The Aviva Real Retirement Report

Issue Five

March 2011

AVIVA

Foreword

It has been a year since Aviva started tracking the UK's retirees through its Real Retirement Report series. This fifth report provides not only the opportunity to do a quarterly analysis of the finances and concerns of today's over-55s, but also looks at the annual picture of these three distinctive ages of retirement (55 - 64; 65 - 74 and over 75) (see page 3).

This report covers the quarter to March 2011. In addition to tracking certain standard themes, it also takes a closer look at retirement and debt. How much do the over-55s owe? What form does it take? How will they pay it off? And how does this make them feel? All these questions have been considered and the findings can be found on page four.

The key trends identified in this quarter's report are:

March debt spotlight

- **Of those over-55s who have unsecured debt, 30% have credit card debts and 13% have a personal loan –** To service their debts they plan to cut down on non-essential spending or pay 'a bit at a time' (see page 4)
- **Over 75s are most likely to have credit card debts –** (average £3,370 or three times more than their average monthly income) (see page 4)

Overview of finances for the three age groups

- **Spending on food falls as over-55s economise –** The proportion of income spent on food has fallen to 17% from 24% February 2010 as over-55s cut back (see page 6)
- **Almost twice as many retired people derive income from state pensions than from private pensions –** Only 42% of retired people have private pension provision vs. 80% who claim the state pension (see page 8)
- **Over half of the "retiring" (64-75 years) have no private pension –** Only 47% have a private pension vs. 94% of people who receive a state pension (see page 9)
- **Annual increase in those with no savings –** One in five (20%) now has no savings compared to 16% in February 2010 (see page 10)
- **Fear of cost of living rises almost 10 percentage points in a year –** 83% (compared to 74% in February 2010) now fear the rising cost of living (see page 13)

The three ages of retirement

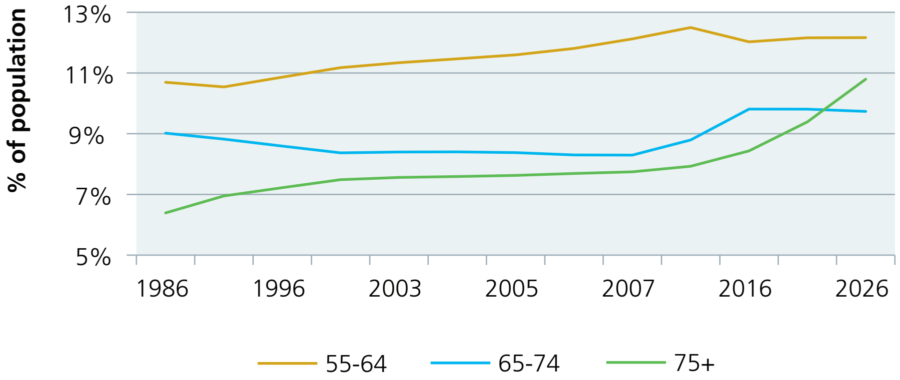
The Aviva Real Retirement Report considers retirement as three stages to reflect the fact that 'retirement' has several different ages, rather than simply being a single event.

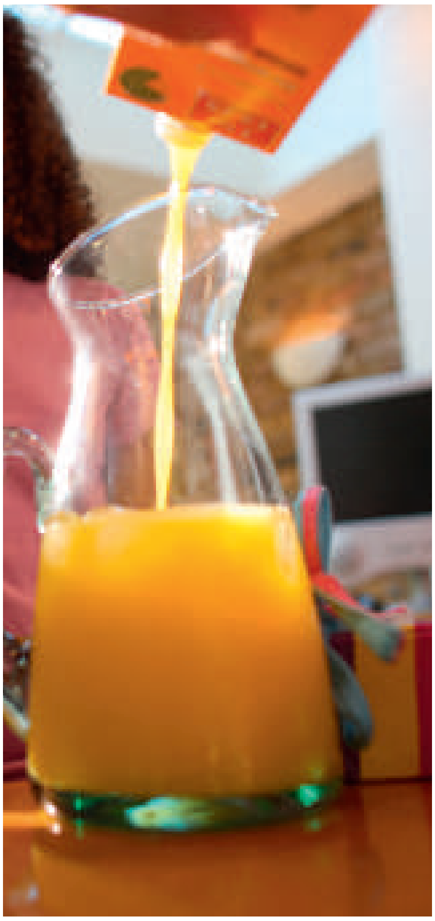
Three ages of retirement

- **Pre-retirees** - (55 to 64 years old) are on the countdown to retirement but many still have outstanding mortgages and may not be saving enough to fund the retirement lifestyle they desire.
- **Retiring** - (65 to 74 years old) have passed the current Government retirement age and while some may still be working, many are looking to relax after a long working life.
- **Long-term retired** - (75 years and older) most are 10 years or more into retirement. The majority of people with private pensions will have been collecting income from their annuities for several years now.

See Appendix I for a more detailed review of the three retirement ages.

Population trends





Spotlight: Over-55s and debt

While baby-boomers were the first generation to be comfortable with debt and benefit from freely available credit, this attitude means that some will be entering retirement with substantial financial obligations.

Indeed, while most of the UK's 18 million over-55s claim to have no unsecured debt and 79% have no outstanding mortgages, some have considerable borrowings that they need to repay from a relatively fixed income.

One in five (21%) or 3.7 million over-55s still need to repay their mortgages and owe an average of £65,107. In addition, those who use the most common types of unsecured borrowing – credit cards (30% - £3,311), personal loans (13% - £5,983), overdraft (10% - £2,202), store cards (6% - £1,220) and hire purchase agreements (4% - £1,998) – also owe a significant amount relative to income.

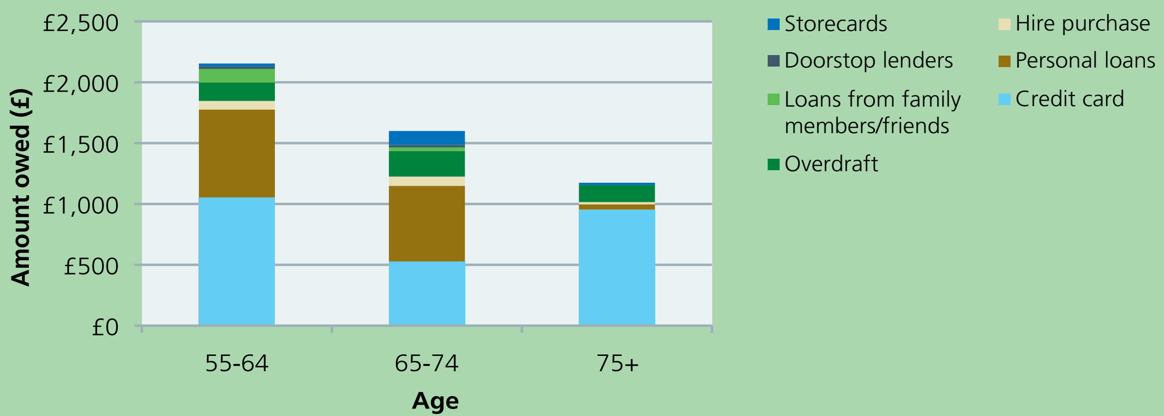
> "In an ideal world people would start the count-down to retirement without debt, but for many people this has not been possible due to economic realities, poor financial decisions or family obligations. Despite the historically low interest rate environment, meeting these repayments on a fixed income can be difficult and - as our research shows - is a cause of much frustration and anxiety. With growing signs that interest rates may be increasing in the near future, wherever possible we would urge people to look to repay their borrowings before they enter retirement."
>
> Clive Bolton, 'at retirement' director for Aviva

More than a third of over 75s have some form of credit card debt:

While mortgage borrowing generally falls as people age, this does not appear to be the case with credit cards. Over 75s (35%) are marginally more likely to have credit card debt than people aged 55 - 64 (30%) and those aged 65 - 74 (29%). This seems to indicate that as people age, they are unable to get long-term credit (e.g. mortgages) and find medium-term credit (e.g. personal loans) uncompetitive, leaving them to look to short-term borrowing.

However, while borrowing increases, pre-retirees have the most credit card debt (£4,199) compared to the long-term retired (£3,369) or retiring (£2,121).

Mean debt and types of debt



Entering retirement in debt

Over half (52%) of pre-retirees (55 – 64) do not believe that they will be debt-free before their 65th birthday and 16% do not feel they will be debt free by 70. The percentage of people who do not believe they will ever be free of debt rises from 14% (55 – 64) to 35% (over 75s), thus illustrating the importance of repaying any borrowing either before or in early retirement.

A variety of factors contribute to debt

Most people claim there has been no single factor which has pushed them into debt. Instead a combination of economic and family factors - as well as financial decisions - led to their current financial situation.

For 35% of people the increased cost of living has caused them to accumulate debt. Alongside this 18% cite being unemployed or not working as much as they wanted, and 29% blame borrowing to fund an essential purchase. Almost one in five (17%) over-55s said family obligations had pushed them into debt. Indeed, 6% have had to pay for an unexpected family expense, 5% have had to borrow money to help their children out financially and 4% have needed to fund a major family event such as university or a wedding.

However, some admit their own financial decisions were to blame for approaching retirement with debts. Behaviours such as misjudging how much they could repay (13%), overspending on luxuries such as holidays (13%) and general poor money management (10%) were cited. The long-term retired are most likely to have found retirement costing more than they anticipated (23%) – a warning for those who are currently planning their retirement.

Baby-boomers would appear to be the first generation to be 'debt-desensitised' and indeed many have benefitted from easily available credit and may well have used debt to their advantage during the housing price boom. However, more than a quarter (26%) never finished paying off their debts prior to retiring. This seems to indicate that while for some, debts in retirement are a worry, for others they are simply a continuation of their current financial habits.

Repayment of debt

For most people debt is a normal part of life. However, as they approach retirement and eventually retire, they find themselves looking to meet these obligations from a relatively fixed income. For those over-55s in debt, 42% expect to repay their borrowing 'a bit at a time' from their income and 29% intend to cut back on non-essential spending to pay off debts.

Pre-retirees (33%) are most likely to cut back on luxuries to pay off their debts - possibly indicating that this age group is able to do this - while for older age groups with lower incomes, this is not an option.

Other over-55s intend to take more drastic measures to tackle their debts, such as getting a part-time job (8%), selling a property to move to a smaller one (6%) or taking out a debt management plan (3%). Overall, 8% don't know how they will pay off their debts but – somewhat surprisingly – the pre-retirees (who are most likely to be working) are the least sure of how they will repay what they owe (12%).

The importance of paying off debts prior to retirement has not been lost on the over-55s, but the current economic climate appears to be hampering their efforts. The percentage of income they use to repay debt has fallen from 12% (February 2010) to 11% (February 2011), possibly indicating there are other pressures on their finances.

While debt impacts on the over-55s' standard of living in retirement, it also takes an emotional toll with 44% 'worried', 32% 'frustrated' and 21% 'fearful' of their debts. This suggests that while the baby-boomer generation might be desensitised to debt, being forced to meet these obligations on a fixed income can be hard.

> "On the face of it this research doesn't surprise us: we know the over-55s have as many credit cards as their younger counterparts and that some of the use them more. This is partly because credit cards have existed in the UK for over forty years and we now have an entire generation of customers who have gone through life used to taking advantage of the many benefits credit cards provide."
>
> Jemma Smith, UK Cards Association

Inflation and spending patterns

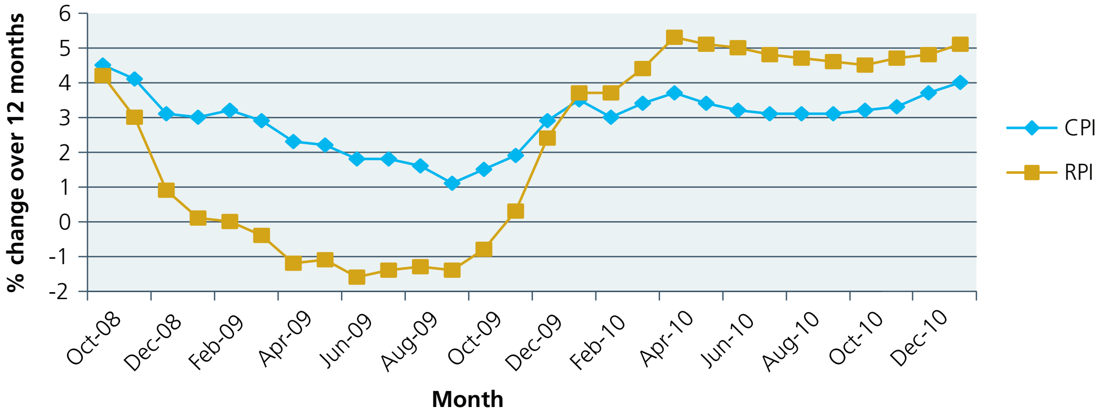
Any increase in inflation makes living costs higher and exacerbates people's concerns over monthly expenditure. While general inflation (Retail Price Index) rose at a roughly similar rate for non-pensioners as it did for pensioners over the last ten years, the pensioner's 'shopping basket' is skewed towards certain products and services. As a result, they experience different peaks and troughs compared to other consumers.

Annual inflation rate

For over-55s, the cost of living in the year to February 2011 (as measured by the Retail Price Index (RPI) increased to 4.35% which is below the 5.1% RPI experienced by all population groups in the UK. The RPI is traditionally viewed as more volatile than the Consumer Price Index (CPI) which tracks a similar 'basket of products' with the exclusion of housing.

The over-55s spend less of their income on housing (18%) than other age groups (up to 30%) and are therefore less affected by changes in this sector. This age group will be further insulated from any shifts in the housing market when all public pensions are linked to the CPI in 2011 – rather than their current link to the RPI.

CPI vs RPI



Top monthly expenditure changes

The over-55s spend less of their income on housing (21%) than all other age groups (up to 30%) and are therefore less affected by changes in this sector.

However, the percentage of their income that they spend on housing has been rising – up from 14% (Aug 2010) to 18% (Dec 2010) to 21% (February 2011) – reflecting a general increase in rent and potentially people moving from excellent tracker deals to lenders with more expensive standard variable rates.

While spending on housing increased, the amount spent on food remained relatively stable at 17% (16% - Dec 2010) but below the same time last year (24% - February 2010). This suggests that over-55s are making more careful food choices, as with the VAT increase and annual inflation of 6.24%, an increase may have been expected. The over-55s' third largest expense – fuel and light (10% - February 2011) – remained relatively steady over the last quarter (9% - Dec 2010) and while there was some annual inflation (2.42%), this was not as high as some other regular expenses.

Inflationary pressure points

Motoring, which remained the fourth largest expense for over-55 households (7%) saw annual inflation of 9.93%. Therefore, we are likely to see this group restrict use of their cars where possible and increasingly find the cost of repairs/maintenance harder to meet. With the cost of petrol rising and a recent RAC report highlighting the funding shortages experienced by councils looking to repair roads, this is only likely to get worse.

Other areas of the over-55s' spending have also been hit by high annual inflation. Outside the top four expenses, clothing and footwear (9.77%), cigarettes (7.83%) and personal goods such as make-up and medicine (6.20%) saw the highest inflation.

Age related expenditure

As might be expected, over 75s spent the lowest amount on housing (17%) when compared to 55 - 64s (22%) and 65 - 74s (19%). For them, the greatest expense was food (18%) which means this group is particularly vulnerable to the impact of the 6.24% annual inflation in this sector.

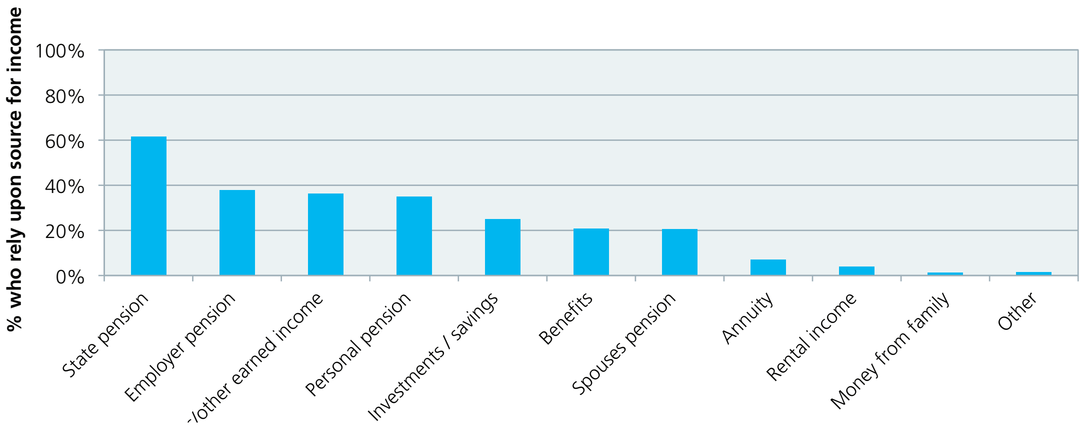
The cost of fuel and light (12%) accounted for over 10% of the long-term retirees' income and should threatened increases in these tariffs come into effect, they are likely to feel this most keenly out of all the age groups.

Income

In order to allow meaningful comparison, the data compiled exclusively for the Aviva Real Retirement Report examines the weightings attached to the variety of income sources as opposed to the values being provided by each income source.

The largest single source of income for the over-55s is the state pension (61%), followed by employer pension (38%), wages/earned income (36%) and personal pension (35%).

Sources of monthly income



While the inflation data shows similar trends for all the age groups, this picture changes significantly as people age and retire. For example, those aged 55 – 64 are significantly less likely to rely on the state pension (30%) than those who are 65 – 74 (94%).

However, while the age differences are relatively simple to understand, the reliance that over-55s have on state funding is worrying. Indeed, 61% rely on the state pension for income, while only a quarter of people (25%) derive income from savings – and 35% derive income from a private pension.

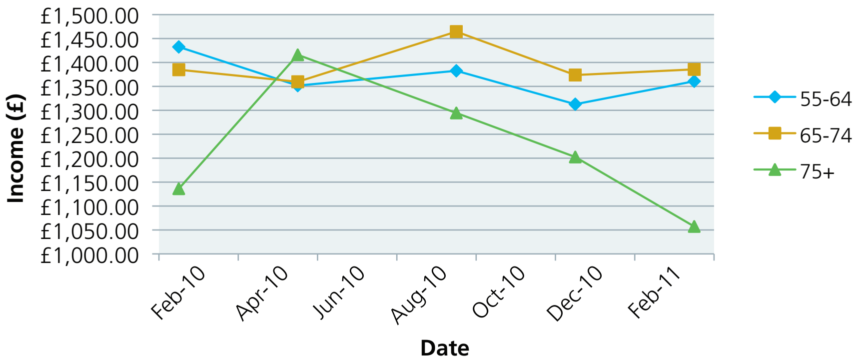
With interest rates at historically low levels, it may seem unsurprising that just one in four (25%) derive income from their savings or investments. However, that 75% of people claim to derive no income whatsoever from this source seems to highlight a significant lack of savings rather than hesitance brought on by a low interest rate environment.

One in five (21%) over-55s derive income from benefits – an increase from 17% in November 2010 and a worrying sign of the impact that the current economic climate is having on today's older generation. When combined with the use of the state pension, this highlights older people's reliance on state funding.

Age differences

The number of people claiming a personal pension naturally increases as people age – 55 - 64 (25%), 65 - 74 (47%) and over 75 (42%) - and become eligible. However, that 53% of the retiring have no personal pension brings home the significant burden that the state will need to carry in coming years.

Mean monthly income by age group



It is also interesting to note that 6% of long-term retireds continue to derive income from wages or other paid work - thus adding weight to the argument that for some, giving up work is not something they can or want to do. However, while some don't want to give up work, others need state help in the run up to retirement.

Indeed, 25% of pre-retirees derive income from some form of state benefits, but this drops to 16% of the retiring and then rises to 20% of the long-term retired. This drop is likely to be due to the fact that when a person reaches the Government Retirement Age, many of the benefits they derive - such as income support - are replaced by the state pension.

Rental income

For many, residential property wealth - either in the form of buy-to-let, downsizing, renting a room or equity release - is part of their retirement plans. It is not then surprising to see that 4% of over-55s cite rental income as a source of funds.

It will be interesting to see if this grows over the coming years as more buy-to-let landlords will fall into this age group in the future. In addition, with over-55s holding £218,469 on average in housing equity, it is reasonable to assume markets such as the equity release sector will grow.

Income changes

The mean monthly income for the over-55s was £1,236, which is marginally up from November 2010 (£1,210) but down from February 2010 (£1,284).

This slight decrease is likely to be due to the same economic factors that have impacted on other UK citizens such as redundancy, reduced working hours and lower returns on savings. Indeed, we have seen the mean monthly income of the pre-retirees fall over the last year from £1,433 (February 2010) to £1,361 (February 2011).

While, we have seen incomes reduce, the number of people who earn less than £750 per month has fallen marginally from 21% (February 2010) to 20% (February 2010) – possibly indicating it has been the 'middle earners' rather than the low earners who have been worst affected by the economic turmoil.

Pre-retirees' mean monthly income (£1,361) is marginally lower than those in the 65-74-years 'retiring' age group (£1,386), but significantly above the monthly income of long-term retirees (£1,057). This minor increase around the traditional retirement age has been a constant since Aviva started tracking these age groups and seems to indicate that for some, collecting their state pension provides them with a much-needed financial boost.

Predictably, the economically active 55 – 64s have more people earning over £2,501 per month (21%) than the retiring (16%). This highlights that while the state pension gives some low income earners a boost, for the majority of people, retirement or down-shifting sees their income drop.

Gender divide

Women (£1,053 monthly income – February 2011) continue to earn consistently less than men (£1,571 monthly income – February 2011). In addition, a review of the sources of income for women over 55 reveals they have lower income from savings (nine percentage points lower at 20% – February 2011) and employer pensions (15 percentage points lower at 29% – February 2011).

This trend (which we have seen consistently since the report started) highlights the importance of women making adequate provision for their retirement – especially as longevity data indicates they need to fund longer retirements.

Savings

The Bank of England's Monetary Policy Committee has now maintained the Bank base rate at 0.5% for more 22 months – although there are now rumblings about a rate rise. Against this backdrop, it is interesting to note that median savings have fallen marginally from £11,590 (February 2010) to £11,427 (February 2011) – adding weight to the argument that people are paying down debt rather than saving at the moment.

However, the rising cost of living is also likely to have impacted on people's ability to save and we have seen an increase in the number of people with no savings from 16% (February 2010) to 20% (February 2011).

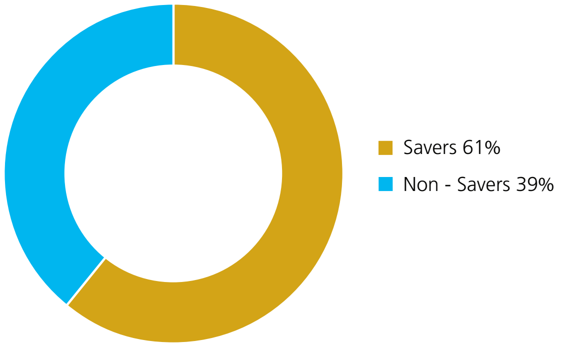
That one in five over-55s (20%) has no savings is a cause for concern, but by digging deeper an even greater worry is revealed. Pre-retirees (26%) are more likely to have no savings than the retiring (14%) or the long-term retired (14%). This indicates that the next generation to retire is likely to find it considerably tougher financially than today's older generation. With 30% of the retired age group deriving income from savings, it highlights how additional preparation needs to be made.

At the other end of the spectrum, the proportion of people with savings of more than £100,000 has stayed consistent year on year – 16% (February 2010) and 16% (February 2011).

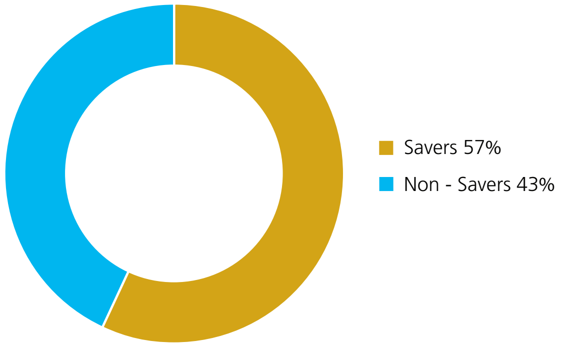
Monthly savings

Despite the austerity measures announced by the coalition Government, the proportion of non-savers has actually increased marginally from 39% (February 2010) to 43% (February 2010) as the over-55s struggle to finance their outgoings and make preparations for their financial security.

Savers vs. Non-Savers, Feb 2010



Savers vs. Non-Savers, Feb 2011



However, while the number of those who save has fallen, the mean monthly amount saved has increased from £88 (February 2010) to £133 (February 2011) as over-55s look more seriously at providing themselves with a safety net.

> "As a rule of thumb, the earlier people start making provision for their retirement, the more comfortable they can expect to be when they come to retire. It also means there may well be less pressure on them to make up a shortfall in later life and - as has been seen in the latest figures - if external factors impact on people's ability and willingness to save it can help to smooth out any bumps along the road. Planning for retirement requires planning for the long-term as there will always be short-term issues that could derail the best of intentions."
>
> Clive Bolton, 'at retirement' director for Aviva

Many consumers appear to earmark the last few years before retirement as a time to increase their savings in preparation for a period of economic inactivity. This is clearly illustrated by the fact that the retiring (61%) has the highest number of regular savers among all the age groups.

Women increasingly under-saving

There is an interesting trend appearing in women's and men's savings patterns. The report first started tracking this divide in May and the following levels were revealed – women (£122.19) and men (£158.07). Since then women's average savings have fallen to £98.55 but men's have actually risen marginally to £159.75.

This may seem curious, but it has long been speculated that women make many of the day-to-day financial decisions in a family and therefore experience first-hand the rising cost of living. It might then be assumed that they feel less able to save. Their lower average incomes are also likely to mean they have less money spare once they have covered their essential spending.

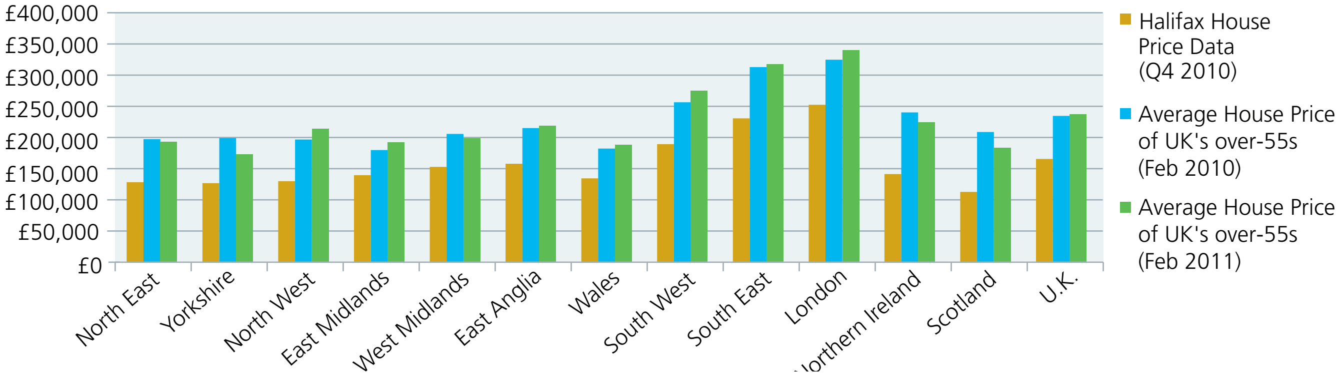
Homeownership

Four fifths (80%) of over-55s own their homes either with a mortgage (21%) or outright (59%). The average home value of the over-55s is £235,590 (February 2011), which is marginally down on December 2010 (£236,653) but still significantly higher than the UK average (£164,173 – January 2011).

While the majority of over-55s have no mortgage debt, for the 20% who do, it is a significant level – £65,107 on average. This is significantly higher than the figures recorded in February 2010 (£54,567) and suggests there is an increasing trend among people nearing retirement not being able to pay off their mortgage.

Alternatively, they may have another method by which they intend to repay the loan such as using equity release (a common use of the product according to Aviva data) or a lump sum payment from their pension.

UK House price vs. House price of over-55s



Age group differences

The long-term retired own homes which are marginally more valuable (£254,272) than the retiring (£229,111) and pre-retirees (£236,822). They are also slightly more likely to be homeowners (long-term retired – 82%) than the retiring (81%) and the pre-retirees (79%). However, due to issues around ageing, they are also the most likely to live in sheltered accommodation (4%) or with their families (1%).

The pre-retirees (29%) are the least likely to have paid off their mortgage, followed by the retiring (14%) and the long term retired (9%). However, while fewer than one in 10 over 75s still has a mortgage, it is worrying to see that those who do owe a significant amount (£78,125). The number of over 75s with a mortgage has increased by four percentage points from February 2010 and seems to indicate that people are finding it increasingly difficult to pay off their loans before they hit later retirement.

As monthly incomes drop to their lowest level out of the three ages of retirement when people reach over 75 (£1,057), it can be assumed that repayments on a mortgage of almost £80,000 may cause financial hardship.

Multiple property ownership

One in 10 (10%) of over-55s own more than one property. The mean value of these properties is £185,294 and the mean equity £120,395. However, only 3% earns any income from renting out second properties which suggests that the incidence of holiday and second home ownership is high amongst certain groups within this age bracket.

Over 55 fears – six month outlook

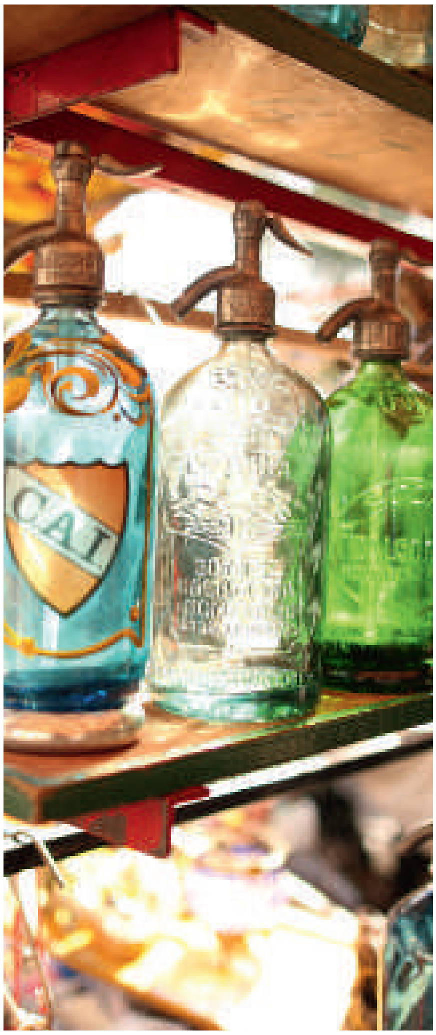
The rising cost of living has been a reality for many in 2010/11 and the over-55s are no different. This is by far their biggest fear for the next six months (83%) – almost 10 percentage points higher than in February 2010 (74%).

However, unexpected expenses (39%) which are the second most pressing fear for this age group are down six percentage points from February 2010 (44%) – possibly indicating that they are less worried about large expenses than the gradual erosion of their day-to-day spending power. Pre-retirees, who are likely to be looking to save as much as possible while they are still working, are the most worried of all the groups about unplanned future expenditure (41%).

The third most prevalent fear - falling returns on savings - has dropped from 33% (February 2010) to 30% (February 2011) as people grow accustomed to the low interest rate environment we have seen over the last 22 months.

It is also worth noting that pre-retirees (7%) are most concerned of all of the ages about keeping up with their debt repayments. This is a trend already seen with previous Aviva reports, and as they are also the most indebted group, this leads to a conclusion that we may well see people entering economic retirement with more debt in the future.

"Over-55s are more worried about the increasing cost of living than anything else, which shows the real depth of concern this generation is feeling. Making adequate provision for retirement is the only real solution to these worries as with a rapidly ageing population and significant financial pressure, the Government can no longer be relied on for cradle-to-grave support."
Clive Bolton, 'at retirement' director for Aviva.



Over-55 Fears – five year overview

With regard to the fear of the rising cost of living, people are more optimistic about the next five years and this concern – while still the biggest – has stayed relatively stable – February 2010 (71%) vs. February 2011 (70%).

Concerns about the potential for unexpected expenses has fallen eight percentage points to 36% (February 2011). However, concerns about returns on savings has only fallen one percentage point to 30% (February 2011). This suggests that while over-55s are resigned to a low interest rate world for the moment, they do have hopes that rates will return to more normal levels.

In May 2010 as the nation watched the change of Government carefully, 24% of over-55s were worried about redundancy/ losing their jobs. However, as the economy starts to show some signs of recovery, only 8% (February 2011) of this age group are concerned.

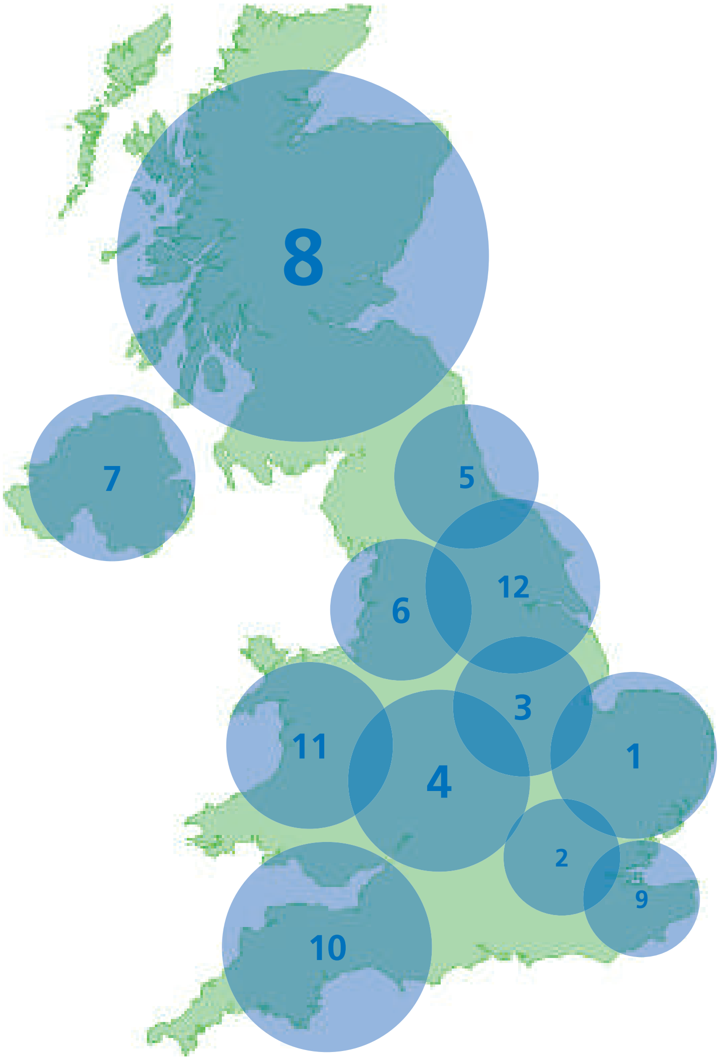
> "The last year has been an uncertain time for many - including the over-55s - as people have been getting used to changes brought about by the Coalition Government. At the beginning of 2010 people's biggest concern was the threat of an increase in taxes. Having now seen the VAT rise at the start of the year people are more sanguine about this and only 25% said this was a concern - compared to the 32% of people who are concerned about falling returns on their savings (32%)."
>
> Clive Bolton, 'at retirement' director for Aviva.

Fears of an increase in taxes (64% – May 2010) have also subsided since then (25% – February 2011) as the full extent of the changes become apparent and are a reality rather than a promise. The retiring who may receive a lump sum payment from their pension in the near future (28%), are the most worried about this particular issue.

For the long-term retired, the reality of having to pay for care in the next five years is a significant worry (17%). With so much confusion over existing legislation and guidance in this area, it shows that the current moves towards simplifying the system are much needed and will help to allay some of their fears.

Regional overview

The over-55s living in the South East now have the highest average monthly household incomes in the UK (£1,638 - March 2011).



		Average house price	Average mortgage	Own house outright
1	East	£217,292	£62,500	59%
2	London	£338,095	£64,773	57%
3	East Midlands	£190,858	£57,955	63%
4	West Midlands	£197,379	£75,000	65%
5	North East	£191,319	£56,250	59%
6	North West	£212,676	£53,750	56%
7	Northern Ireland	£222,500	–	71%
8	Scotland	£182,394	£54,545	54%
9	South East	£315,517	£81,563	58%
10	South West	£273,034	£83,333	58%
11	Wales	£187,162	£37,500	71%
12	Yorkshire	£171,516	£43,382	58%
	UK	£235,590	£65,107	59%

Overtaking Londoners, they contrast with Northern Ireland (March 2011: £1,212) and Yorkshire (March: £1,226) which have the lowest monthly mean incomes of any of the regions.

Broken down by income stream, those in Wales derive the highest percentage of their income from the state pension (69%), closely followed by those in the East of England (65%). Those in the West Midlands receive a greater proportion of their income from personal pensions than any other region (47%), with Northern Ireland the least (14%).

Those in the North East are the most likely to save some of their monthly income (83%), whereas those in the South East are equally as likely to save (50%) as they are to save nothing (50%). However, in monetary terms Londoners put away the most each month, saving a mean average of £270, compared to those in Northern Ireland and the South West who save less than £100 a month (£84 and £94 respectively).

And while those in the South East now have the highest average monthly incomes, it is perhaps understandable why Londoners now have the highest typical amount in savings (£63,064). Londoners also have the highest proportion of people with savings of more than £100,000 (24%).

This is an increase of 5% since December 2010 and is perhaps a reflection of the increase in size and frequency of year-end bonuses this year – although it is still below the 31% who could boast savings of above £100,000 in September 2010.

In contrast, the Welsh are the most likely to own their own home outright (70%), followed by those in the West Midlands (65%) and the East Midlands (63%). Just 57% of those in London, which traditionally is the area with the highest house prices, own their own homes outright.

So what does this tell us?

"This edition of the Real Retirement Report highlights the prevalence of debt in the three tracked age groups. However the baby-boomers - who are in the process of reaching the traditional retirement age - are of key interest here as they are the first generation who have seen debt as simply another part of their approach to finances. This will fundamentally change how they plan their finances in later life but the following common sense steps should still be reviewed:

1. **Review all your debts – both secured and unsecured.** In the run up to retirement, many people focus on their assets rather than how much they may owe. It is therefore vitally important to also consider not only levels of debt, but also how it can be paid off.
2. **Consider the implications of additional borrowing.** Sensibly used credit can greatly enhance a person's quality of life. However, the decision to borrow needs to be carefully weighed up and considered against the prospect of falling income in future years.
3. **Future-proof your retirement income.** While over-55s' inflation has historically been lower than other groups – due slightly different spending weightings – it is still an issue. Therefore, when planning retirement, products which take inflation into account should be considered.
4. **Safeguard yourself against shocks.** When retirement is discussed, pensions and annuities are generally front of mind. However, in addition to these products, it can be extremely useful to have access to a pot of savings that can pay for unexpected expenses.

"Following these simple steps will mean that people need not be plagued by the fears that other over-55s have experienced, such as the rising cost of living and paying for unexpected expenses."

Clive Bolton, 'at-retirement' director for Aviva

Methodology

The Real Retirement Report was designed and produced by Wriglesworth Research. As part of this more than 5,700 UK consumers aged over 55 were interviewed between February 2010 and February 2011.

This data was used to form the basis of the Aviva Real Retirement Report. Wherever possible, the same data parameters have been used for analysis but some additions or changes have been made as other tracking topics have become apparent.

Additional data sources include:

- Department for Local Government and Communities
- Office of National Statistics – Inflation Data
- Halifax House Price Index

Technical notes

- A **median** is described as the numeric value separating the upper half of a sample, a population, or a probability distribution, from the lower half. Thus for this report, the median is the person who is the utter middle of a sample.
- An **average** or **mean** is a single value that is meant to typify a list of values. This is derived by adding all the values on a list together and then dividing by the number of items on said list. This can be skewed by particularly high or low values.

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