# SCOTTISH WIDOWS

Retirement Report 2025

Contents

Introduction

The Scottish Widows Retirement Report provides a forensic analysis of how people are planning for their financial future and what kind of retirement lifestyle they aspire to.

We've been conducting this research for 21 years now, teaming up with Frontier Economics and YouGov to dig deeper into the trends we're seeing. Since our last report, the UK Government has announced a Pensions Review, which could pave the way for policy change and hopefully help more people save for a better retirement.

Back in 2002, The Pensions Commission started laying the groundwork for today's private sector pensions. Nowadays, workers are usually auto-enrolled into defined contribution schemes, saving 8% of their salary, which was considered enough to avoid poverty in retirement when combined with the State Pension.

This year's report shows that most people will manage a basic standard of living in retirement, but 39% will fall short, including self-employed people and younger workers without defined benefit pensions. We believe that the government could consider creative solutions to help these groups, like auto-enrolment for the self-employed.
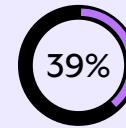
39% This year's report shows that most people will manage a basic standard of living in retirement, but 39% will fall short, including self-employed people and younger workers without defined benefit pensions.

Our National Retirement Forecast compares the retirement income people are on track for, with the living costs they might face. Only about a third (30%) of the country is on track for what the Pensions and Lifetime Savings Association (PLSA) calls 'a comfortable retirement.' Not surprisingly these are mostly higher earners with big pension pots, other savings and investments, and their own homes. But it's crucial the remaining two-thirds are not left behind.

Pensions are a powerful tool for building wealth and financial resilience for retirement, but it's important for everyone to consider their entire financial picture to face the future confidently.

Chira Barua, CEO

Barriers like the advice gap, data privacy rules and lack of engagement with pensions persist. We hope the FCA's 'Targeted Support' will help tackle these issues.

Getting more people to engage with their pensions is essential – helping them understand what they have, decide if it's enough and take action if needed.

This report also looks at financial empowerment, which can help people prepare for their future by building healthy financial habits, maximising savings and investments, and managing living costs, including housing. Pensions are a powerful tool for building wealth and financial resilience for retirement, but it's important for everyone to consider their entire financial picture to face the future confidently. Housing costs are a major expense, so it's vital to factor this in when planning for retirement.

At Scottish Widows and Lloyds Banking Group, we're investing in social housing and supporting initiatives that build a rainy-day savings pot alongside a retirement pot. We're committed to helping people connect more easily with their pension and other financial products digitally, so that everything's in one place. Ideally, the second phase of the Government's Pensions Review will consider all factors influencing incomes and expenditures in retirement, aiming to give as many people as possible the best quality of life in their golden years.

Getting more people to engage with their pensions is essential – helping them understand what they have, decide if it's enough and take action if needed.

Engaging with your pension

This year, we launched our Retirement Calculator which helps customers see how close they might be to achieving the retirement and lifestyle they want.

The calculator encourages customers to think about their current financial position and visualise their future self in retirement by viewing a range of possible outcomes. Customers can then explore different scenarios and learn what action they could take to make a difference to their future retirement income, such as increasing contributions, considering other sources of income, or retiring later.

What does it mean for customers?

By entering details – like pensions, contributions, income, and expenses, they'll get a projected view of their financial future. The tool helps customers explore different scenarios and understand what actions could make a difference to help them achieve their retirement targets.

**www.scottishwidows.co.uk/
retirement/calculators-tools.html**

Pension Mirror

Customers can try our award-winning pension mirror to see what age it thinks they are, and how their pension compares to the average person their age.

www.pensionmirror.co.uk

Scottish Widows app

We know managing finances and planning for the future can feel overwhelming. But by talking openly about financial matters and engaging with their pension, customers stand a better chance of experiencing a retirement which is more financially secure.

www.scottishwidows.co.uk/app.html

Download our app here ⬇

# Executive Summary: National Retirement Forecast

The upcoming second phase of the Government's Pensions Review will focus on ensuring pension adequacy and exploring further measures to improve outcomes for pensioners. This is a great opportunity for us to reflect on what is working well and identify areas for improvement.

We first introduced the National Retirement Forecast (NRF) in 2023 and we have since seen a slight deterioration in the nation's retirement prospects in that short space of time.

- **Risk of poverty:** 39% (15.3 million people) at risk of not covering basic needs in retirement, up from 35% in 2023 largely due to cost of living pressures.

- **Automatic Enrolment** helps most achieve a basic retirement lifestyle, but many still face shortfalls, especially low to middle-income earners and those under 40.

- **Housing costs** are a significant barrier to meeting basic retirement outcomes, with potential solutions costly to the public purse.

- **Many still struggle to achieve their ideal retirement lifestyle** facing significant income drops, particularly low to middle-income earners and those under 40.
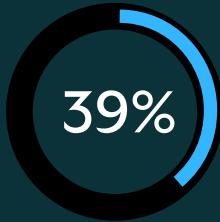
39% are on track for a less than minimum lifestyle in retirement
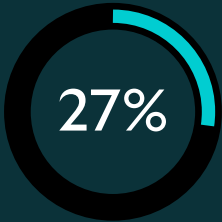
27% are concerned they will have to work longer than they would like to ensure they have sufficient retirement savings, and 15% do not ever expect to be able to retire

60% of low to middle income earners, especially those in their 30s, are projected to see their income drop by over 60% when they retire

Saving around default minimum automatic enrolment contribution levels

48% of this group are heading for a minimum retirement lifestyle

35% are at risk of not being able to cover their basic needs in retirement
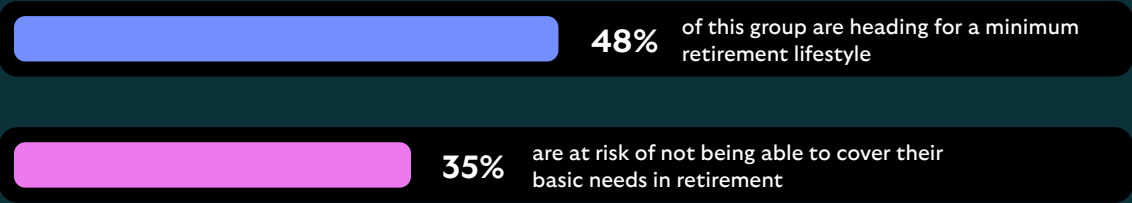
Executive Summary: Financial Independence and Savings

Given the lack of improvement in the NRF, it is essential to ensure people feel financially empowered to make informed decisions and take proactive steps for their future – with a strong sense of financial independence playing a key role. To explore this, we take a deeper look into people's sense of financial independence:

- **Most feel independent**, meaning debt-free, prepared for emergencies, and able to cover expenses with some extra money.

- **A quarter do not feel financially independent**, and nearly half of this group do not believe they will be able to achieve independence.

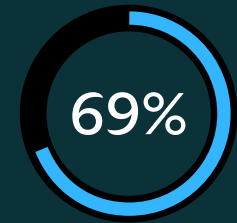 - Young adults, people with disabilities, renters, and low-income earners are most affected.
  - Barriers include insufficient savings for emergencies and retirement, and the inability to save more.
  - Priorities include earning a higher income, home ownership, and paying down debt.

69%
of people feel
financially independent

25%
of people do not feel
financially independent
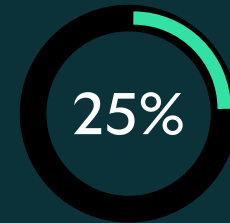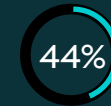
44%
of them doubt
they ever will

37%
do not feel financially
independent because they cannot
cover financial emergencies
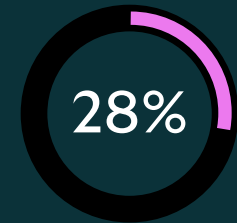
28%
of people are not saving –
for either the short-term or
the long-term
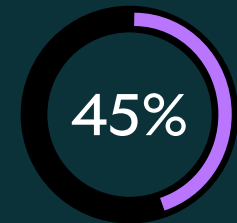
45%
of people do not have the level
of savings they feel they need
to cover emergencies

Executive Summary: Policy Recommendations

Automatic enrolment

- Automatic enrolment has been a gamechanger and has delivered at least a basic lifestyle in retirement for many.

- Our findings point to the need for **targeted automatic enrolment reform** to go further and help ensure people can maintain an appropriate lifestyle in retirement, particularly **those on low to middle incomes**.

- Self-employed workers are currently excluded from automatic enrolment – and are facing poor retirement outcomes. We recommend that an equivalent of automatic enrolment be developed to support the UK's 4+ million self-employed workers.[1]

- Such focused reforms should be within the scope of the Government's Pensions Review.

Housing

- Housing is a lever that Government can pull to help support workers and retirees. Many of those on the lowest incomes during retirement will need to rely on housing benefit. This will significantly increase the Government's retirement benefits bill in the future.

- **Social housing can play a more proactive role**. Expanding lower cost social housing can **facilitate saving** amongst those working, with rents typically £119 cheaper per week than the private market.[2] If the typical 30-year-old put even 10% of this monthly saving into their pension, it would increase their pot by £36.5k in today's money.[3]

Financial independence

- Supporting short-term financial goals can help build people's sense of independence and meet long-term financial goals. Debt and a lack of emergency savings are a key barrier to many.

- Part of the answer may be found in utilising the auto enrolment ecosystem, with long-term ideas such as 'side car' pots having the potential to boost emergency savings. These ideas should also be considered by Government.

1 House of Commons Library, UK labour market statistics.

2 MHCLG, English Housing Survey 2023-24.

3 Frontier analysis, this assumes (1) they work full time until 68, with their salary tracking the median across age brackets, based on ONS 2023 earnings data; (2) they save at the default automatic enrolment rate; (3) 2% real investment growth each year after inflation and investment charges.
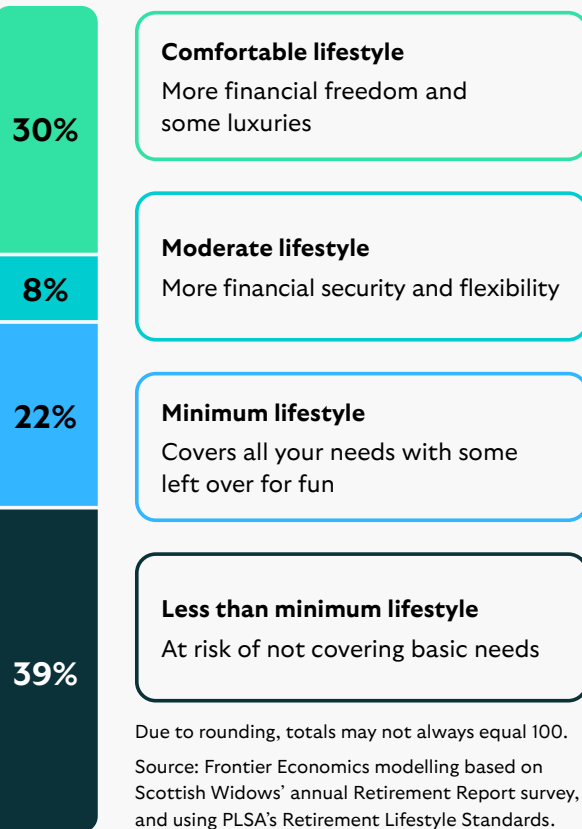
Proportion of people on track for different retirement lifestyles

30%	**Comfortable lifestyle** More financial freedom and some luxuries
8%	**Moderate lifestyle** More financial security and flexibility
22%	**Minimum lifestyle** Covers all your needs with some left over for fun
39%	**Less than minimum lifestyle** At risk of not covering basic needs

Due to rounding, totals may not always equal 100.

Source: Frontier Economics modelling based on Scottish Widows' annual Retirement Report survey, and using PLSA's Retirement Lifestyle Standards.

The National Retirement Forecast results

The National Retirement Forecast, first run in our 2023 Retirement Report with Frontier Economics, projects retirement outcomes for those aged 22 to 65 based on savings, behaviours and income sources, comparing expected income to potential living and housing costs in retirement.

39% risk not being able to cover their basic needs in retirement

- **Current Savings Behaviours:** 61% of people are on track for at least a minimum lifestyle in retirement, which covers basic needs with limited flexibility.
- **Risk of Poverty:** 39% (about 15.3 million people) are predicted to fall short of the minimum lifestyle, facing potential poverty in retirement.
- **Pension Savings Increase:** Pension savings have increased since 2024, but not enough to keep up with the rising cost of living.
- **Median Retirement Income:** Projected median retirement income has risen from £15.5k to £17.2k (including State Pension) since 2024.

- **Impact of Living Costs:** Rising living costs, with 3% inflation in the past year, have significantly increased lifestyle thresholds.[1]
- **Minimum Retirement Lifestyle Cost:** PLSA estimates that a minimum retirement lifestyle for a single person outside London costs £14.8k per year (excluding housing costs), placing the median person just above this threshold.
- See more information on the PLSA thresholds in the Appendix.

Rising pension savings are being outpaced by continued cost of living pressures

1 ONS, Consumer Prices Index inflation, UK: year to January 2025.

There continues to be significant divergence in expected retirement outcomes for different groups

Disabled people are substantially less likely to be on track for most retirement lifestyles

Proportion of people on track for different retirement lifestyles: by disability status

Disabled
- 19%
- 5%
- 22%
- 54%

Non-disabled
- 34%
- 9%
- 23%
- 35%

Those in the BAME and White communities report broadly similar retirement prospects

Proportion of people on track for different retirement lifestyles: by ethnicity

White
- 29%
- 9%
- 23%
- 40%

BAME
- 36%
- 6%
- 22%
- 36%

Retirement outcomes are broadly similar for BAME and White British individuals

However, as shown in previous reports, this is likely hiding important variation in retirement prospects within BAME communities:

- Those in the Black community are more likely to fall below minimum retirement outcomes.
- Those in the Indian community are most likely to be on track for better retirement outcomes.

Legend:
- Less than minimum
- Minimum
- Moderate
- Comfortable

Almost half of those who identify as LGBTQ+ are at risk of not being able to cover their needs in retirement

Proportion of people on track for different retirement lifestyles: by LGBTQ+ status

LGBTQ+
- 26%
- 4%
- 21%
- 49%

Not LGBTQ+
- 31%
- 9%
- 22%
- 38%

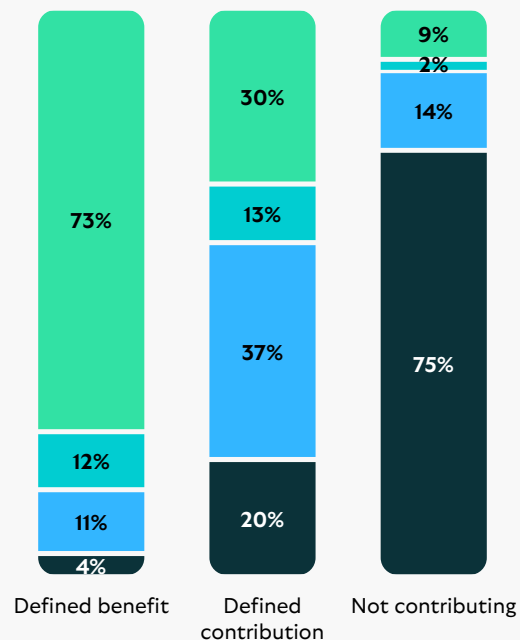Due to rounding, totals may not always equal 100.

There continues to be significant divergence in expected retirement outcomes for different groups (continued)

42% of those approaching retirement (60-64 years old) still risk not being able to cover their basic needs in retirement

Proportion of people on track for different retirement lifestyles: by age

	22-29	30-39	40-49	50-59	60-64
Comfortable	26%	40%	31%	31%	16%
Moderate	9%	10%	8%	8%	11%
Minimum	23%	20%	24%	26%	31%
Less than minimum	42%	30%	38%	35%	42%

Part-time and self-employed workers are more likely to face worse retirement outcomes than full-time workers

Proportion of people on track for different retirement lifestyles: by employment type

	Full-time	Part-time	Self-employed
Comfortable	39%	22%	17%
Moderate	10%	10%	7%
Minimum	26%	25%	25%
Less than minimum	25%	43%	51%

48% of people in Northern Ireland and the North-East are at risk of not being able to cover their needs in retirement, with East Midlands and the South-East faring best

Proportion of people on track for at least the PLSA minimum retirement living standards: by region

52%	Northern Ireland
52%	North-East
54%	South-West
56%	Wales
58%	West Midlands
59%	London
59%	North-West
61%	Scotland
64%	East Midlands
66%	Yorkshire & The Humber
66%	South-East
68%	East of England

Due to rounding, totals may not always equal 100.

● Less than minimum ● Minimum ● Moderate ● Comfortable

Proportion of people on track for different retirement lifestyles*

	Comfortable	Moderate	Minimum	Less than minimum
Defined benefit	73%	12%	11%	4%
Defined contribution	30%	13%	37%	20%
Not contributing	9%	2%	14%	75%

*From people who knew whether they were currently contributing to a private pension and what type.

Legend:
- ■ Less than minimum
- ■ Minimum
- ■ Moderate
- ■ Comfortable

Due to rounding, totals may not always equal 100.

People in defined benefit schemes are on track for much better retirement lifestyles

73% of people contributing to a defined benefit (DB) (also known as a final salary) scheme are on track for a comfortable lifestyle.

- This only applies to a minority of individuals with 19% saying they are saving into a defined benefit scheme. This group has shrunk over time as DB schemes have been withdrawn from the private sector. To give a feel for the reasons that DB schemes deliver good outcomes, they can cost between 20% and 30% of an employee's income, compared to just 8% for DC pensions.

75% of those not contributing to a pension are at risk of poverty in retirement.

- Nearly 40% of people say they are not currently saving into a pension. They are more likely to be self-employed or on lower incomes or have chosen to opt out of automatic enrolment.
- Some in this group have existing savings that can help them achieve at least a minimum lifestyle.
- But the majority do not have sufficient savings elsewhere, making it highly likely they will not reach a minimum lifestyle even with the State Pension.
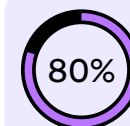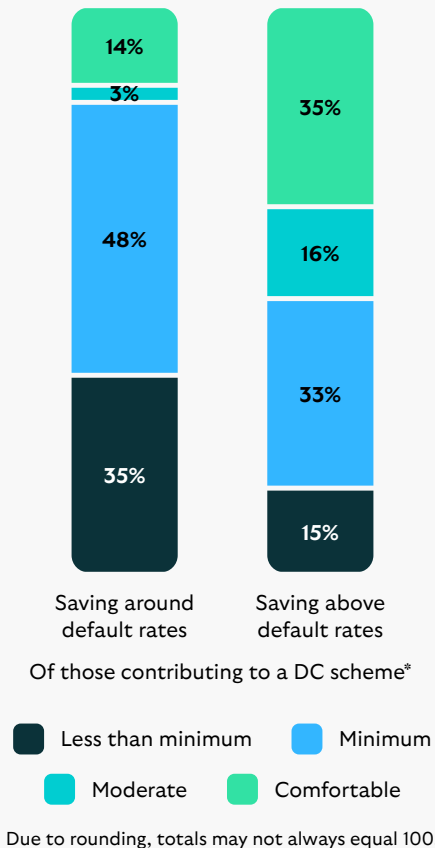
80% **of people contributing to a defined contribution (DC) scheme are on track for at least a minimum lifestyle.**

- Most individuals saving into a DC scheme are likely to achieve only a minimum standard of living in retirement.
  - This is hugely reliant on support from the State Pension. Without it, 56% of DC scheme members would be on course to fall short of the minimum lifestyle.
  - Therefore, this assumes the Government can keep up with State Pension payments – which are estimated to be £137.5 billion in 2024-25[1] and are projected to rise to £270 billion by 2050[2].
- DC savers are much less likely to enjoy a comfortable retirement compared to those with DB pensions, which shows that many people aren't saving enough under default automatic enrolment savings rates.

1 DWP, Benefit expenditure and caseload tables.   2 DWP, Long term projections of pensioner benefits.

Proportion of people on track for different retirement lifestyles

Saving around default rates
- 14%
- 3%
- 48%
- 35%

Saving above default rates
- 35%
- 16%
- 33%
- 15%

Of those contributing to a DC scheme*

Legend:
- Less than minimum
- Minimum
- Moderate
- Comfortable

Due to rounding, totals may not always equal 100.

Default automatic enrolment savings rates allow most people to reach a minimum retirement lifestyle

Although the default minimum automatic enrolment contribution level helps most people achieve a basic lifestyle in retirement, it leaves a significant minority falling short especially if they still have mortgage or rental costs which continue into retirement.

- The default minimum contribution is 8% of qualifying earnings. Among those in defined contribution schemes saving around this default minimum rate:

  - Almost half (48%) are on track for a minimum retirement lifestyle,

  - Only 17% are expected to achieve a living standard above the minimum, and

  - Over a third (35%) are still at risk of not being able to cover their basic needs in retirement, usually owing to low savings rates and low income.

- The group of savers currently making minimum contributions tends to be low to middle earners: 46% of those earning between £20,000 and £35,000, compared to just 28% of higher earners.

*We define 'Saving around default rates' to be anyone with total DC contributions of 10% or less of their earnings within auto-enrolment thresholds.
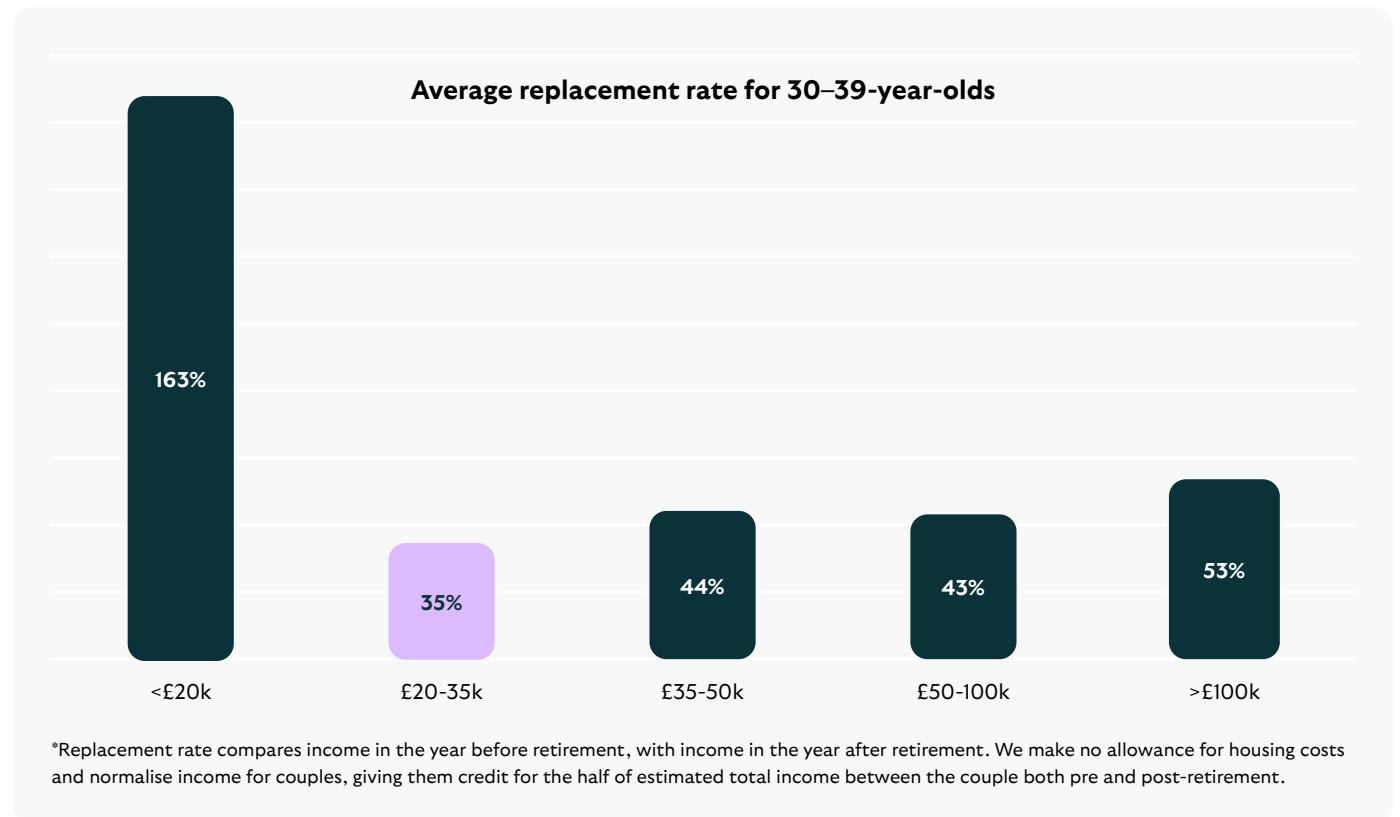
Anyone with savings above this are classified as 'Saving above default rates'. We set the threshold at 10% rather than the default 8% for two reasons:

1. To include those that are close to AE minimums even if not contributing exactly at 8%, and

2. To account for potential misreporting, where some may report 8% of total earnings, rather than 8% of threshold earnings, which would otherwise artificially reduce the number of people in the "AE minimum" group.

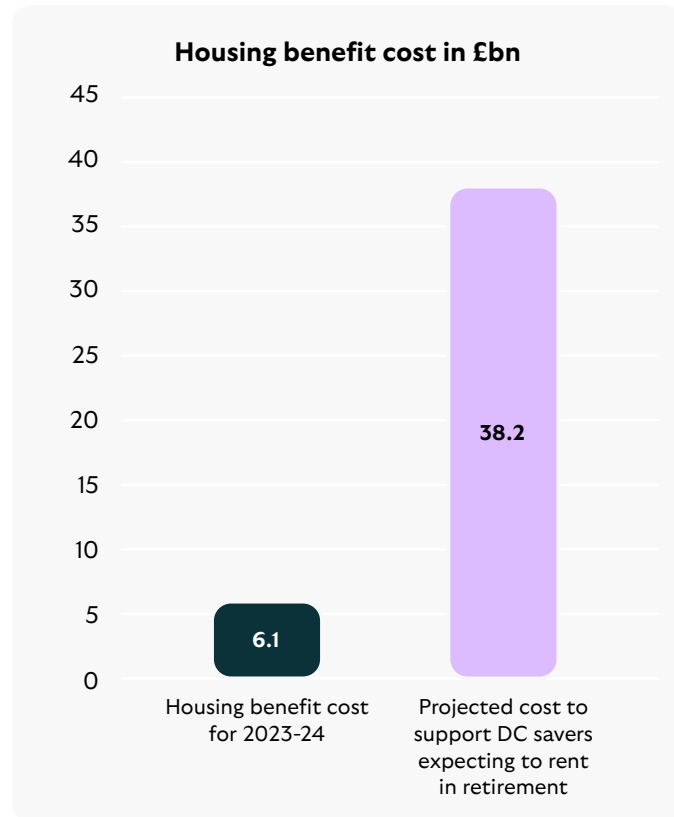# Replacement rates for some are very low which could lead to retirement poverty

Automatic enrolment helps most low to middle earners meet a basic lifestyle in retirement, but that will mean a large decline in income.

- Those earning between £20k and £35k who are in their 30s are, on average, projected to see their income drop by at least 60% when they retire.
  - 70% of people in this age and income bracket are projected to see their income halved when they reach retirement.
  - This group is also the most likely to be contributing at the default minimum automatic enrolment rates.

- Lower earners will typically see an increase in their income in retirement, mainly due to the State Pension, ultimately relying on the Government to maintain these payments.
  - Despite the high replacement rate, their absolute level of income puts this group at higher risk of facing poverty in retirement.

- Higher earners (above £50k) are likely to see a drop in income of around 50%, though this is less concerning from a policy perspective as most retirees will still enjoy a lifestyle that surpasses what most average earners are expected to achieve.

Average replacement rate for 30–39-year-olds

Band	Rate
<£20k	163%
£20-35k	35%
£35-50k	44%
£50-100k	43%
>£100k	53%

*Replacement rate compares income in the year before retirement, with income in the year after retirement. We make no allowance for housing costs and normalise income for couples, giving them credit for the half of estimated total income between the couple both pre and post-retirement.

Many DC savers are likely to need to rely on housing benefit in retirement without further saving

Housing benefit cost in £bn

Housing benefit cost for 2023-24: **6.1**

Projected cost to support DC savers expecting to rent in retirement: **38.2**

At present, 20% of DC scheme members are on track for a below minimum retirement lifestyle.

Our main results assume that individuals bear the cost of their housing. In practice, many may benefit from housing benefit.
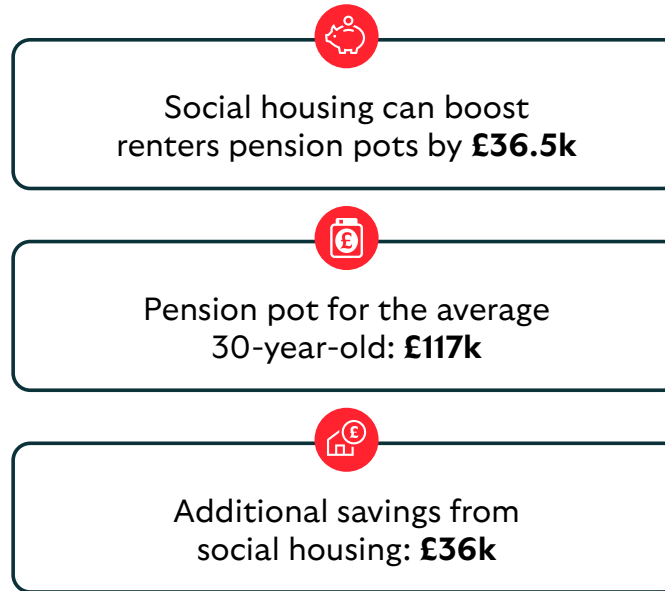
- At present 39% of those surveyed are on course for a standard of living that may not cover their basic needs.
- 23% of DC Pensions Scheme members said that they would have mortgage or rental costs following their retirement, at an average housing cost of £10.6k per annum.
- Many will therefore rely on housing benefit if they are still renting or paying down their mortgage when they reach retirement age.
- This could see the Government's housing benefits bill for those in retirement rise from £6.1bn to £38.2bn which could prove unaffordable for Government in the longer term.

Expanding social housing may be a more effective housing policy to help renters to save

- Housing prices have continued to rise in recent years, with **35% of adults finding it difficult to afford their rent or mortgage payments**.[1]

- As a result, disposable income after housing costs has remained stagnant since 2019, likely preventing many from saving further.[2]

- **Social housing offers lower and more stable rents** – the average weekly private rent in the UK is £237, compared to £118 for social housing.[3]

- Social housing can **save renters an average of £6.2k per year**. If the average 30-year-old put just 10% of these additional savings into their pension, their future pot could grow by £36.5k in today's money - a 31% increase.[4]

- **Expanding social housing** can have the dual benefit of **helping workers save today, build their financial empowerment** (a topic we cover further below) and **lower costs for those who still end up needing to rent in retirement**.

- **Saving an extra £50 a month** can greatly improve retirement quality for low to average earners. Social housing **savings of over £500 a month** compared to private renting can support this extra saving.

1 ONS, Cost of living insights: Housing
2 JRF, The Real inheritance: UK living standards crisis at October Budget

Social housing can boost renters pension pots by **£36.5k**

Pension pot for the average 30-year-old: **£117k**

Additional savings from social housing: **£36k**

3 MHCLG, English Housing Survey 2023-24

4 Frontier analysis, this assumes (1) they work full time until 68, with their salary tracking the median across age brackets, based on ONS 2023 earnings data; (2) they otherwise save at the default automatic enrolment rate; (3) 2% real investment growth each year after inflation and investment charges; and (4) that they save 10% of these rental savings as a conservative position and based on the ONS household saving ratio.

Support For Social Housing

- Through Lloyds Banking Group we have supported over 320 housing associations across the country and, since 2018, have supported £19.5 billion of funding to the social housing sector.

- In 2024 we supported £2.2 billion of new funding to the social housing sector of which £1.2 billion is sustainable (green or social use of proceeds) or sustainability-linked (including key ESG performance indicators).

- Also last year, Lloyds Bank and the National Wealth Fund (NWF) signed a £500 million funding commitment to support the retrofit of social housing in the UK.

- In 2023 Lloyds Banking Group launched the Social Housing Initiative (SHI) to bring together a range of stakeholders to take steps in addressing the chronic lack of social housing and genuinely affordable homes in the UK.

Source LBG Sustainability report – P.19

Financial Empowerment

Building financial empowerment is crucial for addressing challenges highlighted by our National Retirement Forecasts. Becoming financially empowered and independent will enable individuals to take control of their finances and plan effectively for retirement.

We found that:

Most people feel financially independent – meaning they are debt-free, prepared for emergencies, and can comfortably cover household expenses.

A quarter do not feel financially independent, and **almost half of them do not think they ever will**. Barriers include not being able to cover emergency expenses, a lack of savings and having outstanding debts.

- **Young adults, people with disabilities, renters and low-income earners** are least likely to feel financially independent.

- Financial independence increases with age and income, and priorities vary:

  – Young adults value independence from their friends and family, midlife adults focus on homeownership, and older adults value higher incomes.

  – Lower earners prioritise higher incomes, mid-income groups focus on debt repayment, and higher earners value homeownership.
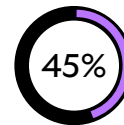
45% of people do not have the savings to cover what they predict they will need in an emergency, showing affordability is a major issue.
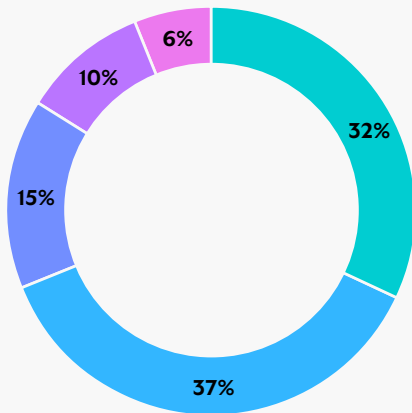
To support people in feeling financially empowered, we need to support these additional financial goals alongside building for retirement – in particular, **supporting homeownership and affordable housing, and helping people build emergency savings**.

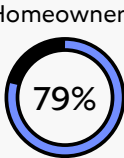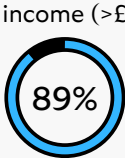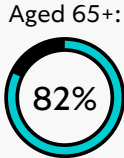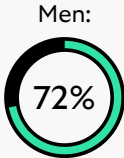# The majority of people feel financially independent

69% of people feel financially independent
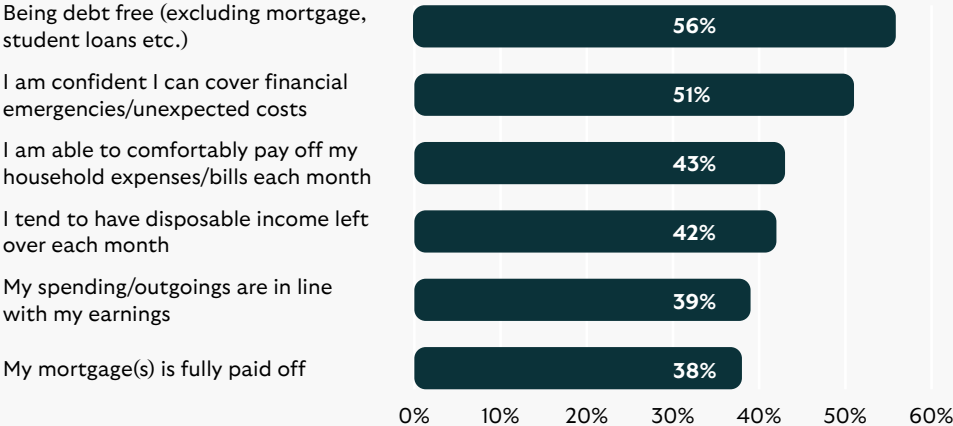
Do you feel financially independent?

- 32% Completely independent
- 37% Somewhat independent
- 15% Not that independent
- 10% Not at all independent
- 6% Not sure

Groups most likely to feel financially independent are:

Men:	Aged 65+:	High income (>£50k):	Homeowners:
72%	**82%**	**89%**	**79%**

Financial independence means being debt free, being prepared for emergencies, and comfortably covering household expenses

What makes you feel financially independent?

|	
Being debt free (excluding mortgage, student loans etc.)	56%
I am confident I can cover financial emergencies/unexpected costs	51%
I am able to comfortably pay off my household expenses/bills each month	43%
I tend to have disposable income left over each month	42%
My spending/outgoings are in line with my earnings	39%
My mortgage(s) is fully paid off	38%

0% 10% 20% 30% 40% 50% 60%

Other answers include:

- Being able to save each month (35%),
- Having sufficient savings for rainy days (35%), and
- Being able to fulfil my financial goals (19%).

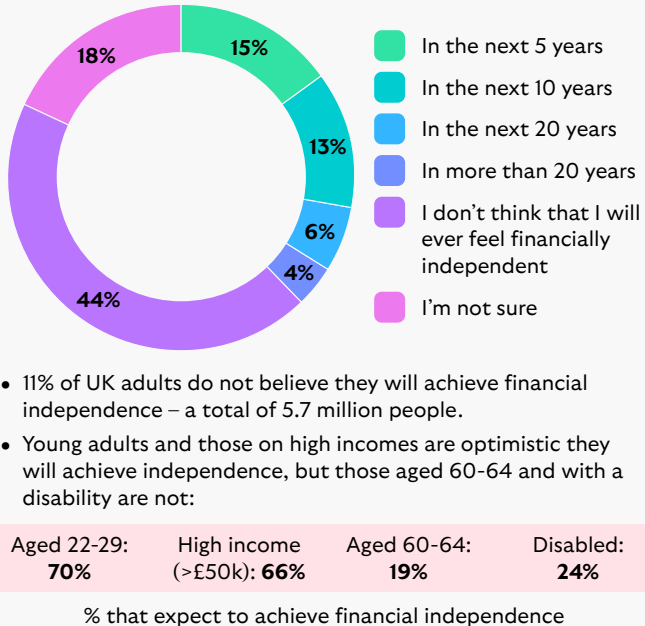# A quarter of people do not feel financially independent

Those with a disability, renters and low-income earners are least likely to feel financially independent
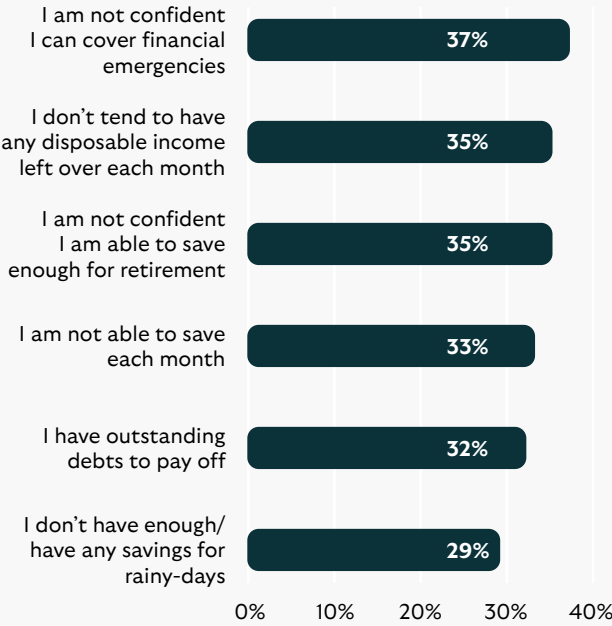
Different groups' feelings of financial independence

Women
67%

22–29-year-olds
62%

Disabled
60%

Renters
60%

Low income (<£10k)
53%

% that feel financially independent
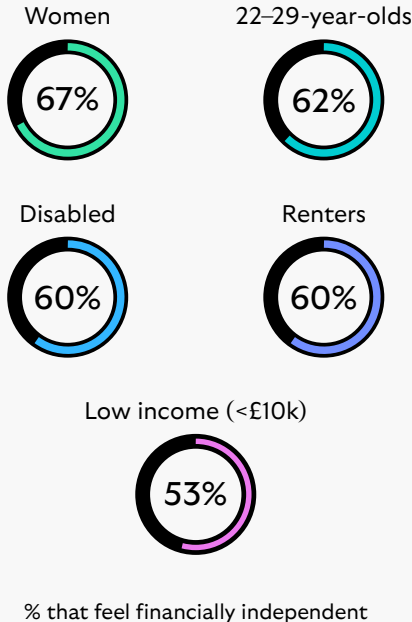
44% of this group do not think they will ever feel financially independent

When do you expect to feel financially independent?

- 15% In the next 5 years
- 13% In the next 10 years
- 6% In the next 20 years
- 4% In more than 20 years
- 44% I don't think that I will ever feel financially independent
- 18% I'm not sure

- 11% of UK adults do not believe they will achieve financial independence – a total of 5.7 million people.
- Young adults and those on high incomes are optimistic they will achieve independence, but those aged 60-64 and with a disability are not:

| Aged 22-29: **70%** | High income (>£50k): **66%** | Aged 60-64: **19%** | Disabled: **24%** |

% that expect to achieve financial independence

Insecurity about being able to cover emergencies and unexpected costs undermines financial independence

What makes you not feel financially independent?

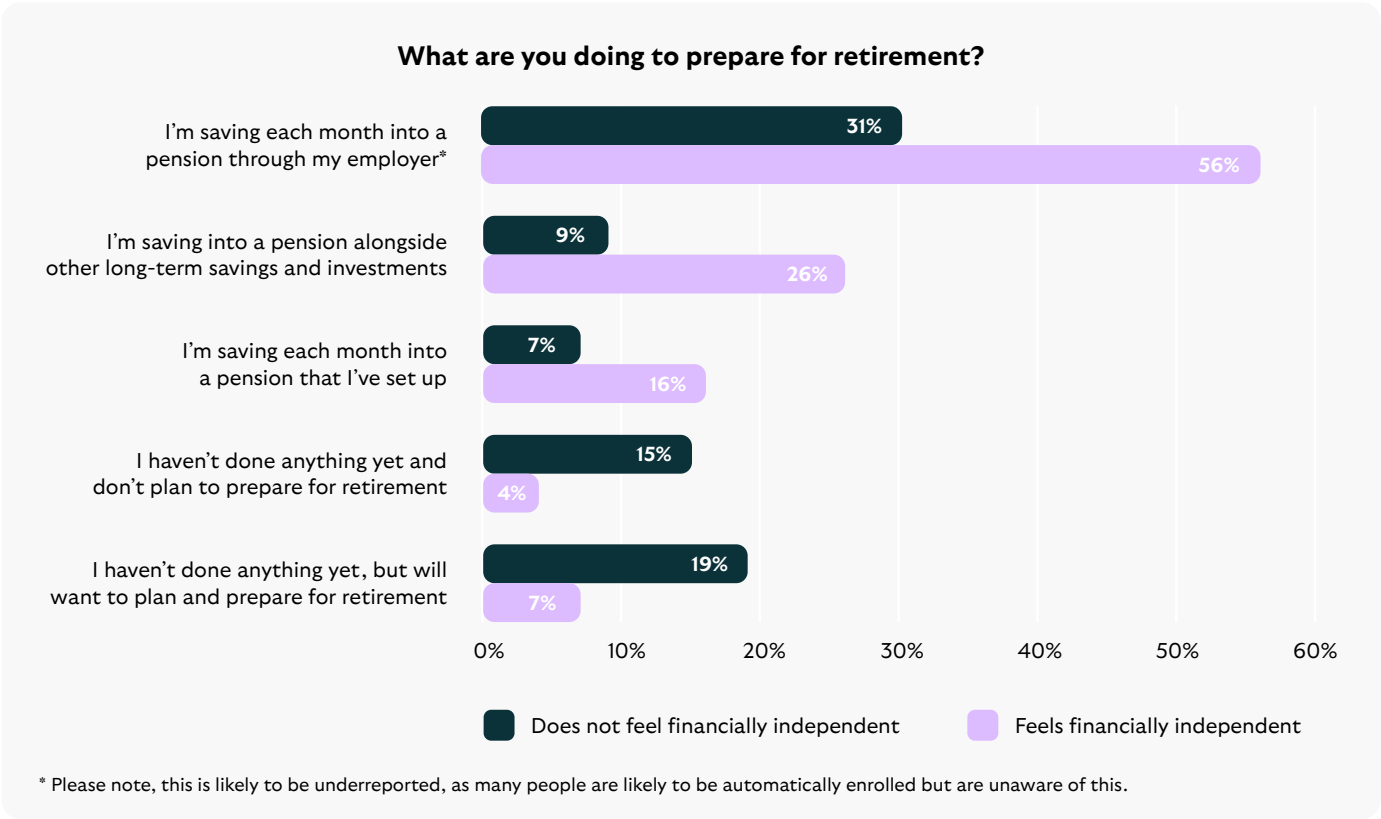|	
I am not confident I can cover financial emergencies	37%
I don't tend to have any disposable income left over each month	35%
I am not confident I am able to save enough for retirement	35%
I am not able to save each month	33%
I have outstanding debts to pay off	32%
I don't have enough/ have any savings for rainy-days	29%

0% 10% 20% 30% 40%

Financially independent individuals are more likely to engage with their pensions and investments

Those who feel financially independent are more likely to be actively saving for retirement

- 56% contribute to pensions through their employer, 26% save into other long-term savings and investments alongside their pension, and 16% are saving into a pension they have set up.

- In comparison, only 9% of those who do not feel financially independent are saving into a pension alongside other long-term savings and investments.

Those who do not feel financially independent are less likely to be saving for retirement.

- 15% have not started preparing for retirement and do not plan to, and a further 19% have not started but want to.

- Encouraging early engagement with pensions and investments could help close this gap, boosting both feelings of financial independence and retirement outcomes.

What are you doing to prepare for retirement?

Response	Does not feel financially independent	Feels financially independent
I'm saving each month into a pension through my employer*	31%	56%
I'm saving into a pension alongside other long-term savings and investments	9%	26%
I'm saving each month into a pension that I've set up	7%	16%
I haven't done anything yet and don't plan to prepare for retirement	15%	4%
I haven't done anything yet, but will want to plan and prepare for retirement	19%	7%

■ Does not feel financially independent   ■ Feels financially independent

* Please note, this is likely to be underreported, as many people are likely to be automatically enrolled but are unaware of this.

Priorities for independence vary with age and income

Young adults, who do not feel financially independent, value independence from family, midlife adults focus on homeownership, and older adults value higher incomes

What is most likely to make you feel financially independent?

- Net: 18-29
- Net: 30-49
- Net: 50+
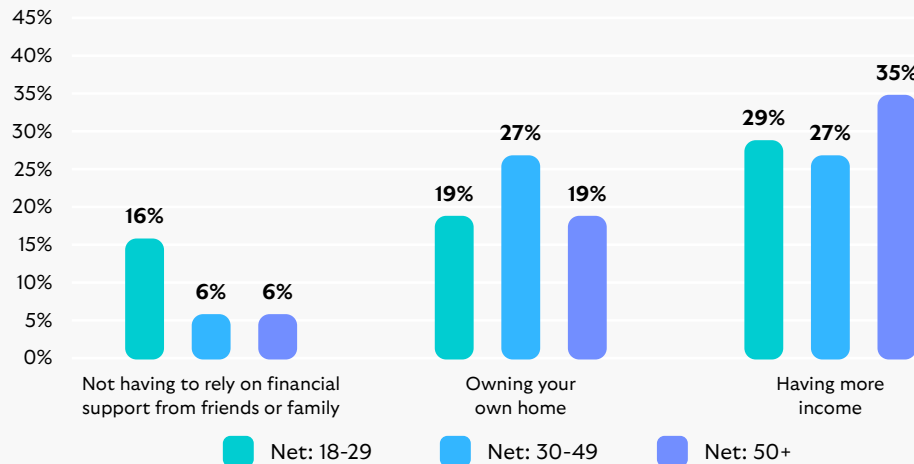
- Young adults aged 18-29 are more likely to prioritise not having to rely on financial support from their friends and family;
- Adults aged 30-49 place greater importance on homeownership; and
- Adults approaching retirement see higher income as the most important factor in helping them achieve financial independence.

Lower earners prioritise higher incomes, mid-income groups focus on debt repayment, and higher earners value homeownership

What is most likely to make you feel financially independent?

- <=£10k
- £10,001 to £30k
- £30,001 to £50,000
- >£50k
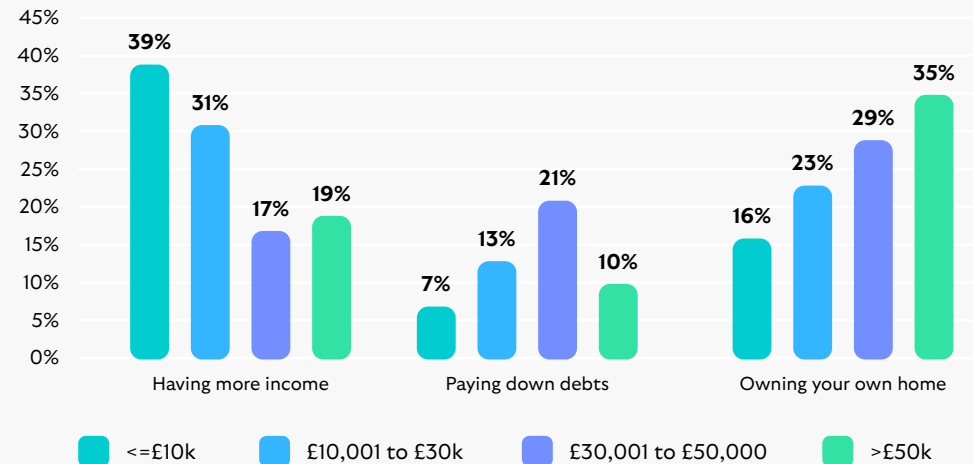
- Those earning less than £10k are most likely to prioritise a higher income;
- Average-earners, £30-50k, are more likely to focus on paying down debts; and
- High earners (£50k+) place greater importance on home ownership for achieving financial independence.

Many do not have sufficient savings to cope with emergencies

Those who don't have the financial independence to cope with today's emergencies are even less likely to be prepared for tomorrow

On average, people feel they need to have £13k saved for emergencies
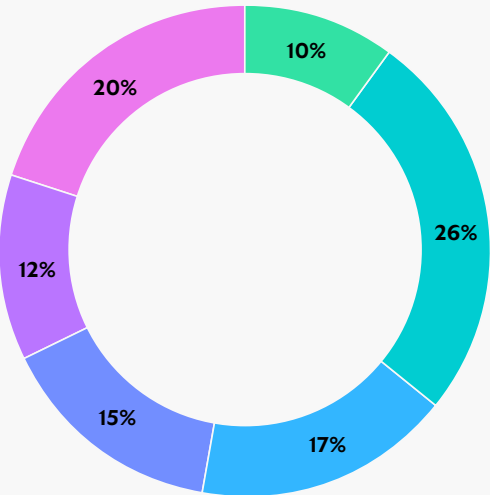
How much do you think you would need to have in savings to cope with emergencies?

- 10% Less than £1,000
- 26% £1,000 to £4,999
- 17% £5,000 to £9,999
- 15% £10,000 to £24,999
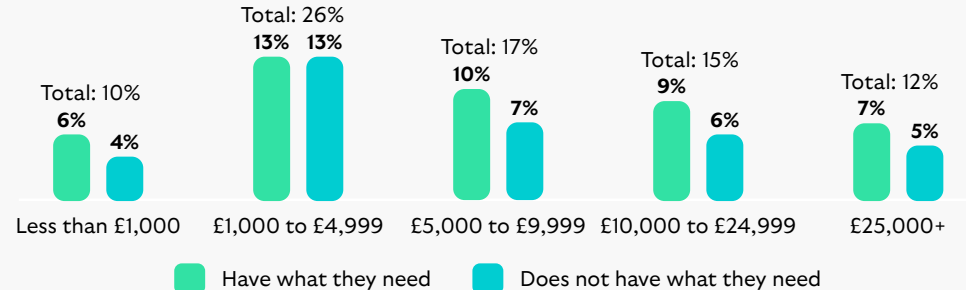- 12% £25,000+
- 20% Don't know

- Less than £1,000
- £1,000 to £4,999
- £5,000 to £9,999
- £10,000 to £24,999
- £25,000+
- Don't know

- 20% of people do not know how much money they need to have in savings to cope with any unexpected emergencies – highlighting a clear awareness gap.
- Young adults are least likely to know how much they need – with 34% of 18–21-year-olds reporting they do not know. This does improve with age, suggesting growing knowledge with time and experience.
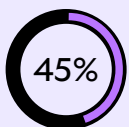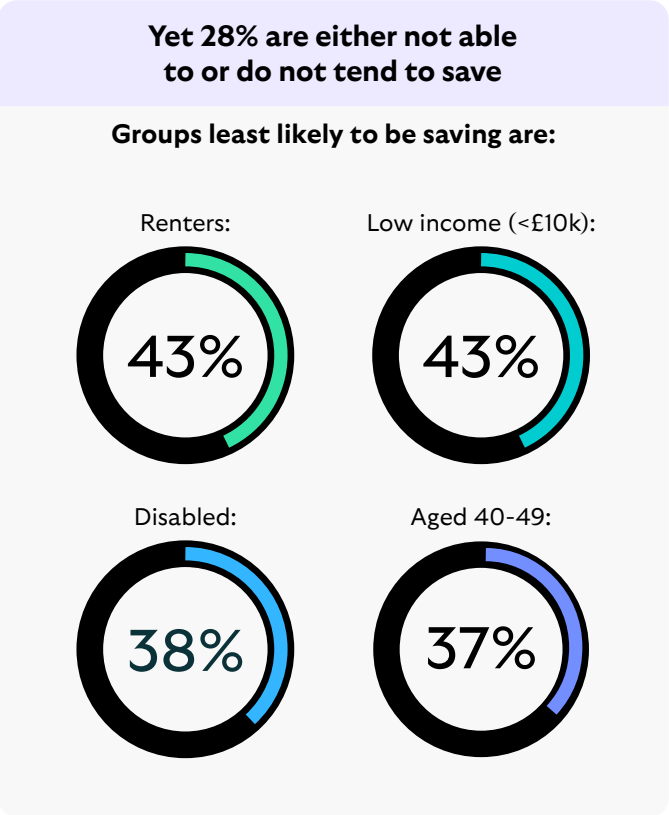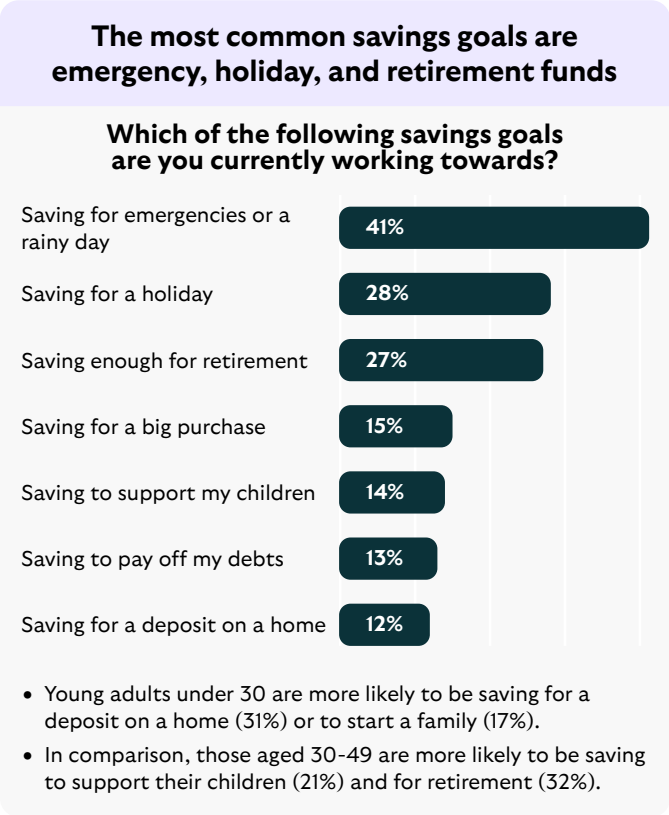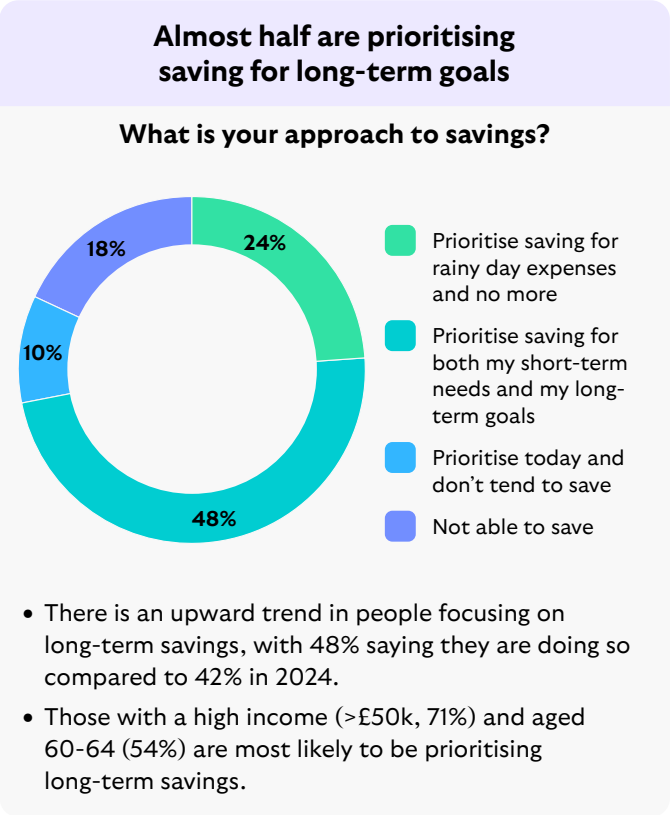
45% of people do not have the level of savings they feel they need to cover emergencies

How much do you think you need in savings to cope with emergencies compared to how much you have?

	Less than £1,000	£1,000 to £4,999	£5,000 to £9,999	£10,000 to £24,999	£25,000+
Total	10%	26%	17%	15%	12%
Have what they need	6%	13%	10%	9%	7%
Does not have what they need	4%	13%	7%	6%	5%

- Have what they need
- Does not have what they need

- While this means the majority do have the savings they need, those who do not are concentrated around the £5k mark.
- 18% of people say they do not even have £1,000 in savings.
- A further 44% do not know how much they have in savings, suggesting high rates of disengagement with savings and their financial situation.
- Again, young adults are least likely to know how much they have in savings - with 62% of 18–21-year-olds, and 50% of 22–29-year-olds reporting they do not know. Likewise, this also improves with age.

More people are saving for long-term goals, but a significant group are still not saving at all
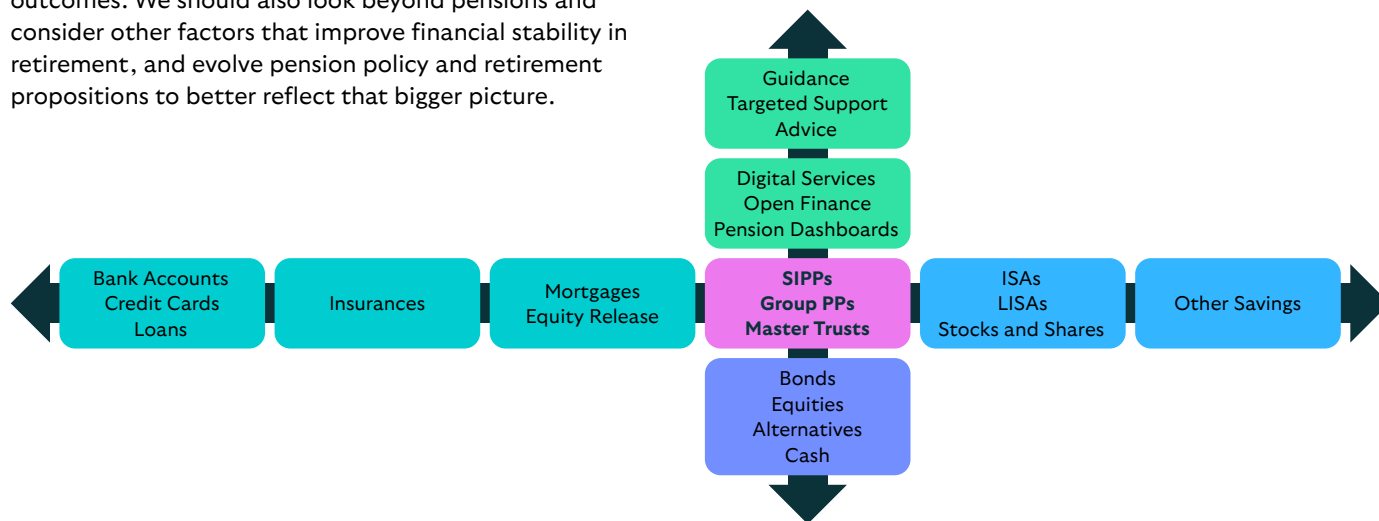
Almost half are prioritising saving for long-term goals

What is your approach to savings?

- 24%
- 48%
- 18%
- 10%

Legend:
- Prioritise saving for rainy day expenses and no more
- Prioritise saving for both my short-term needs and my long-term goals
- Prioritise today and don't tend to save
- Not able to save

- There is an upward trend in people focusing on long-term savings, with 48% saying they are doing so compared to 42% in 2024.
- Those with a high income (>£50k, 71%) and aged 60-64 (54%) are most likely to be prioritising long-term savings.

The most common savings goals are emergency, holiday, and retirement funds

Which of the following savings goals are you currently working towards?

Goal	%
Saving for emergencies or a rainy day	41%
Saving for a holiday	28%
Saving enough for retirement	27%
Saving for a big purchase	15%
Saving to support my children	14%
Saving to pay off my debts	13%
Saving for a deposit on a home	12%

- Young adults under 30 are more likely to be saving for a deposit on a home (31%) or to start a family (17%).
- In comparison, those aged 30-49 are more likely to be saving to support their children (21%) and for retirement (32%).

Yet 28% are either not able to or do not tend to save

Groups least likely to be saving are:

Renters: 43%

Low income (<£10k): 43%

Disabled: 38%

Aged 40-49: 37%

Looking to the future

It is clear that the current level of statutory saving will mean that many people won't have enough savings to live comfortably in retirement. Only a few will have a comfortable retirement, while many will lack financial independence.

A blanket increase to the statutory level of pension saving is not feasible right now due to financial constraints on households and businesses. At present therefore, we need to identify and help those most at risk of poor retirement outcomes. We should also look beyond pensions and consider other factors that improve financial stability in retirement, and evolve pension policy and retirement propositions to better reflect that bigger picture.

As we see in the diagram, saving for retirement is connected to other financial challenges like managing debt, building financial resilience, and ensuring housing security. It's important to think about how to use retirement savings along with other assets and income sources available in retirement.

Pete Glancy, Head of Pensions Policy

Guidance
Targeted Support
Advice

Digital Services
Open Finance
Pension Dashboards

| Bank Accounts Credit Cards Loans | Insurances | Mortgages Equity Release | **SIPPs Group PPs Master Trusts** | ISAs LISAs Stocks and Shares | Other Savings |

Bonds
Equities
Alternatives
Cash

Looking to the future (continued)

We see five major policy interventions making the biggest difference in what we recognise will be constrained times, which prevent the country from committing to the levels of mandatory pension saving which would ideally be necessary.

In conclusion, the first three interventions are designed to support those with the most challenging retirement outlooks. Meanwhile, the fourth and fifth interventions are essential for seamlessly integrating pensions into household financial planning.

Develop an equivalent of automatic enrolment for the UK's 4m+ self-employed workers, tackling the largest group of workers who are currently excluded from auto enrolment.

Think about the bundling of advice and guidance and the bundling of product propositions, to help younger workers better balance the challenge of 1) building up financial resilience to cope with a 'rainy day', 2) secure a home for their family, and 3) build their future entitlement to a retirement income.

Significantly grow the UK's stock of social housing. With the average rent now almost over £500 per month lower than the average private rent, social housing can take people out of poverty and give them the chance to save for their futures.

Develop a best in class pension product that combines 1) the benefits of personal pensions, enabling integration with other financial products and services, and 2) the strengths of occupational pensions which ensures good governance for those who are less engaged.

Create a combined regulator for all types of DC pensions to eliminate confusing rules and ensure consistency between different pension and savings accounts.

Top tips to help prepare for retirement

Save 12-15%	• As a rule of thumb, we suggest saving 15% of your salary to help reach a comfortable retirement (your contributions plus your employers', plus tax relief). • If you can't afford that just now, make a note to check your pension at least once a year, and if your situation changes consider saving a bit more. Even an extra 1-2% can make a difference.
Save more when you are young	• Young people have the most opportunity to close the pensions gap. Money saved in your 20s has longer to grow and could buy some breathing space later if finances are stretched. £1000 invested when you are 20 could be worth roughly £2,500 in today's money by the time you reach 65, compared to roughly £1,700 if you waited until you were 40 to invest it.*

Check your projected State Pension entitlement	• Career breaks can impact how much State Pension you get, as what you get depends on how many years you have worked.
	• Only 48% of people who plan to use the State Pension to fund their retirement have checked their entitlement, and 55% of the same group are not aware of how much and/or when they might receive it.
	• Yet the State Pension is important to most people's retirement income –
	  – 74% of those expecting to receive the State Pension believe it will form a modest to significant portion of their income.
	  – 72% of retirees receiving the State Pension claim it helps them pay for essentials, such a food and utilities.
	• You can check your entitlement at **www.gov.uk/check-state-pension**
	• You can also apply for national insurance credits if you have years where you have not earned £12,584 but have been looking after a child under 12.
	• This will ensure you will still receive the State Pension you are due. If you receive the carers allowance already then you will automatically receive national insurance credits and do not need to apply for them: **www.gov.uk/guidance/apply-for-specified-adult-childcare-credits**

Track down old pensions	• 9% of people surveyed don't know how many workplace pension pots they have, and it is estimated that there are 3.3 million lost pension pots, worth an average of £9,470 each.** • You can track down lost pensions, using the Government's pension tracing tool and consider if you should combine them into one so it's easier to manage, it could save you money too.
Make sure you can cover emergencies	• Having a sufficient emergency fund can help you manage unexpected costs, without disrupting your retirement savings plans. • This can also provide peace of mind, promoting financial empowerment and the ability to take better long-term decisions for your future.

*Assuming 2% real rate of return on your investment after fees.   ** PLSA, **Brits missing £31.1bn in unclaimed pension pots, 24th October 2024.**

Top tips to help save

Create a savings goal	• Whether short term or long-term, decide how much you want to save and by when - be specific and realistic about your goal.
	• There are many savings calculators and trackers to help you understand what you need to reach your goal, and to see how close you are to your goal.
Understand your spending habits	• Look at your bank statements to get a clearer idea of your monthly outgoings. Many banks provide spending insights, breaking current account spending down by categories to help you spot patterns, and see where you might be able to save in the future.
Cancel unused subscriptions	• Many banks provide subscription management tools that help you take control of these plans.
	• Set reminders to review your subscriptions every few months to keep spending in check.
Switch providers	• Regularly compare to see if you can get a better deal on your essential bills by using comparison website or negotiating with your existing provider. Many companies have new discounts available for switching.
	• Be mindful of cancellation and exit fees.

Appendix – Glossary

National Retirement Forecast

We first ran the National Retirement Forecast (NRF) in our 2023 Retirement Report, with the expert help of Frontier Economics. The NRF assesses the potential retirement outcomes for those aged 22 to 65. It is a projection based on the current savings and behaviours of individuals and takes a comprehensive view of sources of retirement income, including the State Pension, private pensions, other long-term savings, and inheritance.

The NRF compares the retirement income people are on track for to the costs they could face: living expenses for different retirement living standards defined by the Pension and Lifetime Savings Association (PLSA) and housing costs for those who expect to rent or continue to pay off a mortgage in retirement.

Further details on our methodology can be found in the later section of the Appendix.

Replacement rates

Calculated by dividing a person's projected income in the year after retirement by their income in the year before retirement.

These are used to indicate whether someone will experience a significant drop in lifestyle upon retirement.

PLSA Retirement Living Standards

As mentioned, our retirement forecast is benchmarked to the PLSA's Retirement Living Standards.

The PLSA's standards outline the income thresholds for different retirement lifestyles, showing how much can be spent on things like food, clothing, transportation, holidays, and home maintenance.

We have increased the thresholds from 2024 in line with inflation to reflect the rising cost of living – as shown in the table below.

	Minimum	Moderate	Comfortable
Single	£14,800	£32,200	£44,400
Couple	£23,100	£44,400	£60,800
	Covers all your needs with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries

Source: PLSA thresholds.

Note: The costs shown in this table are for singles and couples who live outside of London. The forecast also considers standards for those who live in London.

Appendix – Methodology

The Scottish Widows Retirement Report survey

Unless otherwise stated, all figures in this report are from the responses to our annual Retirement Report survey and are relevant to the United Kingdom. The survey included general questions on pensions and retirement planning and was carried out online by YouGov Plc: across a total of 5,167 adults aged 18+, weighted to be representative of the UK population, and including a boost of 445 adults aged 18+ to better understand the retirement prospects of minority ethnic groups, also weighted to be representative of the UK minority ethnic population aged 18+.

Fieldwork was carried out between the 22nd January 2025 and the 11th February 2025 through a 15-minute online survey for both the nationally representative survey and the survey focused on minority ethnic groups.

Retirement income

We estimate people's retirement income as the sum of (1) an annuity purchased using their DC pension pot, other Long-Term savings and inheritance at retirement, (2) any DB pension income and (3) the State Pension. We present retirement income in real terms, so after accounting for inflation.

Real income growth: We assume people will have a real wage growth of 2% each year.

Retirement age: We assume everyone will retire at 65.

Defined contribution (DC) pensions and other long-term savings: We assume people's DC private pensions and other Long-Term savings pot would grow until retirement based on the following assumptions:

- **Current stock:** We asked people for the current total value of all DC pensions and other Long-Term savings. If people didn't know the total value of their DC pensions or other Long-Term savings, we conservatively assumed they were zero.

- **Current retirement savings rate:** We asked people how much they are saving each month into their DC pensions and other Long-Term savings, and also how much their employer was contributing. If people didn't know how much they or their employer were contributing to their DC pension, we assumed they were contributing in line with automatic enrolment (with thresholds £6,240 & £50,270, and savings rate 8%). If people didn't know how much they were saving into other Long-Term savings, we assumed they were not saving anything for these.

- **Savings rate growth:** We assume people's saving rates will change over time between age bands in line with the average profile of savings rate growth we see across people of different ages in our sample.

- **Real rate of return:** We assume a real rate of return on investments of 2% each year

Inheritance: We asked people how much inheritance they expect to use for retirement.

Annuity rate: We assume that upon retirement people will use all of their DC pension pot, other Long-Term savings and inheritance to purchase an annuity. As interest rates go up and down over time we have used 3.5% here as the long-term assumption.

Defined benefit (DB) pensions: We generously assume anyone who is currently contributing to a DB pension has been doing so since the age of 22 and will continue to do so until the age of 65 (given this generous assumption, we assume none of them additionally receive any DC pension income). We assume they will accumulate an accrual for each of the 43 years they contribute into the DB pension, with different accrual rates for people working in the private or public sector. We then apply the accumulated accrual to their projected salary at 65 to estimate their retirement income from their DB pension.

- **Public sector accrual rate assumption:** 1/43. This means we assume anyone who is currently contributing into a DB pension and works in the public sector will have a DB pension income equal to 100% of their projected salary at 65.

Appendix – Methodology

- **Private sector actual rate assumption:** 1/60. This means we assume anyone who is currently contributing into a DB pension and works in the public sector will have a DB pension income equal to 72% of their projected salary at 65.
- **State Pension:** we generously assume everyone will receive the full State Pension at £11,502 per year.

We estimate people's retirement income left to pay for their retirement lifestyle by subtracting estimated housing costs.

- **Housing costs:** We asked people whether they expected to pay rent or mortgage in retirement, and which area they expect to live in. For people who expect to pay rent or mortgage in retirement, we assume their housing costs are equal to the median rental cost in the region they expect to live in, sourced from data published by the ONS and the Northern Ireland Housing Executive.

Estimating the proportion of people on track for different retirement lifestyles

We then compare retirement income after housing to the costs of the PLSA Retirement Lifestyle Standards to estimate the proportion of people on track for each lifestyle.

- **PLSA Retirement Living Standard:** We use the retirement living costs published by the PLSA. These vary between singles and couples, and also people living in and outside London. The thresholds are updated in line with CPI inflation from the data published by the PLSA to the effective date of this report.
- **Couple's adjustment:** For people married or in a civil partnership, we asked what proportion of their couple's retirement income they expect to provide. We scaled up the retirement income of these people assuming they are correct in the proportion of their couple's retirement costs they will pay, before we subtract housing costs and compared

to the costs of the PLSA benchmarks. This assumption may be generous if in reality people underestimate how much of their couple's retirement income they will provide. If people do not state their contribution share, we assume a share of 50% per spouse.

- **Excluding people:**
  - We excluded people who didn't know which type of pension they were contributing to. Whilst this could bias our results, we checked that the breakdown of people who did know what pension they were currently contributing to was not substantially different to the national average: 20% currently contributing to DB and 50% to no pension in our sample which excludes people who don't know, versus 23% and 43% respectively from ONS.
  - We also excluded people who did not know or say how much they were saving for retirement income, or who gave implausible answers. As a result of this, the proportions of people with a DB, DC or no private pension in our reduced sample is different to the proportions across the population. To account for this, we (1) calculated our headline results (i.e. the proportion of people on track to meet different retirement lifestyles) separately for people currently contributing to DB, DC and no private pensions, and then (2) estimated weighted average headline results by weighting the results for each pension type by the number of people currently contributing to each pension type in our nationally representative sample.

Limitations of our analysis

Our results are sensitive to the assumptions we use and the accuracy of responses to survey. The purpose of our analysis is to show at a high level the broad proportions of people who are or are not prepared sufficiently for retirement.

Retirement Report 2025

SCOTTISH 🔴 WIDOWS