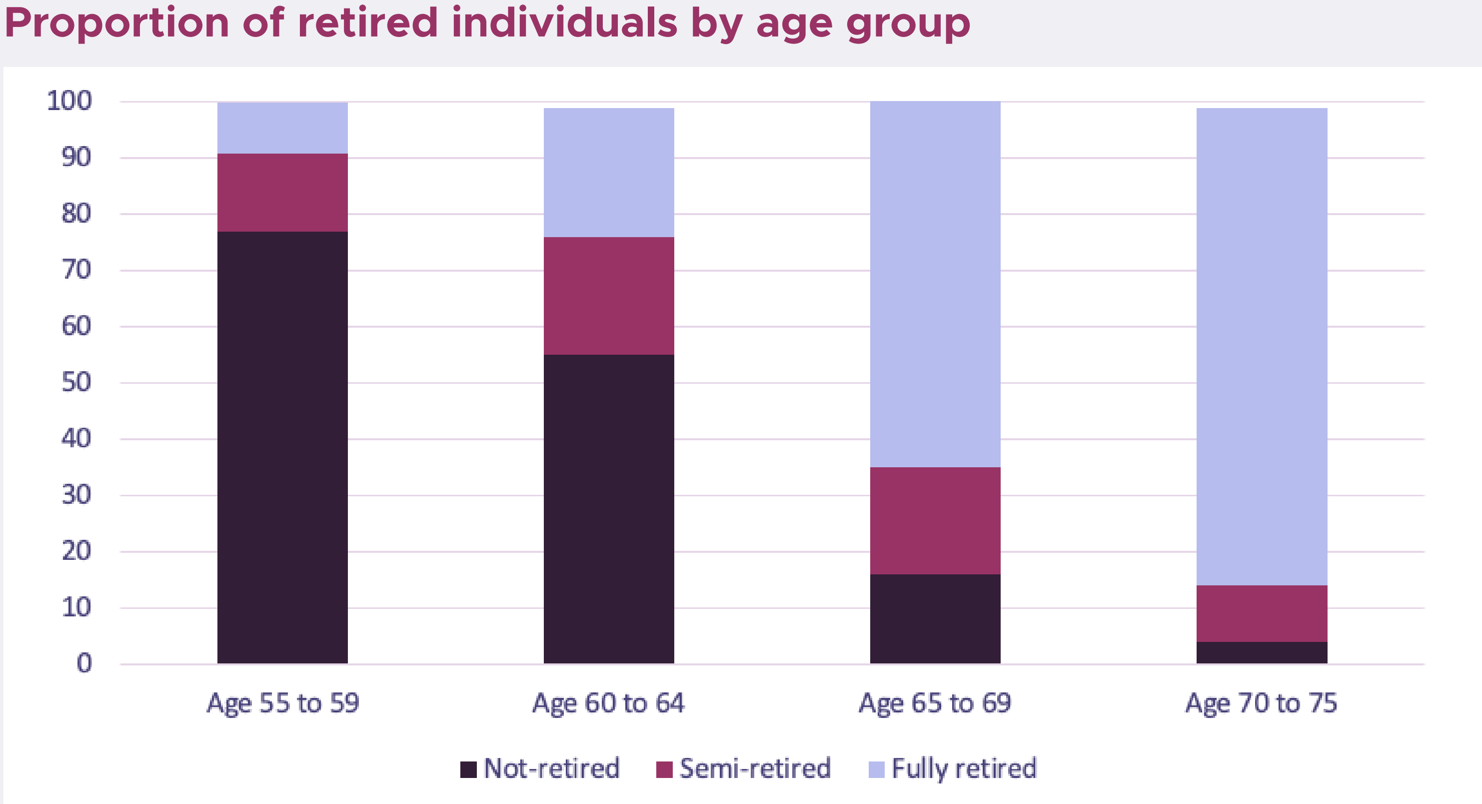
The following section highlights several characteristics that may be particularly important for schemes to consider, in relation to default pension benefit solutions, and which emerged as key themes in the evidence review and stakeholder discussions. Their relevance is likely to depend on the context in which decisions are being made, including the scheme's membership, the design of the retirement solution, and the stage of the retirement journey.

Age and Retirement Timing

Unlike many other factors that may influence retirement income needs, age is recorded as part of the basic administrative data held by schemes, and can therefore be readily incorporated into the design of retirement solutions. Age influences several aspects of retirement income planning. It correlates with life expectancy, and therefore the expected length of retirement, which in turn shapes the time horizon over which pension savings must provide income. This has implications for sustainable withdrawal rates and the level of investment risk that may be appropriate during retirement. In addition, age is linked to eligibility for the State Pension, which remains a key source of retirement income for many individuals at present.

For many savers, pension savings must bridge the gap between leaving work and the age at which they begin receiving State Pension income, with some evidence suggesting that a significant proportion of individuals retire before reaching SPa.[42] Individuals who retire before reaching SPa may therefore need their DC savings to support income during this period, before State Pension payments begin. Age is an integral reference point when considering how retirement income pathways might be structured. However, retirement does not occur at a single, "cut-off" age. Evidence suggests that retirement is often a gradual process, with individuals moving through phases of partial retirement, reduced working hours, or continued employment before fully exiting the labour market. The table below illustrates how retirement status varies across different age groups.

Figure 7: Proportion of Retired individuals by Age group



Source: PPI analysis based on DWP Planning and Preparing for Later Life data.

[40] Bell, D. & Warren, G. (2024). Member characteristics: What matters for retirement solution design? Retirement Explainer series.
[41] Office for National Statistics (2026). Employee workplace pensions in the UK: 2024 provisional and 2021 to 2023 final results.
[42] Just Group (2024). Nearly two-thirds of workers retire before reaching State Pension Age, Just Group finds.

Data from the Planning and Preparing for Later Life Survey shows that a majority of individuals aged 55 to 59 remain in work, with around three quarters reporting that they are not yet retired. By ages 60 to 64, the proportion of people still working remains substantial, although partial retirement becomes more common. It is only in the late 60s that the majority of individuals report being fully retired.[43] These patterns illustrate that retirement is increasingly phased rather than a "set point" in an individual's life, and that members may continue to earn income while beginning to access pension savings. As a result, Guided Retirement solutions may need to accommodate a range of different "journeys", including periods of transition out of the labour market. How well they can do so will depend on how regulatory requirements define core concepts such as regular income. The default pathway can function as a minimum foundation that members can build on through further scheme engagement or financial advice.

While pension schemes record a member's age, they typically do not observe when that individual intends to retire. Changes in contribution patterns, for example, may indicate a transition out of employment, but they can also reflect other life events, such as a job change, a shift to self-employment, caring responsibilities, or a temporary pause in work. For this reason, age often acts as a proxy for life stage, rather than a precise indicator of retirement status. Groups of savers who face medical conditions or higher health and social care costs may need greater access to liquid savings to manage expenses, as the timing of retirement for individual members can be uncertain. Nevertheless, age can still serve as a useful reference point for structuring retirement solutions, helping to guide investment strategies, withdrawal plans, and the timing of potential longevity protection mechanisms (e.g. lifetime income elements).

Health

An individual's health status is central to retirement income decisions. Health influences expected longevity, which affects how long retirement savings may need to last. It may also shape the suitability of different retirement income approaches.

Despite its importance, health is often difficult for individuals to incorporate into retirement planning. Health is unpredictable, and many individuals may underestimate the likelihood or financial implications of illness in later life. Evidence suggests that health risks are not always fully considered when individuals plan how to use their pension savings. For example, only 19% of UK savers report having fully considered the possibility of serious illness in their retirement plans. Among those aged over 50, 43% reported that they had thought about the possibility, but had not incorporated it into their planning, while almost one third (32%) had not considered it at all.[44]

Health also presents challenges for pension schemes seeking to incorporate it into the design of retirement income solutions. Unlike characteristics such as age or pot size, health status is not typically observable through administrative data. Health conditions may change over time, and individuals may be reluctant to disclose sensitive personal information to their pension provider. As a result, schemes may have limited ability to collect or update reliable information about members' health circumstances.

Stakeholders emphasised the importance of health as a factor influencing retirement outcomes. While life expectancy has increased over recent decades, improvements in healthy life expectancy have not always kept pace. This means that many individuals may spend a significant portion of retirement managing health conditions or care needs.[45] Stakeholders highlighted the need for retirement income solutions to be adaptable around changing health circumstances during retirement.

Health considerations also have important implications for the type and timing of retirement income decisions. Individuals with shorter life expectancy or diagnosed health conditions may place greater value on flexibility and access to their savings, rather than committing to solutions that prioritise income stability over the long term. This raises important design questions for Guided Retirement, particularly around how and when members may be supported or prompted to transition into a lifetime income product. It also highlights the role of communications and risk warnings in helping members consider how their health circumstances may influence their retirement choices.

[43] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.
[44] Barnett Waddingham (2024). Over 50s failing to plan for financial shocks in retirement.
[45] Adams, J. et al. (2025). The UK Pensions Framework 2025 Indicator Appendix. Pensions Policy Institute.
[46] AgeUK (2018). For love and money: Women's pensions, expenditure and decision-making in retirement.

Household composition and Partnership Circumstances

Household structure can also play an important role in shaping retirement income needs and financial resilience. Many individuals approach retirement as part of a couple, and financial decisions about retirement income are often made jointly.[46] Additionally, household structures are not limited to single individuals or couples and may also increasingly include adult children or multi-generational living arrangements.[47] As a result, the income required to maintain a given standard of living may depend not only on an individual's own pension savings, but also on the financial resources available within the household. Measures such as the Minimum Retirement Living Standards reflect these differences by setting distinct income benchmarks for single-person and couple households.[48]

At the same time, pension wealth within households is often unevenly distributed. This can create vulnerabilities if retirement income planning relies heavily on one individual's pension wealth. Stakeholder discussions highlighted that differences in pension wealth between partners may affect financial security in later life, particularly where one partner depends on the other's pension savings for household income. Gender and age differences are particularly relevant in this context. Women tend to have lower average pension wealth than men and are also more likely to live longer and spend more years in poor health.[49] This combination of factors can increase the risk that women experience financial insecurity in later life, particularly following bereavement, or changes in relationship, such as divorce.[50] These dynamics highlight an important consideration for retirement income design. While household resources are often shared, retirement income solutions are focused on individual circumstances. Stakeholders emphasised that relying too heavily on household-level assumptions could risk reinforcing existing gender gaps in pension outcomes if individuals' financial security becomes dependent on a partner's wealth or decisions.

> *"From a gender perspective, we are always very wary of making sure that someone's entitlement is dependent on a partner's wealth or behaviours and actions, because we know that even within households and families there is usually some sort of sharing of resources involved. However, this is not guaranteed, and it is not guaranteed that it's an equal access to resources and power over decisions on how those resources are spent. This is why it's important to advocate for policies that give people individual entitlements".*
> (Focus group participant, representing a member interest organisation)

Survey evidence even suggests that many couples have only limited visibility of each other's pension arrangements. For example, research shows that only 38% of individuals in a couple report knowing the full details of their partner's pension savings.[51] Similarly, surveys indicate that only 18% of married individuals report having fully planned for the possibility of becoming widowed, while 40% say they have considered the possibility but have not incorporated it into their financial planning.[52]

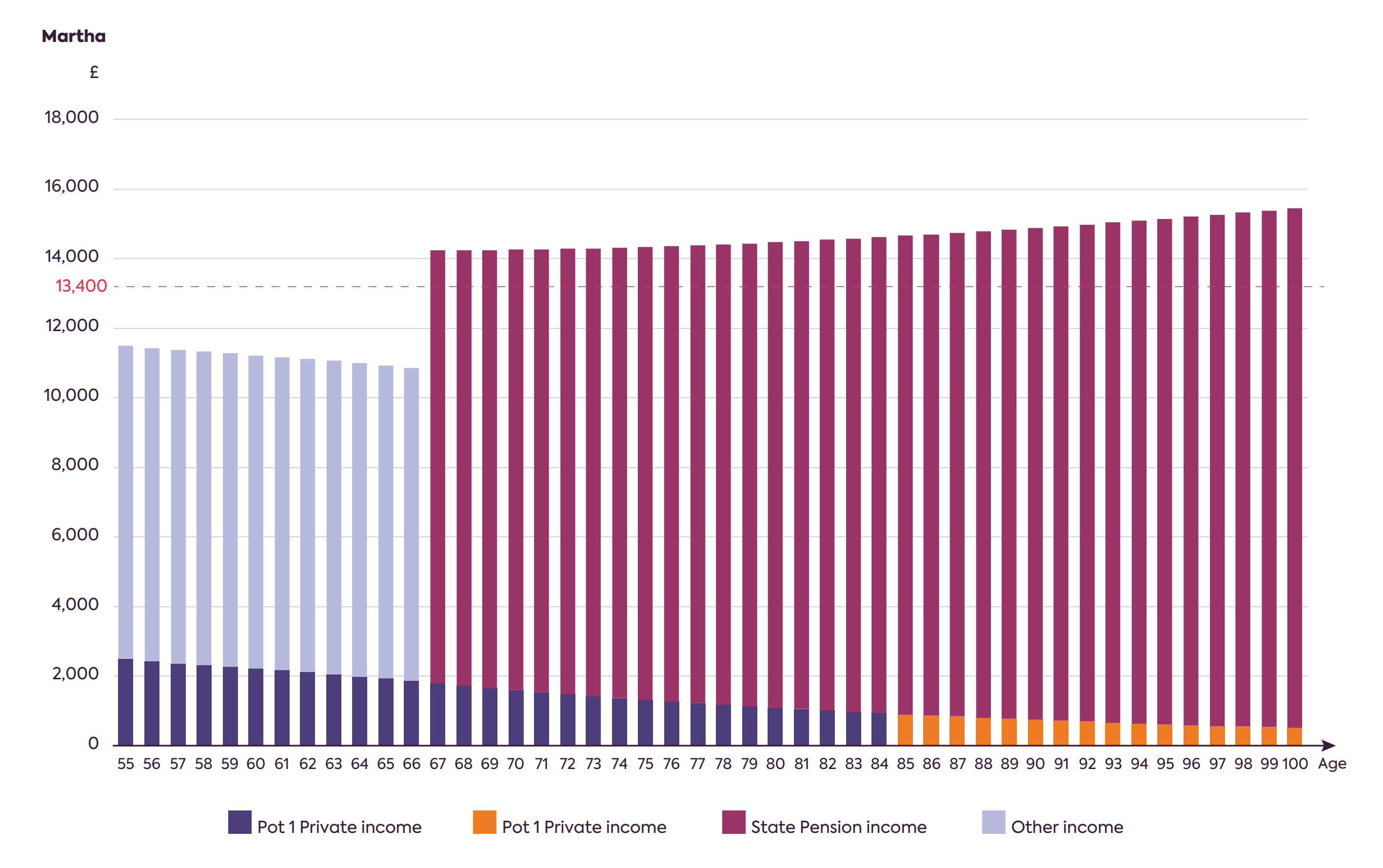
Taken together, these findings suggest that household circumstances can significantly influence retirement income needs and outcomes, while also highlighting the challenges involved in incorporating household-level information into retirement solution design. Pension schemes will not have visibility of members' partnership status, the financial resources held by a partner, or how pension income is managed within the household. However, schemes may hold some limited information, such as beneficiary nominations (including spouse or civil partner, and in some cases dependents), which can provide partial insight into household circumstances. This information, however, may not be up to date, and may only serve as a proxy.

[47] Okello, S. (2025). The Concerns of Gen Z. Pensions Policy Institute.
[48] Pensions UK (2026). Retirement Living Standards.
[49] Department for Work & Pensions (DWP) (2025b). Gender Pensions Gap in Private Pensions: 2020 to 2022.
[50] Wilkinson, L. and Adams, J. (2024). The Underpensioned: Defining the Gender Pension Gap. Pensions Policy Institute.
[51] Aviva and AgeUK (2025). Retirement Reality: Managing Money in Mid-retirement.
[52] Barnett Waddingham (2024). Over 50s failing to plan for financial shocks in retirement.

Vignette 2: Martha, Carer

- Age 55 (12 years to SPa)
- Employment: Carer, works part time but needs private pension savings to supplement limited income.
- Single
- Owns a home outright
- Total DC savings: £46,000
- £46,000 in a Master Trust (past employer)
- No DB pension, entitled to full State Pension
- Engagement Level (low)

Under a Guided Retirement solution, Martha's pension is converted into a structured income stream rather than being accessed as a series of "ad hoc" withdrawals. Her DC savings are drawn down gradually to supplement her earnings in the years leading up to SPa, before transitioning into a combined income stream alongside the State Pension.



Modelling highlights an important feature of her retirement journey: even with a structured pathway, Martha remains below the Minimum Retirement Living Standard in the years before SPa. Between ages 55 and 67, her income is made up of:

- Part-time earnings (£9,000 per year), and
- A modest income drawn from her DC pot

This results in total income of around £2,000 to £2,500 per year from pension savings, leaving her consistently below the minimum income threshold during this period. At age 67, the introduction of the State Pension significantly changes her financial position. Her total income rises to around £14,000 per year, bringing her broadly in line with the Minimum Retirement Living Standard. From this point onwards, her income remains relatively stable, supported by (full) State Pension income, and a gradually declining but structured drawdown from her remaining DC savings. The lifetime income component of her Guided Retirement solution sets in at 85, which helps Martha top up her State Pension.

This vignette highlights several important considerations for the design of Guided Retirement solutions:

- Even with a structured pathway, Martha experiences a prolonged period of income below minimum living standards before SPa. Her case clearly shows that Guided Retirement cannot fully compensate for low levels of savings.
- For individuals with small pots and ongoing work income, the challenge is not only how to sustain income over the long term, but how to bridge the adequacy gap in the period between phased retirement and the State Pension. The period before SPa is a key risk window that Guided Retirement solutions could help manage.
- Guided Retirement helps smooth income and reduce behavioural risks (such as over-withdrawals), but it can't eliminate the underlying constraint of limited resources.
- Additional design features, such as clearer integration with benefits (in Martha's case, Carer's Allowance) and clear communication that helps members understand expected income gaps before SPa could be relevant for individuals with similar circumstances.

Martha's circumstances are not uncommon. Around 2.8 million people aged 50 and over are unpaid carers, with women in their 50s most likely to be providing unpaid care. For many in this position, part-time work and pension savings must be combined to support income before State Pension age.

[53]

Pension Wealth and Other Financial Resources

Levels of pension wealth and access to other income sources can shape the range of retirement income strategies suitable to individuals. Those with higher levels of pension savings or substantial financial assets outside their pension may have greater flexibility in how they structure their retirement income. By contrast, individuals with fewer and/or lower value pots may depend more heavily on secure income streams to cover essential living costs. Other income sources are also relevant: entitlement to the State Pension (and whether State Pension is full or partial) or access to DB pensions may affect the role that DC savings play in retirement income. Where individuals have secure income from DB pensions to cover essential expenditure, DC savings may be used more flexibly, for example to support discretionary spending or unexpected costs. However, further member input may be needed for schemes to obtain information on pension wealth and wider financial resources at an individual or household level.

Housing Tenure

Housing Tenure is a central consideration for financial security and meeting retirement income needs.[54] Savers who own their homes outright typically face lower ongoing housing costs than those who rent or continue to pay a mortgage in retirement. As a result, the level of income required to maintain a given standard of living will vary substantially depending on at retirement housing circumstances. Homeownership may also represent a source of wealth that could potentially be accessed later in life, although individuals differ widely in their willingness to draw on housing assets to support retirement income.[55]

[53] Centre for Ageing Better (2024). Our Ageing Population – The State of Ageing 2023-24.
[54] NEST Insight (2026). Using Pension Savings to support Home Ownership.
[55] Adams, J. et al. (2025). The UK Pensions Framework 2025 Indicator Appendix. Pensions Policy Institute.

Current data suggests that a large proportion of individuals in retirement own their homes outright. Planning and Preparing for Later Life data shows that 76% of individuals aged 65 to 69 and 79% of those aged 70 to 75 report owning their home outright, meaning many current retirees are experiencing retirement with relatively limited housing costs.[56] However, this pattern will not hold for future generations of retirees. Rising house prices and later entry onto the housing ladder mean that more individuals may reach retirement while still paying a mortgage or living in rented accommodation.[57] As a result, housing costs may play a larger role in shaping retirement income needs for future retirees. At the same time, housing tenure is another characteristic that pension schemes may not directly observe, which may make it difficult to incorporate into the design of default retirement income solutions.

Member Engagement

Levels of engagement are also relevant to the ways members experience their retirement. Evidence suggests that engagement with DC pensions tends to be relatively low overall. Around 55% of individuals are assessed as having low or very low engagement with their DC pensions, although engagement tends to increase somewhat as people approach retirement. Even among those aged 55 to 65, however, around 41% still report low or very low engagement with their pension savings.[58] Evidence also shows that engagement is closely correlated with wealth, with lower earners, and those with smaller pots significantly less likely to engage with their pension decisions.[59]

Low engagement during the accumulation phase can carry through into retirement.[60] Individuals may have limited awareness of the range of options available to them when accessing their pension savings or may not fully understand the implications of different retirement income choices. This can make retirement decision-making particularly challenging, as individuals are required to make complex financial decisions at a point when they may have had relatively little prior interaction with their pension.

Engagement can be viewed as existing along a spectrum. At one end are individuals who are highly engaged with their pensions, actively seeking information, and feeling confident in making retirement income decisions. At the other end, are individuals who are fully disengaged, and may have little understanding of their pension savings or the choices available to them. Between these two groups sits a group of individuals who may engage with their pensions intermittently or only when prompted.[61] These individuals may have some awareness of their retirement options but still benefit from additional structure, guidance or reassurance when making decisions about how to convert their savings into income.

Much is to be seen and rests on the final framework (especially regarding clarity surrounding expectations around "default" mechanisms) but Guided Retirement solutions are likely to be particularly valuable for individuals in this middle group. Consumer segments that are completely disengaged may require default mechanisms or simpler pathways than their more engaged counterparts. This aligns with approaches already observed in the contract-based market. For example, the FCA's investment pathways provide a structured set of options for individuals entering drawdown who may not wish to make complex decisions. While differing in scope from Guided Retirement, they illustrate how segmentation and simplified choice architecture can be used to support individuals with varying levels of engagement.

Financial Capability and Income Preferences

Several surveys report on financial capability, although this characteristic would be difficult for pension schemes to observe or collect directly. Evidence from the FCA Financial Lives Survey shows that while the majority of older adults are not classified as having low financial capability, many still struggle with financial decision-making. For example, only around 10% of adults aged 55 and over are classified as having low financial capability, with somewhat higher rates among women than men.[62]

Income preferences can also vary significantly across individuals. Some people may prefer greater flexibility in how they access their pension savings, particularly in the early years of retirement when spending patterns may be more variable and include travel, home improvements or financial support for family members. Others may prioritise income stability and prefer arrangements that provide a reliable stream of income throughout retirement, even if this means giving up some flexibility.

[56] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.
[57] Adams, J. et al. (2025). The UK Pensions Framework 2025 Indicator Appendix. Pensions Policy Institute.

These core characteristics outlined above illustrate the wide range of factors that can shape retirement income needs. In principle, a retirement income strategy tailored to each individual would take many of these variables into account simultaneously. However, many of these characteristics are either not observable to pension schemes, unpredictable, difficult to measure reliably, or subject to change over time. While factors such as age or pension pot size are readily available to schemes, others, including their wider household finances and individual preferences, may not be possible for schemes to observe without extensive engagement from members (which will not always be possible). This creates an important practical challenge for the design of Guided Retirement solutions. If retirement income needs are influenced by a wide range of characteristics, but schemes are only able to observe or incorporate a limited subset of them, decisions will need to be made about which characteristics could realistically inform solution design and segmentation.

While a range of characteristics may be relevant to the design of retirement income pathways, the relative importance of each is likely to depend on the context in which decisions are being made, including the stage of the retirement journey and the role that pension savings play in supporting income. As a result, rather than applying a fixed hierarchy of characteristics, schemes may need to prioritise different factors at different points in time and across different member groups.

The feasibility challenge: using member data to inform Guided Retirement design

It is neither realistic nor necessary for pension schemes to have a complete view of each member's financial situation, circumstances, or retirement objectives. Guided Retirement is intended to operate at a group level, rather than on the basis of fully individualised information. As a result, Guided Retirement solutions will need to be designed to operate using partial information about members, grouping individuals into broad, data-informed categories based on the characteristics that schemes can reasonably observe or infer about cohorts of members. In most cases, schemes will know a member's age, contribution history, and the value of the pension pot held within the scheme. By contrast, many other characteristics discussed above are not readily observable or up to date. This creates an important practical constraint for the design of Guided Retirement solutions. If schemes cannot observe the wider characteristics that influence retirement income needs, they must consider how retirement solutions can be designed using the information that could realistically be available to them.

One solution may lie in the framework set out in the Pension Schemes Act 2026. The Act anticipates that trustees will need to take account of a wider set of information about its members.[63] Legislation will therefore provide scope for trustees to gather additional information about their members. This could include information about members' financial circumstances, their retirement timing, or the intended role of their pension savings in supporting retirement income.

However, expanding the information available to schemes raises practical questions about how such information might be collected and maintained over time. Gathering meaningful insight into members' circumstances typically requires some form of engagement with members themselves, whether through questionnaires, digital journeys, or other forms of interaction. Yet engagement with pension savings remains uneven across the population. While some members actively seek information and support as they approach retirement, many others interact with their pension only intermittently or not at all. Collecting more detailed information may improve the ability of schemes to tailor retirement solutions, but doing so introduces additional points of friction into the member journey. Evidence from financial services suggests that individuals frequently disengage from digital processes if they become overly complex. Research on digital onboarding in banking, for example, shows that around 63% of customers abandon journeys that they perceive as too lengthy or complicated.[64] Similar patterns may come up if pension schemes rely heavily on extended data collection processes before members can access retirement income.

[58] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[59] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[60] Aviva and AgeUK (2025). Retirement Reality: Managing Money in Mid-retirement.
[61] Wilkinson, L. (2024). What could effective pensions engagement look like? Pensions Policy Institute.
[62] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[63] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted
[64] ABI (2025b). Targeted Support: The Data Challenge.

There are also questions about the reliability and "longevity" of the information collected. Some characteristics relevant to retirement, such as health status, household circumstances, or retirement status, may change over time. Information gathered at a single point in time may therefore become outdated, particularly in a retirement phase that may span several decades of an individuals' life. Maintaining up to date information could require schemes to periodically re-engage members, raising further questions about how frequently such engagement can realistically be expected. Additionally, certain types of information may be particularly difficult to obtain. Trust in the system, data protection considerations, and the clarity of communication around how information will be used may greatly influence members' willingness to share personal data with their pension scheme.

At the same time, innovation in data management and digital technology may expand the ways in which schemes can develop insight into their membership. Better utilisation of administrative data, alongside the potential use of engagement data from digital platforms could allow schemes to build a more complete picture of member behaviour over time.[65] Stakeholders emphasised that the development of open finance frameworks and improved data sharing infrastructure within the financial services sector could, in the longer term, enable individuals to share financial information across providers more easily. Nevertheless, these developments are still evolving and may not resolve the immediate information constraints faced by schemes.

From characteristics to segments

Guided retirement solutions will rely on segmentation: grouping members into broad, data-informed categories based on the characteristics that schemes can reasonably observe or infer. Rather than tailoring journeys, schemes would design retirement solutions intended to work well for members who share broadly similar characteristics.

The Pension Schemes Act 2026 anticipates this type of approach by placing responsibility on trustees to develop one or more pension benefit solutions for their membership.[66] In doing so, trustees are expected to consider the needs and circumstances of members or subsets of members. This implies that solutions may differ across schemes depending on the characteristics of their membership. Pension schemes differ widely in terms of the industries their members work in, average earnings levels, typical pot sizes, and retirement patterns across the membership. These differences mean that Guided Retirement solutions may need to be designed with the specific characteristics of each scheme's membership in mind. Regulation is expected to allow for this variation.

Some developments have the potential to address this over time: pensions dashboards will improve the visibility of multiple pots for individuals, greater scheme-level and member-level consolidation may reduce fragmentation, and in the longer term, better data sharing and more joined-up support journeys may help schemes move closer to a person-level view. However, in the near term, this gap remains a significant limitation.

For this reason, Guided Retirement may need to do more than simply allocate members to a product or pathway. To move beyond the basic default requirement as required under the Pension Schemes Act 2026, schemes could use communications and question flows to prompt members to consider their wider circumstances, including other pension entitlements, household resources and whether consolidation would be beneficial before entering a pathway.[67] In other words, if schemes cannot fully observe the whole picture, they may still need to encourage members to think about it.

Segmentation as an iterative process

Experience from related policy developments, particularly the emerging framework for targeted support, suggests that segmentation models are likely to evolve gradually over time. Initially, schemes may need to rely on relatively broad assumptions about their membership, using the limited information available to construct broad member cohorts. Over time, these segments could become more refined as schemes gather additional data through member interactions, engagement journeys or administrative data. Segmentation can therefore be seen as an iterative process, in which retirement pathways are initially designed using limited information, but may become more sophisticated as schemes learn more about their membership.

At the same time, segmentation models will need to remain relatively simple. Guided Retirement solutions are unlikely to rely on extensive data collection, or highly complex decision trees, as this would increase complexity for members and may move solutions closer to individualised advice rather than cohort-level support. Segmentation approaches may need to balance two objectives: using available information to design meaningful pathways, while keeping the decision process simple enough for members to engage with. As segmentation approaches develop, schemes may need to monitor outcomes and periodically review whether the retirement solutions they have designed are delivering appropriate outcomes for their membership.

Figure 7: Key questions for schemes

What do we need to know about our membership? → What do we actually know about our membership? → What could we do with limited data?

Pot size alone is unlikely to be sufficient

As pension pot size is one of the variables that schemes can observe with certainty, it is likely that schemes will have to rely on pot size as a key part of their segmentation decisions. Certainly, it can provide some indication of the potential role that a pension may play in supporting retirement income, with larger pots allowing for a wider range of retirement income strategies compared to smaller pots.

However, stakeholders emphasised that pot size alone is unlikely to provide a sufficient basis for segmentation. While pot size may be a useful proxy for several underlying member characteristics, including confidence in making retirement decisions and access to advice, it is not sufficient on its own to capture a member's broader situation. The growing prevalence of multiple pension pots means that the value of a single pot may not accurately reflect the member's overall retirement resources. This means trustees may be able to observe the value of the pot within their scheme, but not whether that pot plays a central or "peripheral" role in the member's wider retirement finances. This is why segmentation based on strict pot thresholds alone may risk unfairly disadvantaging some members.

A possible proxy: identifying the "main retirement pot"

One possible way of addressing this is to ask members an overarching question about their retirement income. Schemes or providers could ask whether the pension pot held with them is expected to be their main source of income in retirement. This type of question could provide a useful proxy for the role that the pension pot plays within an individual's overall retirement finances, without requiring members to disclose extensive information about their wider assets (unless deemed necessary).

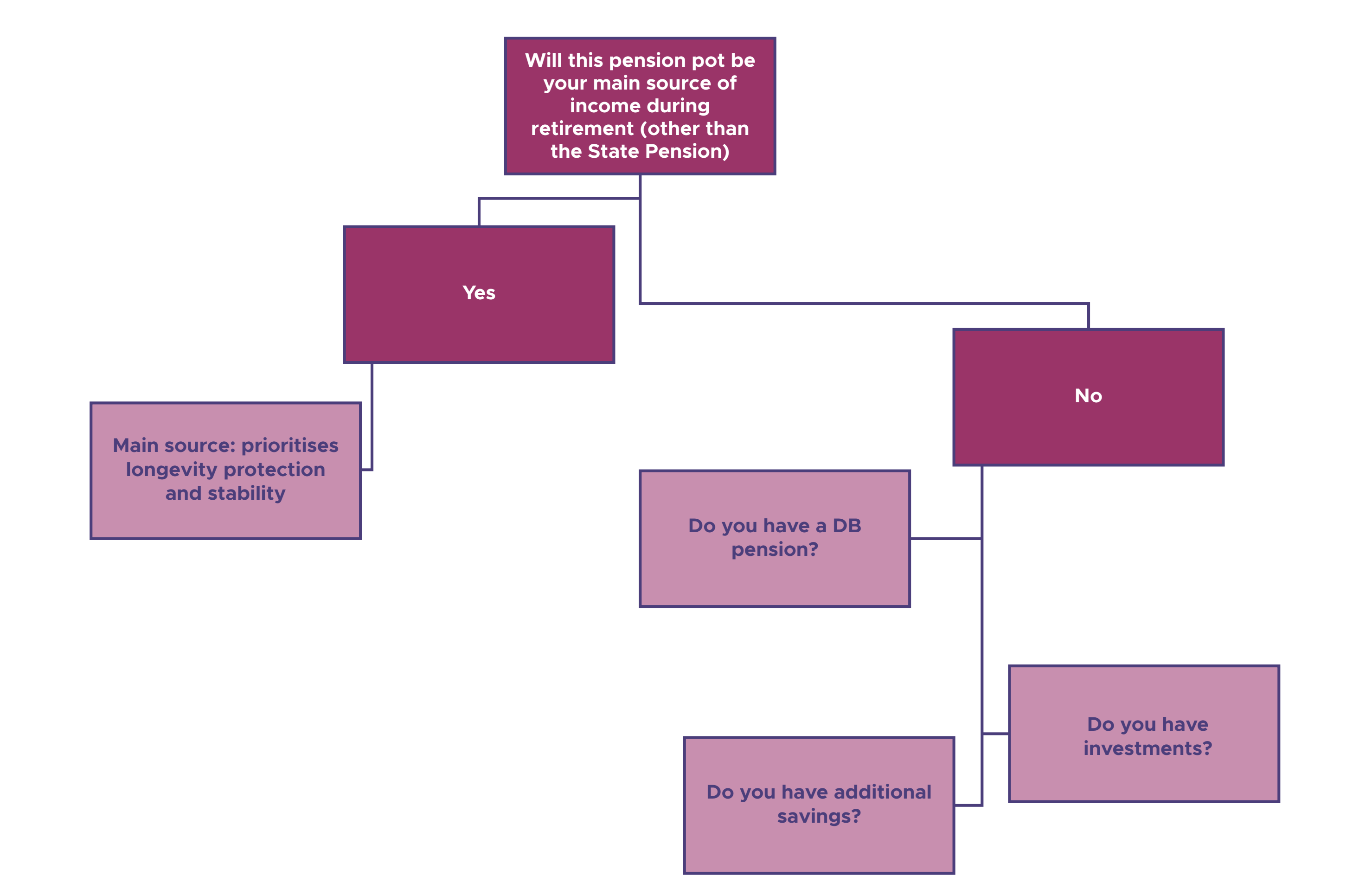
Members who identify the pot as their main retirement pot may be more likely to rely on it to provide a stable income throughout retirement. In these cases, the design of a Guided Retirement pathway may place greater emphasis on income sustainability and protection against longevity risk. Existing evidence suggests that individuals who rely heavily on their DC savings may benefit more from mechanisms that provide secure income streams, such as guaranteed income components introduced earlier in retirement.[68]

[65] Garcia Requejo, M. (2025). Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM. Pensions Policy Institute.
[66] Pension Schemes Act 2026, c. 6. https://www.legislation.gov.uk/ukpga/2026/22/part/2/chapter/6/enacted
[67] Pensions UK (2023). PLSA Consultation Response: Helping Savers Understand their Pension Choices.
[68] Boileau, B., Cribb, J. and Emmerson, C. (2025b). Policies to help people manage defined contribution pension wealth through retirement. Institute for Fiscal Studies (2025).

By contrast, members who indicate that the pot is not their primary retirement income source may have other financial resources to carry them through retirement. In these circumstances, the retirement pathway might prioritise flexibility, allowing members to draw income more variably or use a larger proportion of the pot for discretionary spending. This approach could provide a simple way of distinguishing between members whose pension pot plays a central role in their retirement income and those for whom it represents a secondary source of funds. The question could also potentially be extended to consider the household context, for example by asking whether the pension pot is expected to be the main source of income for the household in retirement.

This approach may be less straightforward where individuals have more than one pension pot that plays a significant role in supporting retirement income, particularly where savings are spread across multiple schemes or where both partners in a household hold substantial pension wealth. In these circumstances, identifying a single "main" pot may be difficult, and while the question could still provide a useful indication of how a member expects to use their pension, it may not fully capture the complexity of their overall retirement income arrangements.

Figure 8: Binary question branching

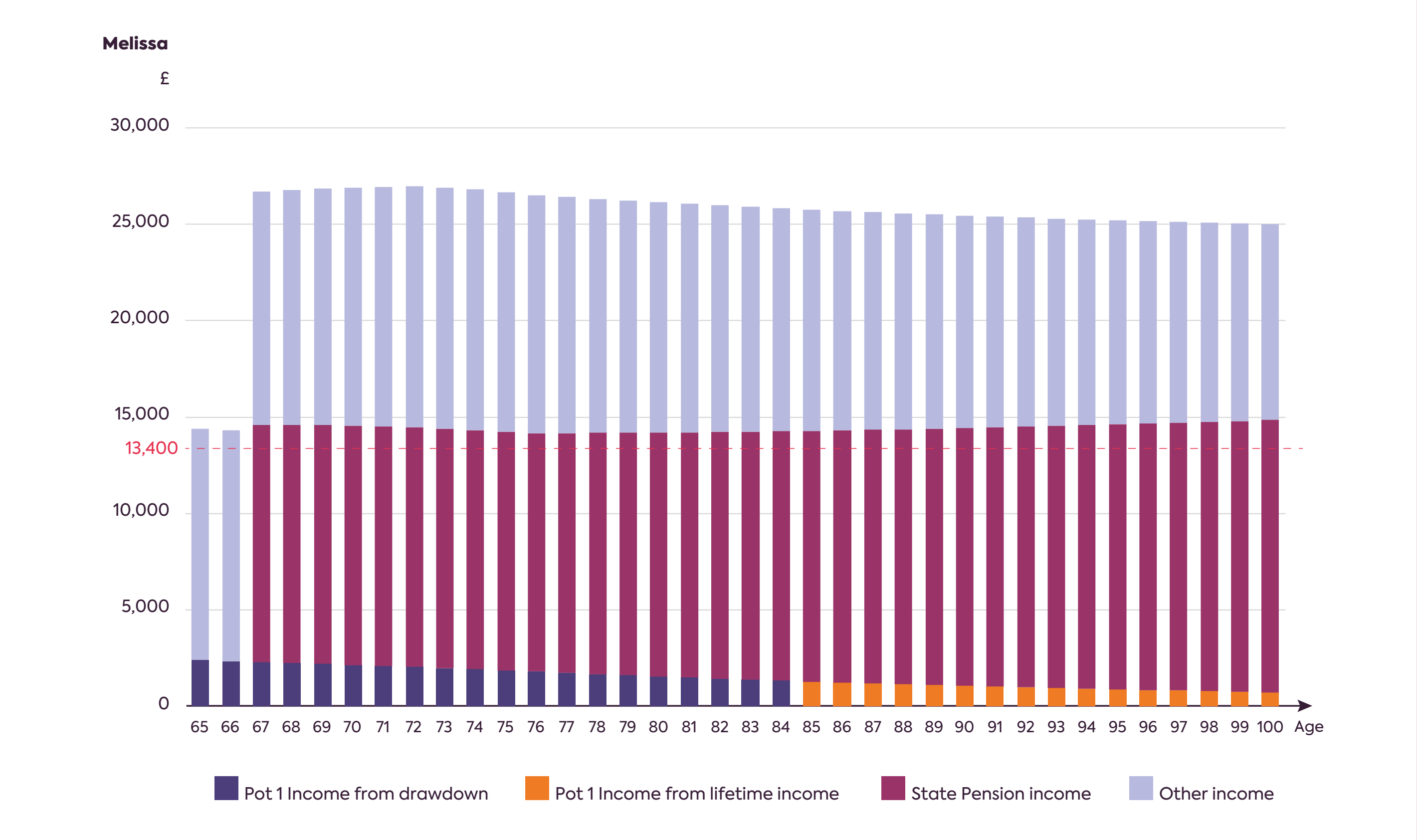


However, the use of proxy questions raises an important design question that the current legislative framework does not yet fully resolve. If a retirement income solution is only reached after a member responds to a question, it may not function as a true default in the conventional sense. Schemes will need to consider what happens when members fail to engage or refuse to respond - including whether income must begin to be paid regardless of member action, and what pathway applies in the absence of a response. These are questions that will require further clarity as the framework develops, and more clarity is given around the concept of "default".

Vignette 3: Melissa, DB pension income

- Age 65 (2 years to State Pension)
- Employment: Recently retired
- Married
- Owns home outright
- Total DC savings: £40,000 in scheme 1
- DB pension: £12,000 per year (indexed, single-life)
- Engagement Level: low

Under a Guided Retirement solution, Melissa's DC savings are used to complement, rather than replace, her existing secure income. Her DB pension already provides a stable, indexed income stream, and once State Pension begins at age 67, this forms the core of her retirement income. Her DC savings are therefore drawn down gradually as a flexible "top-up", alongside a small emergency access fund.



Modelling highlights that Melissa maintains a relatively stable income throughout retirement, broadly aligned with the Minimum Retirement Living Standard. Before SPa, her income is primarily supported by her DB pension and modest withdrawals from her DC pot. From age 67 onwards, the addition of the State Pension increases her total income to around £24,000 per year, after which it remains stable over time, supported by secure income sources and the income she receives from the lifetime income element of her Guided Retirement solution. Unlike earlier vignettes, Melissa's case does not highlight a risk of income depletion or volatility. Instead, it illustrates a different challenge: how to use a relatively small DC pot effectively when core income needs are already largely covered by guaranteed sources.

This vignette highlights several important considerations for the design of Guided Retirement solutions:

- Melissa's DB pension and State Pension together provide a stable foundation for retirement income, possibly reducing the need for additional longevity protection from her DC savings.
- Members in Melissa's position may underuse their DC savings, particularly if they are uncertain about how much they can safely withdraw.
- Treating Melissa as if she were fully reliant on her DC pot could lead to inappropriate pathway design, including unnecessarily conservative strategies or excessive focus on income security.
- For individuals with similar characteristics, relevant features could include pathways that recognise existing secure income and position DC savings as a flexible complement, tools to support sustainable but confident withdrawal of smaller pots, and options to retain part of the pot as an accessible reserve for discretionary or later-life spending rather than converting it entirely into guaranteed income.

Age and life stage as key segmentation variables

Alongside the role of a single pot within an individuals' wider retirement income, age or life stage is likely to be another important determinant in the design of relevant retirement solutions, as well as a starting point for segmentation. As mentioned earlier, age affects several aspects of retirement income planning. It influences the expected duration over which pension savings must provide income, the level of investment risk that may be appropriate during retirement, and the point at which longevity protection mechanisms (through lifetime income elements) could become relevant.

In addition, age is linked to eligibility for the State Pension, which means that pension savings may need to support income before State Pension payments begin. In this sense, age can help schemes identify when members may need their pension savings to bridge the period between stopping work and reaching SPa.

Age data can serve as a proxy for life stage, allowing schemes to structure retirement pathways around broad phases of the retirement journey.

Many of the other variables mentioned throughout this report could be incorporated into segmentation through relatively simple decision structures or branching pathways. These structures might begin with a small number of key questions (for example, relating to retirement timing or the expected role of pension savings), and guide members towards different retirement paths depending on their circumstances. The objective of such structures would not be to build a complete picture of each member's financial situation, but rather to use limited information in a structured way to support more appropriate retirement outcomes.

Designing segments that remain flexible

Even when segmentation is used, retirement pathways will need to retain a certain degree of flexibility. Retirement may span several decades in a person's life, and individuals' circumstances can change significantly over this period. A pathway that appears appropriate at the point of retirement may need to adapt as individuals age, experience changes in health, or encounter shifts in household circumstances. For this reason, segments may need to be broad enough to apply for large groups of members, while allowing for adjustments over time. Focus group participants have suggested that segmentation frameworks could combine relatively simple initial grouping with opportunities (or touchpoints) for members to adjust their pathway later as their circumstances evolve. This approach recognises that while segmentation can help address the information constraints faced by schemes, it cannot eliminate uncertainty about a members' future circumstances. Retirement income solutions may, therefore, need to balance structured pathways with the ability for members to modify decision as their retirement progresses.

CHAPTER FOUR:

EMERGING PRODUCTS AND FEATURES: PROVIDING ADDITIONAL SUPPORT FOR MEMBERS

This chapter examines emerging retirement income products and international experience to identify design features and implementation lessons that may be relevant to Guided Retirement. It highlights how providers are already addressing issues such as income sustainability, flexibility and later-life protection, while recognising that these products sit in a different context from the Guided Retirement framework set out in the Pension Schemes Act 2026.

Key Messages:

- A number of commercial retirement income products already available in the market include features that overlap with some of the objectives discussed in relation to Guided Retirement, even though they do not operate within the same regulatory framework.
- Common features across these products include blending drawdown with later-life income protection, supporting sustainable withdrawals, maintaining investment continuity into retirement, and retaining flexibility for ad hoc access to savings.
- Several emerging practices also seek to address behavioural challenges more directly, including presenting tax-free cash as part of broader income planning, preserving access to an emergency pot, simplifying the language used to describe lifetime income, and allowing income strategies to adapt over time.
- International experience, particularly from Australia's Retirement Income Covenant, highlights that setting a framework for retirement income support is only a first step: implementation, data limitations, communication challenges and outcome monitoring remain important in practice.
- Australia's experience also illustrates that defaults, rules and prompts can shape behaviour in unintended ways, reinforcing the importance of careful design in any Guided Retirement framework.

The design of Guided Retirement solutions will be shaped by the Pension Schemes Act 2026 and future secondary legislation. The Act requires schemes to deliver default pension benefit solutions, though significant detail remains to be determined, including the definition of regular income, the nature of the default requirement, exemptions, and communications requirements, which are expected to be addressed through forthcoming consultations. While the form these solutions may take is still developing, a number of providers have already introduced retirement income products that aim to offer more structured support for drawing income from DC pensions. Given that the regulatory framework is still evolving, these products should not be seen as "early versions" of Guided Retirement solutions. In some respects, existing products might go further than current expectations of Guided Retirement, for example, by offering more flexibility or personalisation. In others, they go less far, particularly in terms of providing ongoing support, or recommending a single default option. Looking across examples from various providers, a number of common design features can be identified.[69] The figure below summarises some of the structural features present across these products. These examples are analysed to illustrate emerging design approaches that could inform how Guided Retirement solutions may develop overtime.

Figure 9: Design features in currently available retirement products

Blending drawdown and longevity protection

A key feature of emerging products is the combination of flexible drawdown with later-life income protection. Traditional retirement products presented members with a choice between drawdown and annuitisation, often leaving individuals to determine how to balance flexibility with income security.

Emerging alternatives, instead blend these approaches over time, allowing customers to retain flexibility early in retirement while having a mechanism for securing income later in life.

Managed or Guided withdrawal strategies

Instead of requiring individuals to determine how much to withdraw each year, emerging products:

- Calculate sustainable withdrawal levels;
- Adjust withdrawals based on market conditions and remaining life expectancy.

These aim to remove complex financial decision-making from the customer while helping to manage key retirement risks. In particular, they reduce the risk of individuals withdrawing their pension at an unsustainable pace and exhausting their savings, while also considering whether withdrawal levels strike a balance between providing financial security, supporting a sustainable standard of living, and enabling members to make full use of their pension over retirement. In doing so, withdrawal strategies may also need to account for how income is drawn over time, including the potential interaction with income tax thresholds and eligibility for means-tested benefits.

Investment continuity and a smoother transition into retirement

Another common feature of emerging retirement products is the focus on creating a smoother transition from the accumulation phase to retirement. Historically, the shift from saving to drawing an income often required members to move into entirely new products or make changes to their investment strategy at retirement.

Emerging solutions instead aim to maintain investment continuity, allowing members to remain in familiar investment structures while adapting them to support income withdrawals. By integrating investment management across both accumulation and decumulation, these provide a more gradual and structured transition into retirement, reducing the need for members to actively redesign their investment strategy when they begin drawing an income.

Focus on sustainability of income

A central objective of emerging products analysed is ensuring the pension pot lasts through retirement. This is accomplished through:

- Dynamic withdrawal rates;
- Investment strategies designed to maximise income;
- Modelling of longevity risk.

Flexibility for ad-hoc withdrawals

Despite the emphasis on guided income, emerging products retain a degree of member flexibility.

Typical features include:

- Additional withdrawals when required;
- The ability to switch strategy or adjust the timing of product features;
- The option to purchase an annuity at a date later than the one initially set for the member.

This flexibility can be particularly valuable for customers whose spending needs may vary over time. For example, individuals may wish to make larger withdrawals at certain points in their retirement to cover unexpected expenses, such as health/social care costs or home repairs. It also enables customers to adjust their retirement strategy as their circumstances and needs evolve.

[69] The research used products offered by Aviva, NEST, TPT and Just Group as case studies for this section of the report.

Alongside the structural features described above, a number of design practices are beginning to appear across emerging retirement income products. While these approaches are still evolving, they illustrate ways in which retirement income solutions may help members navigate some of the behavioural challenges and financial risks discussed earlier in the report. Examples of such practices include:

Presenting access to tax-free cash as part of income planning: Some providers present the option to take tax-free cash as part of a broader retirement income plan, rather than as a separate decision at the point of retirement. In some cases this allows tax-free cash to be taken gradually alongside income withdrawals, helping integrate the decision into longer-term income planning.

Preserving access to a discretionary or emergency pot: Some emerging approaches retain a small portion of pension savings in a flexible or accessible account. Maintaining access to a discretionary pot can provide reassurance to members when committing part of their savings to more structured income solutions, while also allowing individuals to respond to unexpected expenses or spending needs.

Simplifying how lifetime income is presented: Some providers are experimenting with simpler language when presenting lifetime income options. Terms such as "guaranteed income" or "income for life" are sometimes used instead of technical terminology, with the aim of making the concept easier for members to understand.

Allowing retirement pathways to adapt over time: A number of solutions explicitly recognise that retirement needs can change. Some products include features that allow members to adjust their income strategy, switch approaches, access the wider market, or seek guidance or advice as their circumstances evolve.

Another emerging area of interest is the development of Retirement Collective Defined Contribution (r-CDC) models. These are designed to support the conversion of DC savings into a lifelong income through collective risk-sharing, rather than individual drawdown or annuitisation. Under an r-CDC approach, members' savings are pooled and used to provide a target income, with income levels adjusted over time based on investment performance and longevity experience. There is growing interest among providers in how an r-CDC could form part of future retirement offerings, particularly in the context of Guided Retirement, as a way of providing a more structured, income-focused option for members who do not wish to make ongoing complex decisions. However, retirement r-CDC remains at an early stage of development, with regulatory and practical considerations still being worked through. As such, while it represents an innovative approach to delivering retirement income, its role within the broader Guided Retirement landscape is still evolving.

Providing retirement support: the Australian Experience

A number of countries have begun to explore frameworks aimed at providing greater structure and support for individuals drawing income from DC pensions. One example is Australia, which introduced the Retirement Income Covenant (RIC) in 2022. The Covenant requires superannuation trustees to develop retirement income strategies designed to help members balance three key objectives: maximising expected retirement income, managing risks to that income, and providing flexible access to savings.[70]

Under the Covenant, trustees are expected to consider the needs and circumstances of their members and provide support to help individuals navigate retirement income decisions. While funds have flexibility in how these strategies are implemented, they are subject to review by the regulators. Early assessments of the framework suggest that implementation across funds has been uneven. Some providers have developed relatively comprehensive retirement strategies, while others have produced more limited responses or relied largely on existing product offerings.

Reviews of the Covenant have also highlighted several practical challenges that are relevant to the issues discussed in this report. These include limitations in the data available to schemes about their members, the difficulty of tailoring communications and guidance to different cohorts of savers, and the need for improved metrics to evaluate whether retirement strategies are delivering improved outcomes for members.[71] Similar challenges around member data and engagement have been identified in the UK context.

Australia's experience also illustrates how policy design can influence behaviour in unintended ways. Many retirees continue to withdraw only the legislated minimum from their account-based pensions, which can result in individuals drawing down their savings more slowly than might be optimal. This highlights the importance of recognising how rules, prompts and defaults can shape member behaviour in retirement.

Overall, Australia's experience suggests that introducing a framework for retirement income strategies is only a first step. The development of effective retirement solutions requires ongoing refinement, improved data on member circumstances, and continued monitoring of outcomes. As the UK develops its own Guided Retirement framework, further analysis of how schemes in Australia are responding to the Covenant may provide useful insights into how such approaches evolve in practice.

[70] Super Consumers Australia (2021). Retirement Income Covenant Position Paper.
[71] Australian Prudential Regulation Authority (APRA) AND Australian Securities and Investments Commission (ASIC) (2025). 2025 Pulse check on Retirement Income Covenant Implementation.

CHAPTER FIVE:

EMBEDDING GUIDED RETIREMENT IN PRACTICE

This chapter examines how Guided Retirement could operate in practice, focusing on the member journey, rather than individual product features. It examines key implementation questions, including when the Guided Retirement journey should begin, how schemes can design solutions using partial information, how strongly schemes should guide member decisions, how solutions operate over time, and how Guided Retirement fits within the wider pensions and support system.

Key Messages:

- **Guided Retirement is not only about product design, but about the design of a member journey, including when support begins, how decisions are structured, and how support continues through retirement.**
- **The point at which members enter Guided Retirement will be a key design decision. Earlier engagement may allow schemes to shape decisions more effectively, while later engagement may be easier to implement but influence a narrower set of outcomes.**
- **The concept of a "default" in decumulation is not yet clearly defined and could be implemented in different ways, including recommendation models, trustee-led assignment, or automatic default pathways. Each approach involves different levels of intervention, governance considerations and reliance on member engagement.**
- **Guided Retirement is likely to operate as an ongoing process rather than a one-off decision at retirement. This implies the need for review points, the ability to adjust income over time, and mechanisms to respond to changing circumstances and later-life risks.**
- **Communications and framing will play a central role in how Guided Retirement works in practice. Supporting decisions over time may require clearer, more timely and more interactive communication than is typically seen in current retirement communications.**
- **The effectiveness of Guided Retirement will also depend on how well it fits within the wider pensions and support system, including Pension Wise, Targeted Support, dashboards and regulated advice. Alignment across these frameworks will be important for delivering a coherent member experience.**

This final chapter explores what Guided Retirement could look like in practice. This goes beyond defining a product or set of features to improve retirement outcomes. It requires designing a practical member journey: when support should begin, what information is used, how decisions are shaped, how solutions evolve over time, and how the pathway integrates with the wider pensions support system. The main developments currently visible in the market are products, or product combinations, rather than rounded Guided Retirement solutions as envisaged by the Pension Schemes Act (PSA) 2026. In other words, while some existing propositions illustrate ways of combining flexibility, security and later-life income, the less developed aspect is the broader journey around them: how members enter these solutions, how decisions are supported over time, and how the approach responds as circumstances change.

Viewed in this way, embedding Guided Retirement in practice has a series of design and implementation implications. These relate not only to product design, but also to timing, communications, member segmentation, behavioural intervention and the interaction between Guided Retirement and the wider pensions framework.

Timing and initiation of the Guided Retirement Journey

At present, there is limited clarity on what event should trigger a member's entry into a Guided Retirement pathway. This is likely to be one of the most important implementation questions for Government and regulators to resolve through forthcoming consultation and secondary legislation. Different trigger points could be used, and each comes with its own trade-offs in terms of how much influence Guided Retirement has over member decisions, the level of engagement required, and the extent to which the solution is proactive rather than reactive. The analysis below is intended to inform that regulatory discussion by setting out the implications of different approaches. There are several possible trigger points:

One option is that the journey begins when a member first contacts their scheme or provider about accessing pension benefits. Introducing Guided Retirement at this stage would mean that members encounter the pathway before making decisions that may shape how the rest of their retirement pot is used. In particular, it could help address a common feature of the current system, where taking tax-free cash is often treated as a separate decision from the wider retirement income strategy. Engaging members at the point of first contact may help reconnect these decisions by framing tax-free cash as one element of a broader retirement plan rather than a standalone withdrawal. More broadly, engaging people earlier in the decision process may help them better understand their options and the trade-offs involved before acting. The timing and structure of the communication journey therefore becomes important here: how and when information is presented can shape how members interpret their choices and the extent to which they feel able to make informed decisions. The role of communications in supporting these decisions is explored further in a later section.

A second possibility is that Guided Retirement begins only after a member has taken tax-free cash but made no decision about the remainder of their pot. This interpretation appears closer to some industry discussions of how the policy might operate in practice, particularly where the trigger is linked to a member accessing part of their pension without making a further income decision. However, beginning the journey at this stage would significantly narrow the scope of Guided Retirement. By the time tax-free cash has been withdrawn, members may already have separated that decision from the wider question of how their remaining pension savings should be used to support income throughout retirement. In practice, this could mean that Guided Retirement primarily influences the investment treatment of the remaining pot rather than shaping the broader retirement strategy. In that sense, the framework could risk operating more like an extension of the current investment pathways model rather than a more "complete" approach to retirement planning.

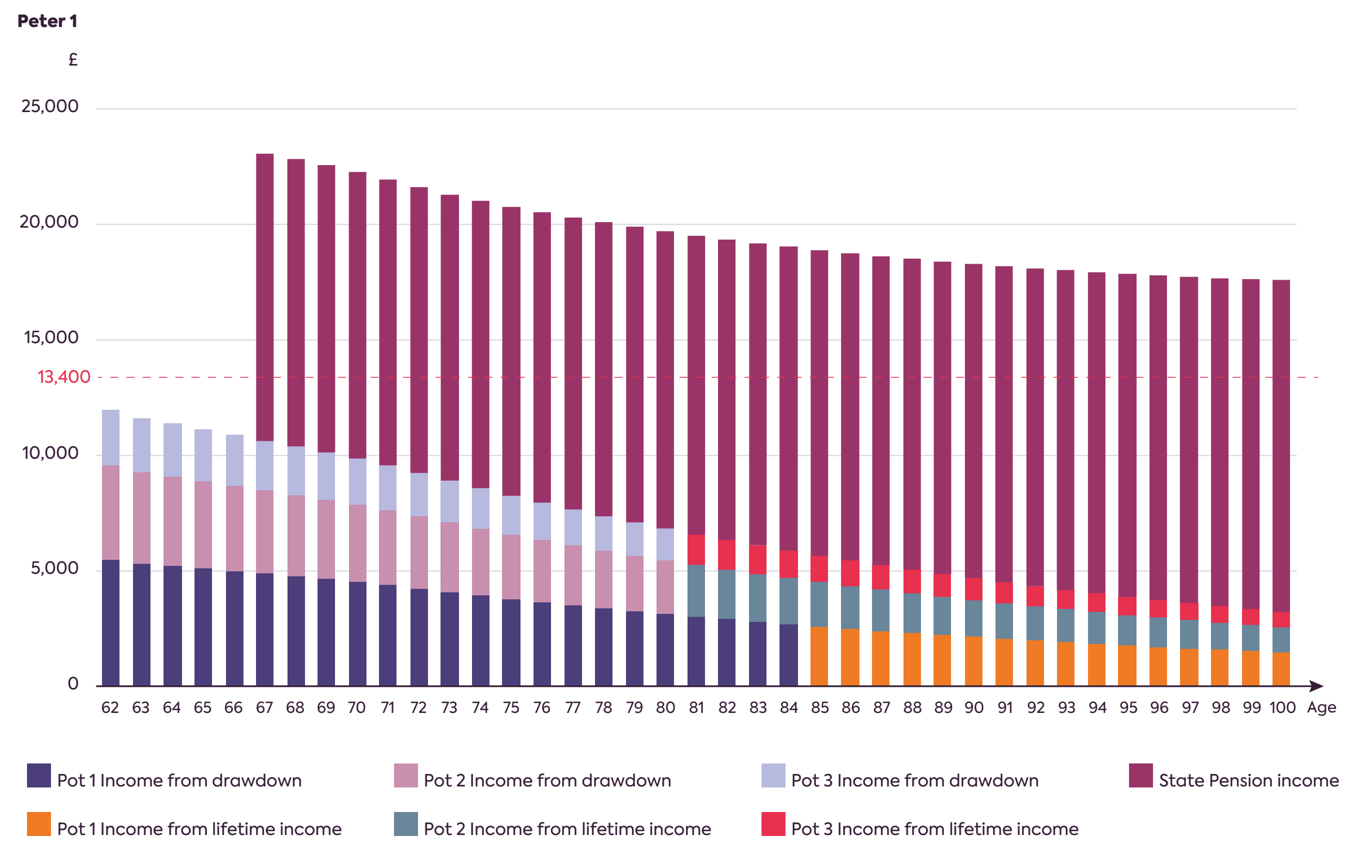
A third possibility is that the journey begins earlier in the pre-retirement phase, before benefits are accessed at all. Under this model, Guided Retirement would form part of a longer preparation period in the years leading up to retirement. Earlier engagement could allow schemes and providers to gather information gradually, prompt members to consider their wider financial circumstances, and prepare them for key decisions before they arise. It may also provide an opportunity to connect accumulation and decumulation more coherently, for example by aligning investment strategies with expected retirement income choices. However, starting the pathway earlier would also raise different challenges. It would require sustained engagement from members at a stage when retirement may still feel distant, and it would rely more heavily on back-stop solutions, behavioural nudges or structured communications to maintain participation over time. Some may also view a pre-retirement trigger as extending Guided Retirement further into the member journey than originally intended.

Taken together, these different trigger points highlight an important design choice. A pathway that begins earlier in the retirement journey has greater potential to shape decisions and improve understanding, but may require more sustained engagement and clearer communication strategies. A pathway that begins later may be easier to implement operationally, but risks influencing only a narrower set of decisions once key choices have already been made. Clarifying the activation point will therefore be important not only for operational design, but also for determining how far Guided Retirement is intended to influence the overall retirement decision-making process.

Vignette 4: Peter, multiple pots

- Age 62 (5 years to SPa)
- Employment: Retired
- Married
- Owns a home (paying mortgage)
- Total DC savings: £210,000
- £95,000 in pension scheme 1
- £70,000 in pension scheme 2
- £45,000 in pension scheme 3
- No DB pension, entitled to full State Pension
- Engagement Level: low-medium

Under a Guided Retirement solution, Peter's pension savings are used to provide a structured income stream in the years before and after SPa. In the modelling, income is drawn from all three pots, each with a drawdown element, a lifetime income, and an emergency access fund. Before SPa, his private pension savings provide income of around £11,000 to £12,000 a year. Once State Pension begins at age 67, his total income rises to just over £21,000 a year, giving Peter a higher income to enjoy his mid-retirement.



Modelling suggests that, under the assumptions used here, consolidating Peter's pots would not materially change the income outcome. In other words, fragmentation does not necessarily reduce his income. However, it makes the member journey significantly more complex. Without consolidation, Peter may in practice face three separate retirement pathways, three sets of communications, and potentially three different decisions about withdrawals, tax-free cash, investment strategy and later-life income options. Even if each pathway is individually reasonable, the overall experience may be confusing and harder to manage.

This is particularly important because Peter's profile is likely to become increasingly common. Many future retirees will reach retirement with multiple DC pots built up across different employers and schemes. In these cases, the key challenge is not only how much income each pot can provide, but whether the member can understand and navigate the system as a whole.

This vignette highlights several important considerations for the design of Guided Retirement solutions:

- Fragmentation is a member experience risk as much as an income risk. Although Peter's retirement income experience is similar when comparing his experience receiving income from 3 separate pots and one, consolidated pot, managing three separate retirement income streams could still make retirement decisions more complex and difficult to navigate.
- In cases like Peter's, the main value of consolidation may lie in simplifying decisions, reducing duplication, and helping the member see retirement planning more coherently.
- Peter uses private pension savings to bridge a five-year gap before State Pension begins, which makes pre-State Pension income planning a key part of the pathway design.
- For members with multiple pots, schemes may need to do more than simply offer a pathway within their own scheme. Prompts to consider wider pension holdings, dashboards and whether consolidation would be beneficial may be an important part of the journey.
- For individuals with similar characteristics, relevant features could include mechanisms to coordinate income across multiple pots (for example, our proposed "designated main income in retirement pot"), the possibility to have clearer prompts and pathways for consolidation where appropriate, and clear communications from schemes.

How strongly should schemes and providers guide member decisions?

The Pension Schemes Act 2026 requires schemes to offer "default pension benefit solutions" for members entering retirement. However, the concept of a default in the context of decumulation is not clearly defined. Unlike accumulation, where defaults typically rely on inertia (the clearest example of which is automatic enrolment into a pension scheme or default investment fund), retirement decisions, as we have highlighted throughout this report, involve a wider range of choices, a higher degree of complexity, and may require stronger member engagement.

As a result of this lack of consensus, different stakeholders often use the term "default" to describe quite different approaches. In some interpretations, a default may involve a strong automatic placement into a solution. In others, it may refer to a structured recommendation or a "pathway" designed to guide members toward an outcome without completely removing their ability to choose.

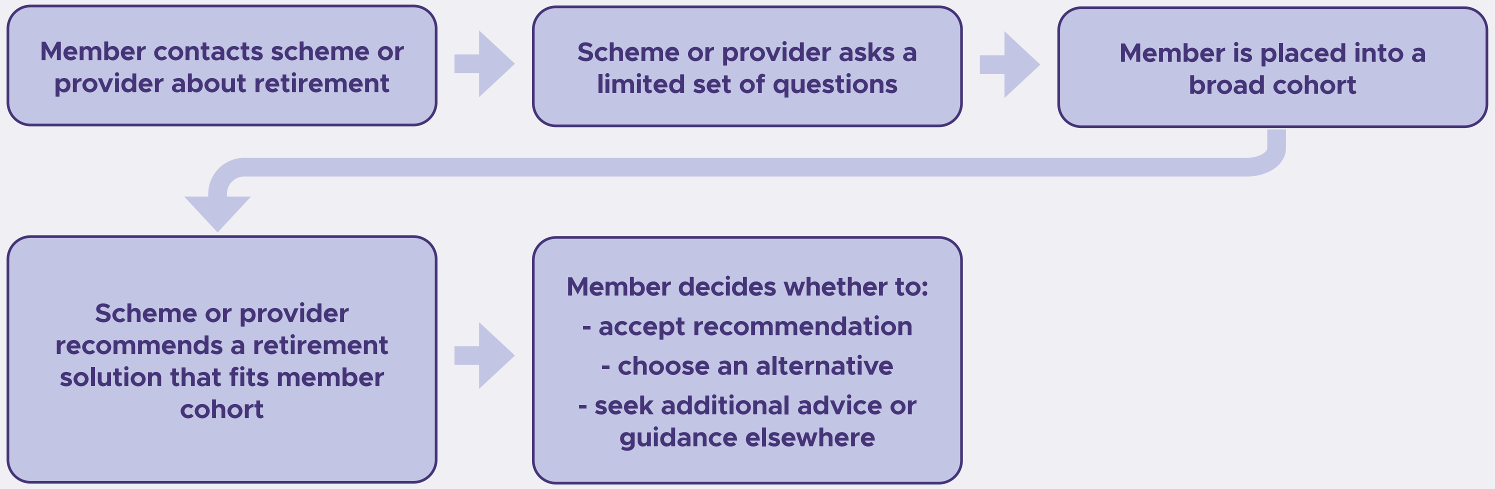
As the legislation does not specify exactly how a "default" should operate in retirement, the requirement to provide a default solution could therefore be implemented through several different approaches to structuring decision-making: (1) trustee or provider recommendation, (2) trustee or provider-led assignment, and (3) automatic default. The models, set out below in more detail, are intended to illustrate possible ways in which schemes could interpret and operationalise the concept in practice.

Choice architecture approaches to Guided Retirement solutions

Trustee or provider Recommendation

Under a recommendation-based approach, the scheme or provider provides members with a suggested pathway or retirement solution based on the information available about their circumstances. The member remains responsible for deciding whether to follow that recommendation or select an alternative. In this model, the "default" operates primarily as a guided starting point rather than an automatic outcome. Members are presented with a pathway that appears suitable for someone in their situation, but they retain full responsibility for accepting or rejecting the recommendation.

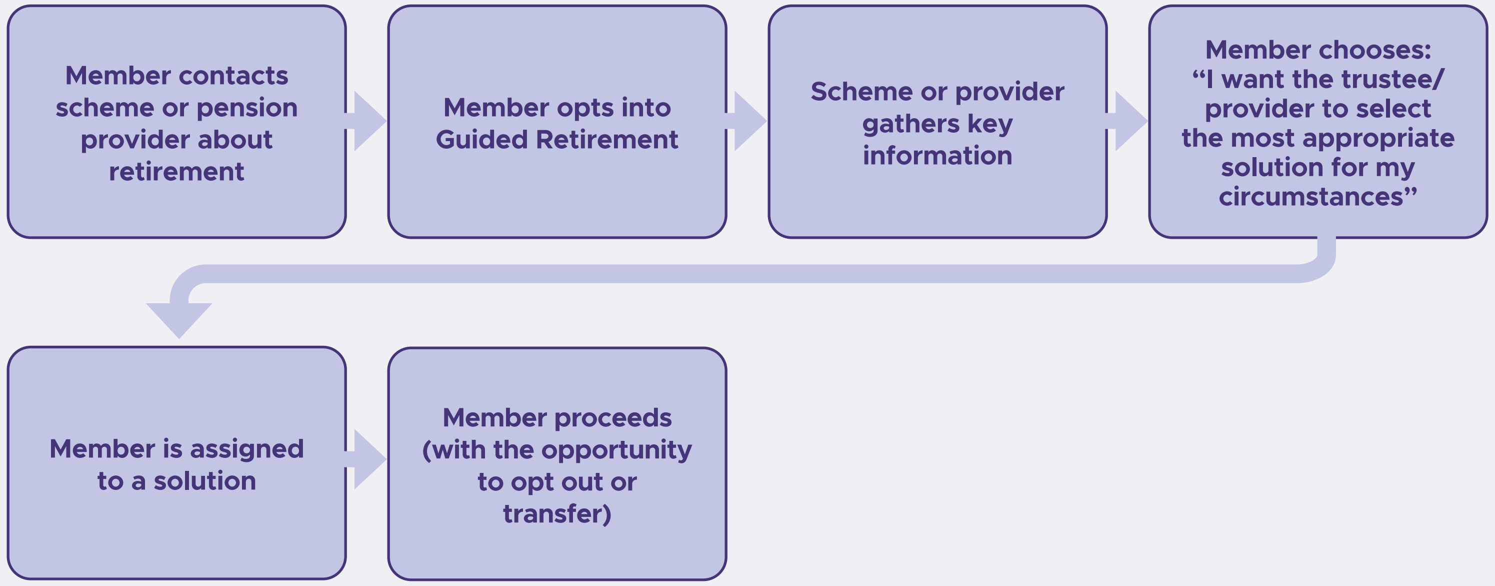
This approach provides more structure than the current system, while still preserving an important role for member decision-making (and has been described as an "opt-in, soft default"). For members who want reassurance or direction but still wish to feel in control of the final decision, a recommendation model offers a useful balance between guidance and autonomy. However, the effectiveness of this type of approach would depend heavily on the information available to schemes or providers about their members, as well as on member engagement. There are also governance considerations where schemes or providers recommend solutions that they themselves offer or facilitate, particularly if members are unlikely to compare alternatives available elsewhere in the market, even if a transfer to a qualifying solution is suggested by their provider/scheme.



Trustee or provider-led Assignment

A step further would be trustee or provider-led assignment. Under this approach, the member opts into Guided Retirement and asks the scheme or provider to determine an appropriate pathway. This model may appeal to members who do not feel confident navigating retirement decisions themselves and would prefer their scheme or pension provider to take a more active role in selecting an appropriate approach through segmentation. In this sense, it shifts part of the decision-making responsibility from the member to the scheme, relying on the trustee or provider's judgement, and in the case of trust-based arrangements, the trustee's fiduciary duty to act in members' interests.

At the same time, this approach raises important questions about governance and accountability. If schemes or providers are selecting solutions for members, there will need to be clarity about what information can be used, how members are grouped or segmented, and how those allocation decisions are made. Questions may also arise around liability and redress if the solution selected later proves unsuitable. There is also a potential risk that members are steered toward solutions offered within their own scheme or by the provider (or affiliated entities), particularly if members are unlikely to compare alternatives available elsewhere. For this reason, safeguards such as clear consent mechanisms, transparent communication and the ability to opt out or move to alternative arrangements may be important elements of this model.



Automatic Default

A third interpretation is an automatic default model, where members who do not make an active retirement decision are placed into a scheme or provider's default pathway at a defined trigger point (for example, after accessing tax-free cash or after a period without further action). In practice, the design of such a default may vary across different parts of the market. In trust-based arrangements, a default pathway is typically set at scheme level, whereas in contract-based arrangements there may be questions about whether a single provider-wide default is appropriate or whether defaults should reflect the characteristics or preferences of individual employers. This adds a further layer of complexity to the design and implementation of Guided Retirement solutions across the retirement income market.

This approach relies on the same mechanism seen in accumulation, where individuals often remain in the option they are automatically placed into unless they actively choose something different, and is closest to DWP's original 2023/24 position. Applied to retirement, an automatic default could provide a backstop for members who do not engage with their options, and might otherwise withdraw savings in an unstructured way or remain invested without a clear strategy for converting their DC savings into retirement income.

Behavioural research suggests that default options can be highly effective because many individuals tend to remain in the option they are automatically placed into. Inertia, choice overload, and other behavioural biases often discourage individuals from making active financial decisions, meaning that a large proportion of people end up staying in the default even when alternative options are available (OECD, 2024). This effectiveness, however, also means that defaults must be designed with particular care. While this mechanism has been used successfully in accumulation through automatic enrolment, the potential consequences of a poorly designed default may be much greater in retirement.[72]

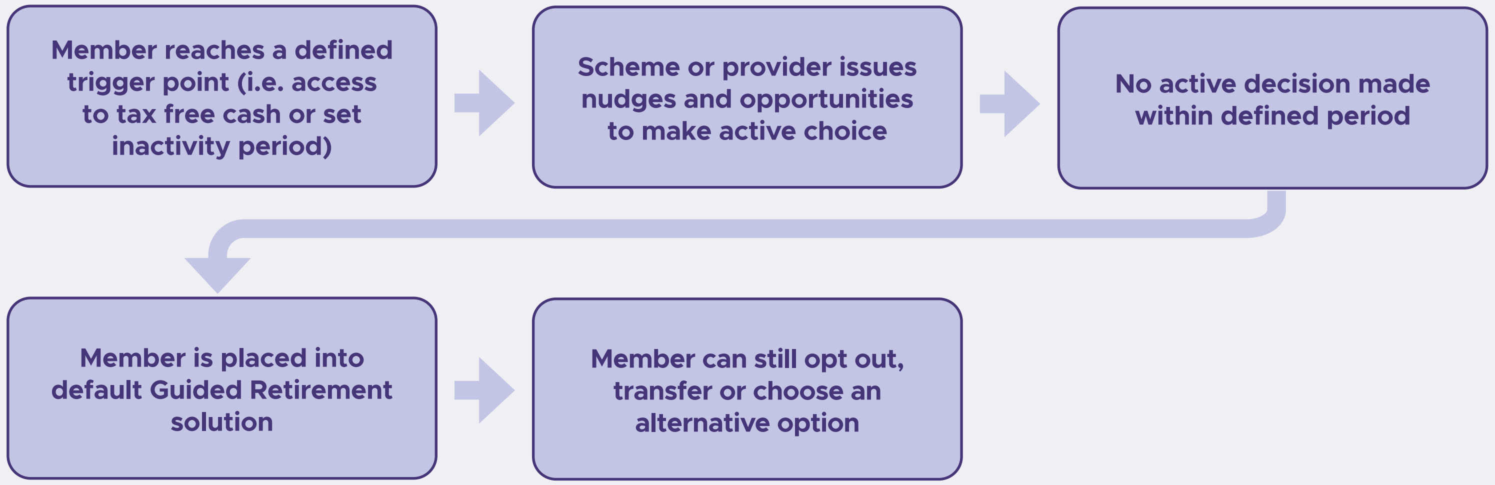
At the same time, applying defaults in decumulation brings with it additional challenges. The variables that matter in retirement are more heterogeneous, and some outcomes are difficult to reverse. A "hard" default may therefore create a greater risk of harm where the member's circumstances make the default unsuitable. This is especially important where pathways involve irreversible or semi-irreversible decisions, such as transitions into guaranteed lifetime income. This raises further questions about how such defaults could operate. For example, placing members into guaranteed income products may require safeguards such as cooling-off periods or prompts to consider key choices, including joint versus single life income or whether health conditions are taken into account. There may also be a risk of adverse selection if individuals with particular characteristics are more likely to opt out of, or remain within, default pathways. Additionally, there are a series of practical barriers, including that schemes might not hold members' bank account details.

[72] OECD (2024). OECD Pensions Outlook 2024: Improving Asset-Backed Pensions for better retirement outcomes and more resilient pension systems.

The practical trigger for a decumulation default is also harder to define than in accumulation. What counts as non-engagement in retirement? Is taking tax-free cash without further action sufficient? Does delayed action amount to inaction? How long should the scheme wait before it determines that a member should be placed into a Guided Retirement solution automatically? Finally, how much effort should be made to re-engage the member before a default applies?

For the reasons listed above, the design of any automatic default would need to consider carefully when it should apply, how members can opt out, and what safeguards may be necessary where the default is not, or no longer appropriate for an individual's circumstances. In practice, defaults may be most useful where they act as a safety net for members who would otherwise make no decision at all.

Example journey – automatic default:



Comparing the three approaches:

These models illustrate different ways of interpreting the requirement to provide a default pension benefit solution, though forthcoming consultations and secondary legislation are expected to set out how this is meant to work in practice. Current interpretations vary primarily in how strongly the scheme or provider intervenes in member decision-making, ranging from guidance through recommendation, to trustee or provider-led assignment, to automatic placement through a default pathway.[73]

In practice, Guided Retirement frameworks may combine elements of these approaches. For example, a scheme might offer recommendation or assignment models for members who engage actively, while also maintaining a default pathway as a backstop where no decision is made.

Model	Main feature	Best suited to	Main strength	Main risk
Recommendation	Scheme or provider suggests a pathway, member decides	Members who want reassurance but still want to choose	Preserves member agency while improving direction	May be too weak for disengaged members. Relies on engagement and the assumption that, with the right information, consumers can make choices suited to their circumstances.
Assignment	Member asks trustee/provider to choose on their behalf	Members who want stronger direction	Reduces burden of choice	Accountability, redress and governance concerns. Requires a certain degree of engagement. Requires trust in the pensions system/schemes and providers.
Default	Member is placed into pathway unless they opt out	Highly disengaged members / backstop cases	Strongest behavioural effect	Greater risk of poor fit and potential harm. Would require rethinking of liability, as well as the need for mechanisms for redress.

Clarifying how the concept of a default should operate in practice will therefore be an important step in the development of the Guided Retirement framework. In particular, more clarity may be needed around the extent to which default solutions should involve automatically placing members into solutions, trustee-led decision-making, or structured recommendation models that guide members while preserving choice. The answers to these questions will have significant implications for how schemes design their retirement pathways, the level of responsibility placed on trustees, and the overall balance between member choice and structured support in the retirement system.

Investment pathways as a useful reference point

One useful reference point is the FCA's investment pathways for non-advised drawdown customers. These are not the same as Guided Retirement, but they show that there is some existing appetite for guided choice architecture in decumulation. Around half of customers choosing an investment pathway rather than remaining in existing investments or self-selecting suggests that at least some members are willing to engage through structured, menu-based support rather than fully open-ended choice.[74]

At the same time, investment pathways also reveal some of the limits of this type of architecture. The available choices are necessarily simplified and may not reflect the more dynamic and changing nature of real retirement journeys. More broadly, they do not resolve questions around long-term income security, later-life decision-making, or how pathways should adapt as circumstances change. Guided Retirement will therefore face a similar tension: too much choice may recreate disengagement, while too rigid a pathway may fail to reflect real variation in needs.

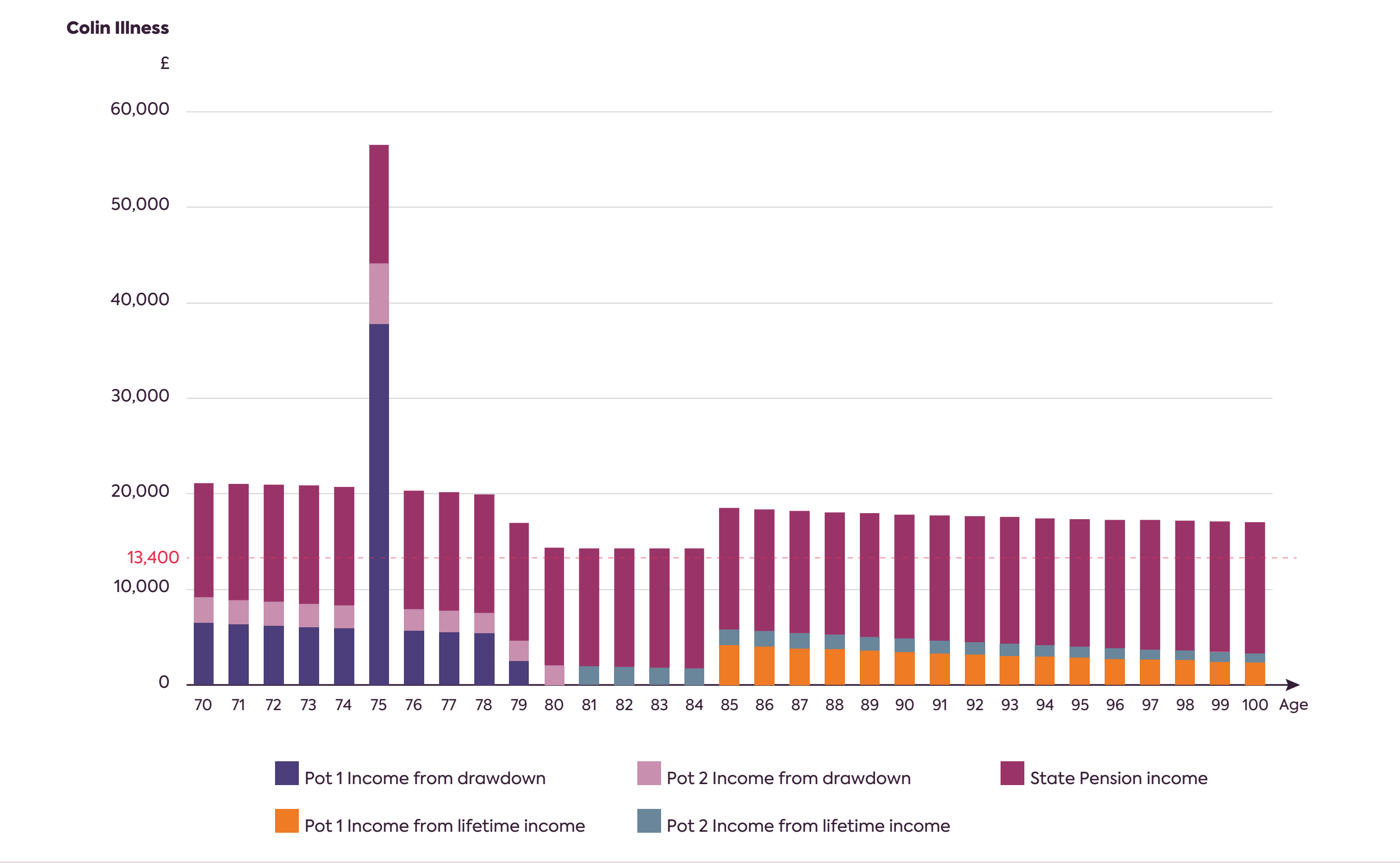
A further implication is that there may be no single default or single "average" pathway that is suitable for all members. This may point toward multiple broad pathways, branching decision trees, or a softer model of guided choice rather than a universal default.

[73] Bell, D. & Warren, G. (2023). Pathways for directing members into retirement solutions: who decides – fund trustee, adviser or member?
[74] ABI (2024). ABI Investment Pathways data 2024 (Q3).

Vignette 5: Colin, health shock

- Age 70 (in receipt of State Pension)
- Employment: Retired
- Single
- Owns a home outright
- Total DC savings: £140,000
- £100,000 in scheme 1
- £40,000 in scheme 2
- Recently diagnosed with a chronic illness
- At 75 needs to cover £30,000 in medical expenses
- No DB pension
- Engagement Level: medium

Colin's pension is used to provide a structured income alongside the State Pension, while also maintaining an emergency access fund. In the early years of retirement, his income remains broadly aligned with the Minimum Retirement Living Standard, supported by a combination of State Pension income and gradual withdrawals from his DC savings. At age 75, Colin experiences a significant health shock and needs to fund £30,000 in medical expenses. In the model, this is met through a combination of drawing down his emergency access fund and increasing withdrawals from his pension savings. This results in a temporary spike in income in that year, followed by a readjustment of his withdrawal path.



Following this event, Colin's income stabilises again, returning to a level broadly aligned with the Minimum Retirement Living Standard. However, the shock has a lasting impact on his remaining pension wealth, leading to lower levels of income in later years compared to the pre-shock trajectory. Despite this, the pathway continues to provide a relatively stable income over time.

This vignette highlights several important considerations for the design of Guided Retirement solutions:

- Colin's case illustrates that significant and unpredictable expenses can arise in later life, particularly in relation to health. His particular case shows the need for retirement pathways to be able to accommodate unexpected shocks.
- The ability to deviate from a fixed withdrawal pattern allows Colin to respond to immediate needs without breaking the overall structure of the pathway. At the same time, emergency access plays a critical role: maintaining a readily accessible reserve helps absorb shocks.
- Colin's case helps illustrate how Guided Retirement needs to operate as an ongoing process rather than a one-off decision. His experience shows the importance of review points and the ability to adapt pathways as circumstances change.
- For individuals with similar characteristics, relevant features could include flexible withdrawal frameworks that allow temporary increases in income when shocks occur, integrated emergency access reserves, and built-in review and adjustment mechanisms that recalibrate the solution structure following major life events.

How can Guided Retirement operate as an ongoing journey?

A fourth aspect to consider when shaping the framework for Guided Retirement is whether solutions are understood as one-off retirement access decisions or as ongoing pathways through retirement. An important aspect to highlight is that retirement likely does not involve a single choice made at one point in time. Members may initially prioritise access to cash, flexibility or continued growth, but their needs can change significantly as they move through retirement. Health, household structure, caring responsibilities, work patterns, and spending needs may all evolve. The timing of when secure income becomes more valuable may also be different from person to person.

The Pension Schemes Act 2026 already anticipates this by providing for regulations to require schemes to communicate with members at prescribed times or intervals, monitor decumulation rates, and inform members where withdrawal rates may need to be reviewed. This provides a legislative foundation for Guided Retirement to function as an ongoing journey rather than a single decision point.

Touchpoints may include periodic reassessments of contributions and withdrawal rates, review points before any transition into guaranteed income, and prompts where a person's decumulation pattern (or withdrawal choices) appear inconsistent with the provision of longer-term sustainability. In time, there may also be scope for more structured "mid-retirement MOTs" or scheduled review cycles, particularly later in life when risks relating to longevity, cognitive decline or changing care needs become more significant. This also points to the potential importance of interoperability between pension solutions and wider sources of support, including health, housing and financial decision-making. As individuals' needs become more complex in later life, effective support may require greater coordination across these areas, rather than treating retirement income decisions in isolation.

> "We constantly look at pension pots as the thing that people are trying to manage - when reality is that people are trying to manage a lot of different things in retirement. Their pension is one element, but they've also got debt, they might have property, they might have other savings. All of those impact on how you could guide them to the best outcome in their later years."
> (Focus group participant, policymaker)

This also highlights the importance of communications. If Guided Retirement is to be a "solution", rather than just a product, then communications need to do more than explain an initial option at retirement. They need to support understanding over time, prepare people for future decisions, and make clear how and when choices may need to be revisited. There are reasons to think that current communication approaches may not be enough. Existing interventions, such as the "wake-up packs" sent to members from age 50 onwards to explain retirement options and encourage them to seek guidance or advice, often appear to have limited impact, and many members report low awareness of ongoing support after accessing their pension.[75] This suggests that simply adding more information to the current model is unlikely to deliver materially better outcomes. Instead, Guided Retirement may require a communication approach that begins much earlier, is clearer, more timely, and more member-centred in its framing.

> "The current concept of guided retirement seems to be looking at what people need to do when they've got a pot and when they're coming up to retirement. I honestly think that's too late to be thinking about what you do with what you've got. Because if you haven't got enough, it doesn't matter how you juggle it, it's probably never going to be enough"
> (Policymaker)

What role should communications and framing play?

Communications are likely to be central to whether Guided Retirement works in practice. This is partly because retirement decisions are complex, but also because many people do not approach retirement with a stable long-term plan. Their decisions may be reactive, partial or shaped by immediate concerns. In that context, communication will play an important role in helping members understand how retirement pathways work and how their pension savings may support income over time.

This has several implications. First, the information given to members will need to be delivered at the right time and in a format that people can realistically understand and act on. Evidence suggests that existing communication approaches have had mixed success. Research suggests that retirement packs and their corresponding communications are often overlooked or difficult for members to navigate.[76] Data from the Planning and Preparing for Later Life Survey indicates that a substantial proportion of individuals report not receiving, or not recalling receiving, information about their retirement options.[77] Even among those who do receive retirement packs, a significant share report taking no further action afterwards.

Second, the framing of retirement solutions may matter as much as the technical design. Language focused on concepts such as stability, flexibility, protecting basics, planning for shocks, or not running out of money may be more meaningful to members than technical descriptions of drawdown and annuitisation. Industry research has suggested that simpler and more familiar language (for example referring to "guaranteed income" or "income for life" rather than technical product terminology) may help individuals better understand their retirement options.[78]

Third, communications may need to help members understand not only what the solution does now, but also what it is designed to do later. For example, where a pathway includes a later transition into a guaranteed lifetime income component, that feature may need to be explained early, reinforced over time, and revisited as the relevant point approaches. Members may need clear and repeated communication about what happens automatically, what remains flexible, and where the off-ramps are if they want to change course. As Guided Retirement is likely to operate as a pathway rather than a single product decision, this suggests that communication may need to take place not only before retirement but also at several points during retirement itself. Interventions later in retirement may allow members to reassess their strategy, adjust income levels, or revisit decisions as their circumstances change. Some stakeholders have suggested that additional engagement points later in retirement (sometimes referred to as a "mid-retirement review") could provide an opportunity for individuals to reassess their financial position and retirement plans.[79] Survey evidence suggests there may be appetite for this type of support, with a large majority of mid-retirees indicating that a structured review later in retirement could help them reassess their finances and future plans.[80]

[75] Financial Conduct Authority (FCA) (2025). Financial Lives 2024 Survey [Data].
[76] The Pensions Regulator (TPR) (2025). Defined contribution trust-based pension schemes research: Report of findings from the March 2025 survey. Omb Research.
[77] Department for Work & Pensions (DWP) (2025). Planning and Preparing for Later Life 2024.

Digital tools may also play a role in supporting these communication efforts. Interactive modelling tools that allow individuals to explore different withdrawal strategies or income scenarios may help members understand the potential implications of different decisions. Evidence suggests that a growing share of individuals are comfortable using online tools to engage with financial decisions, indicating that digital journeys may provide a scalable way of delivering this type of support.[81] In this sense, communication design and choice architecture are closely linked. A more effective retirement pathway may depend not only on the underlying product structure, but also on whether members feel informed, in control and able to understand the trade-offs involved.[82]

How does Guided Retirement fit into the wider pensions and support system?

A final design question is how Guided Retirement solutions will interact with the wider pensions system. Guided Retirement is not simply an issue of decumulation product design within individual schemes. Its effectiveness will depend on how well it aligns with the broader support and regulatory environment.

One challenge is that support available to members is likely to vary significantly across schemes. Larger schemes and master trusts are generally more likely to provide structured decumulation support, broader communication journeys and member insight work.[83] Smaller schemes are more likely to rely on external partnerships or provide only limited support beyond statutory communications. This matters because Guided Retirement is intended to support people not just at the moment of product selection, but potentially through a broader journey to and through retirement. If one scheme offers a more integrated pathway while another mainly transfers members elsewhere at retirement, there is a risk of inconsistent member outcomes and uneven support across the market.

Guided Retirement will also need to sit alongside other forms of support, including Targeted Support, Pensions Dashboards, Pension Wise, regulated advice and possibly a "simplified advice" framework.[84] Ensuring that these different forms of support work together in a clear and coherent way will be an important aspect of the evolving policy framework. This is especially important because different parts of the emerging retirement support framework sit across different policy and regulatory initiatives. In trust-based schemes, trustees may be expected to go further in identifying cohorts, designing pathways and signalling suitability than they do today.[85] At the same time, FCA-regulated firms may be developing Targeted Support journeys that look operationally similar but sit under a different legal framework. Without greater clarity on where these regimes meet, providers may act cautiously and offer less support than policymakers intend.

Government and regulators have recognised the importance of alignment across these frameworks, and further clarity is expected as policy development progresses. As these approaches evolve, there will be a need to consider how different forms of support interact in practice, including the use of data, approaches to segmentation, communication strategies, and how members are directed or supported to access different types of guidance or advice.

[78] Standards Life Centre for the Future of Retirement (2026). Decisions in the Dark: How the DC pioneer generation are navigating retirement income decisions.
[79] Aviva and AgeUK (2025). Retirement Reality: Managing Money in Mid-retirement.
[80] Aviva and AgeUK (2025). Retirement Reality: Managing Money in Mid-retirement.
[81] Hymans Robertson (2022). The Decumulation market: opportunities for providers.
[82] LCP (2022). The "Flex First, Fix Later" pension - is this the future of retirement?
[83] The Pensions Regulator (TPR) (2025). Defined contribution trust-based pension schemes research: Report of findings from the March 2025 survey. Omb Research.
[84] Standard Life Centre for the Future of Retirement (2025). Better help, better outcomes?
[85] Sackers (2025). Supporting consumers' pensions and investment decisions: proposals for targeted support.

Conclusions

The UK pensions landscape is changing. As DB provision declines and participation in DC pensions has expanded through automatic enrolment, a growing number of individuals will rely on accumulated DC savings to support their retirement. At the same time, Pension Freedoms have expanded the range of choices available when accessing these savings, giving individuals greater flexibility but also placing more responsibility on them to decide how and when to convert pension wealth into retirement income. Evidence suggests that many people find these decisions difficult to navigate in practice. Within this context, Guided Retirement solutions are intended to provide more structured support as members move from pension saving into retirement.

Many individuals approach retirement without a clear strategy for how their pension savings will support income throughout later life, and pension access behaviour often reflects a preference for liquidity and flexibility rather than structured income planning. At the same time, retirement decisions are rarely made in isolation from wider financial circumstances, including housing, other savings, debt and household income. The Pension Schemes Act 2026 responds to these challenges by introducing a framework in which pension schemes are expected to support members in converting pension savings into retirement income through default pension benefit solutions. While the direction of travel is clear, many important aspects of Guided Retirement remain to be defined in further regulation, including how strongly schemes should guide member decisions, how differences in member circumstances should be reflected in solution design, and how trade-offs between flexibility, income security and simplicity should be managed.

A central insight of the report is that retirement outcomes are shaped by a wide range of member characteristics, yet pension schemes typically observe only a limited subset of this information. Factors such as health, housing circumstances, household income, and wider financial assets can all influence retirement income needs, but most schemes will only have visibility of a member's age, contribution history and the value of the pot held within the scheme. In practice, this means that Guided Retirement solutions are unlikely to rely on detailed personalisation. Instead, schemes will need to work with partial information about their membership, developing approaches that group members into broad cohorts based on characteristics that can realistically be observed or inferred. Segmentation is therefore likely to play a central role in the design of retirement pathways. The challenge will be to ensure that these segmentation approaches remain simple enough to operate in practice, while still reflecting meaningful differences in member circumstances. In this context, characteristics such as age, life stage and the role of a pension pot within an individual's wider retirement finances may provide more useful starting points than pot size alone.

The report also highlights that implementing Guided Retirement will involve much more than designing retirement income products. The central challenge is how these solutions **are embedded within a coherent member journey** that supports individuals before, at and throughout retirement. This raises a number of practical design questions, including when the Guided Retirement solutions should begin, how schemes can support decisions when they only have partial visibility of members' wider financial circumstances, **and how strongly schemes should guide member choices** through recommendation, trustee-led assignment or default mechanisms. It also highlights the importance of recognising retirement as an ongoing process rather than a single decision point. Members' circumstances, needs and priorities can change significantly over time, suggesting that retirement pathways may need to include review points, opportunities to adjust income strategies and communication that supports decision-making throughout retirement, rather than only at the moment benefits are first accessed.

More broadly, the effectiveness of Guided Retirement will depend not only on the design of retirement income solutions themselves, but also on how these solutions interact with the **wider pensions support landscape**. Communication strategies, behavioural design, and review mechanisms will play a central role in shaping how members understand and engage with retirement solutions. At the same time, Guided Retirement will need to operate alongside other forms of support, including Pension Wise, targeted support initiatives, regulated financial advice, and emerging data infrastructure such as pensions dashboards. Ensuring that these elements are aligned will be important in avoiding fragmented member journeys or overlapping interventions that could create confusion rather than support better decision-making.

Taken together, the findings of this report suggest that Guided Retirement should be understood less as a single product innovation and more as the gradual development of a **new layer of retirement support within the UK pensions system**. Designing this framework will require balancing structure with flexibility, simplicity with relevance, and member choice with behavioural safeguards. It will also require recognising that the development of Guided Retirement is likely to be iterative. Early solutions may rely on relatively simple pathways and limited data, with approaches evolving over time as schemes gather more insight into their membership and as the wider retirement support ecosystem develops. Maintaining a clear focus on improving outcomes for members, rather than allowing the framework to become primarily a compliance exercise, will be an important challenge as Guided Retirement moves from policy to reality.

Methodology Appendix

A mixed methods approach

This report adopts a mixed-methods approach to examine how Guided Retirement solutions could be designed and implemented, ensuring these are flexible enough to reflect the diverse needs of members while protecting those less likely to engage. The evidence review element of this mixed-methods approach was structured around three complementary strands.

The first strand draws on established surveys and administrative datasets to explore consumer behaviour, engagement levels, and financial circumstances at and around retirement. These datasets provide insight into patterns of pension engagement, decisions on how individuals navigate the current retirement income market, and differences in member characteristics and retirement behaviours, helping to highlight some of the factors that shape how individuals approach retirement income decisions. The second strand examines industry and provider-led research to understand how retirement solutions are currently being developed and delivered in practice. This includes publications from pension providers, schemes, and industry bodies. This evidence synthesis is used to explore practical considerations such as pot fragmentation, contribution histories, withdrawal patterns, and operational issues associated with developing and implementing retirement solutions.

The third strand focuses on the policy and regulatory framework within which Guided Retirement solutions would operate. This includes reviewing policy documents, consultation materials, and regulatory guidance from organisations such as the Department for Work and Pensions (DWP), the Financial Conduct Authority (FCA), and The Pensions Regulator (TPR). This strand considers the provisions set out in the Pension Schemes Act 2026 and related policy proposals for Guided Retirement, alongside areas where aspects of the framework may require further clarification as the policy is implemented. It also explores how Guided Retirement solutions may interact with wider pensions policy developments and initiatives aimed at strengthening retirement support for DC savers.

To complement the evidence review, the research also develops a small number of illustrative consumer vignettes based on insights from survey data, industry research and stakeholder engagement. These scenarios are used to ground the analysis in realistic examples of how individuals may approach retirement decisions and to illustrate how different design features of Guided Retirement solutions may shape member journeys. Additionally, the research incorporates stakeholder engagement through a combination of semi-structured individual and group interviews bringing together representatives from across the pensions landscape, including regulators, industry bodies, and organisations representing member interests. The interviews covered practical considerations around the design and delivery of Guided Retirement solutions and helps identify potential risks, trade-offs, and implementation challenges. Insights from the focus group are incorporated throughout the report.

Modelling Appendix

A1.1 Overview

This analysis uses vignette modelling to examine projected retirement income for a set of illustrative individuals. Each vignette starts from a chosen position at retirement and then follows the income that can be generated over later life from Defined Contribution wealth together with other income sources included in the scenario. The purpose is to show how different decisions and product combinations affect retirement income, not to estimate outcomes for a representative sample of households.

The model is built as an annual cashflow projection. For each future year it updates the value of each pot, records the income taken from those pots, allows for investment growth on the remaining assets, adds income from other sources where relevant, applies tax, and then derives total income. The underlying calculations are carried out in cash terms and the reported outputs are then expressed in earnings terms.

A1.2 Assumptions

The modelling uses a common set of assumptions covering economic conditions, mortality, annuity conversion, tax treatment and presentation of results.

A1.2.1 Economic assumptions

Economic assumptions are based on Office for Budget Responsibility (OBR) projections. In particular, the assumptions for earnings growth, the triple lock and the gilt rate use the OBR's Long-term Economic Determinants, March 2025, updated using the November 2025 medium-term projections.

For investment returns, a balanced fund is assumed to earn 1.5% above the gilt rate, while a low-risk fund is assumed to earn the gilt rate. A target date fund is assumed to move from a balanced fund to a low-risk fund over a period of years.

A1.2.2 Mortality assumptions

Mortality assumptions are based on unisex mortality derived from the Office for National Statistics (ONS) 2022-based mortality tables.

A1.2.3 Annuity assumptions

The model uses age-specific annuity rates. For ages below 80, these are based on published market quotations, using Hargreaves Lansdown best annuity prices at five-year age intervals. At higher ages, where market quotations are not available, annuity rates are calculated on a basis chosen to produce results consistent with the market rates at ages where quotations are available. This provides a consistent set of annuity rates across the full age range used in the modelling. In the version described here, annuities are assumed to be flat-rate single-life annuities.

A1.2.4 Tax assumptions

The model uses a simplified treatment of tax-free cash within the income calculations. For the relevant income streams, 75% of each payment is treated as taxable. This reflects an assumption that tax-free cash is taken within the payment stream rather than modelled separately. State Pension income is treated as fully taxable. The Personal Allowance is assumed to increase in line with earnings growth.

A1.2.5 Presentation assumptions

Although the model calculates outcomes in cash terms, the reported outputs are expressed in earnings terms.

A1.3 Vignettes

Each vignette is defined by a chosen set of starting characteristics at retirement. These include the person's age, the amount of unallocated Defined Contribution wealth, and the amount of State Pension income. The model can also accommodate other forms of wealth or income, including other pension income, earnings income, financial wealth and property wealth, where these are relevant to the scenario.

The vignettes are illustrative. They are used to show how the model behaves under different starting positions and different choices over retirement, rather than to represent observed household circumstances.

A1.4 Structure of the model

The model allows Defined Contribution wealth to be allocated across a number of pots. These include an allocated pot, a drawdown fund, an annuity fund, a discretionary taking fund, and additional disbursement pots that can be used to support different timings and sequences of withdrawal. The whole fund can be placed in one pot or split across several pots.

The model then specifies what happens to each pot at each future age. Assets can remain where they are, be moved into another pot, be annuitised, be drawn down, or be returned to the allocated pot for later use. This allows the model to represent a wide range of retirement income patterns, including patterns that change over time.

A1.5 Income-taking rules

Withdrawals can be specified separately for each pot and at each age. In the case of drawdown, the model can specify whether withdrawals begin, the age at which they begin, and the withdrawal rate that applies. The fund is then projected under those assumptions, allowing for investment growth on the remaining balance.

The model can also be used to target a drawdown pattern that exhausts a fund at a chosen age. This allows drawdown to be co-ordinated with later annuitisation. For example, a withdrawal rate can be chosen so that a drawdown fund runs out when annuity income begins. The split between pots can then be adjusted so that annuity income is broadly aligned with the drawdown income that was being taken beforehand, helping to smooth income through retirement.

Funds can also be returned to the allocated pot and later moved into another pot. This can be done in a later year or in the same year. The framework therefore allows the income strategy to change over time, for example by pausing withdrawals, changing the drawdown rate, or moving assets between different forms of decumulation. A runs-out indicator is included to show when a fund has been exhausted under the chosen withdrawal and investment assumptions.

A1.6 Cashflow modelling

The core calculation is an annual cashflow model. For each pot and each year, the model tracks the value of the fund at the start of the year, the amount withdrawn during the year, the investment growth on the remaining balance, and the fund value at the end of the year. The closing balance then becomes the opening balance for the following year.

This approach is applied across all pots in line with the instructions set for the vignette. As a result, the model can represent simple cases, such as full drawdown from the outset, as well as more complex cases involving delayed annuitisation, temporary reallocation of assets, or changing withdrawal rates over time.

A1.7 Income and tax calculation

The model calculates the income generated from the retirement pots and combines this with other income included in the vignette. Depending on the scenario, this may include State Pension income, earnings income and other pension income. It then applies the tax treatment described above to derive total net income.

The outputs distinguish between the income arising from the Defined Contribution pension decisions being examined and income from these other sources. This makes it possible to see both total income and the contribution made by the decumulation choices being modelled.

A1.8 Model outputs

For each vignette, the model produces projected income over time. The outputs show income arising from the Defined Contribution pension decisions under examination together with other income included in the scenario, such as State Pension income, earnings income and other pension income where relevant. Outputs are presented in earnings terms rather than cash terms.

A1.9 Interpretation

The model provides a flexible framework for comparing projected retirement income across a set of illustrative cases. It can represent different combinations of drawdown and annuitisation, different timings of movement between pots, and different patterns of income through retirement.

The results should be read as illustrations of how particular choices affect particular vignettes. They are not intended to be forecasts for the wider population.

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Acknowledgement & Contact Details

The Pensions Policy Institute is grateful for the input from many people in support of this paper, including:

Rachel Alderton
Kate Boulden
John Canavan
Chris Curry
Sam Eccles
Danielle Elliott
Kathryn Fleming
Peter Glancy
Sarah Harper
Steven Hill
Lizzy Holliday
Frederick Hopkins
Dr Priya Khambaitha
Maritha Lightbourne
Dr Suzy Morrissey FCA
Katherine Nicholls
Emily Pinkerton
Carol Rafferty
Kenneth Scott
Adam Sewell
Hannah Silvester
John Waterson
Keren Wellings
Fuzzmedia

We extend our thanks to the many stakeholders who kindly contributed their time by participating in interviews for this research project.

Editing decisions remained with the author who takes responsibility for any remaining errors or omissions.

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ISBN 978-1-914468-34-6

Registered Company Number: 04145584. Charity Number: 1087856 (England & Wales)