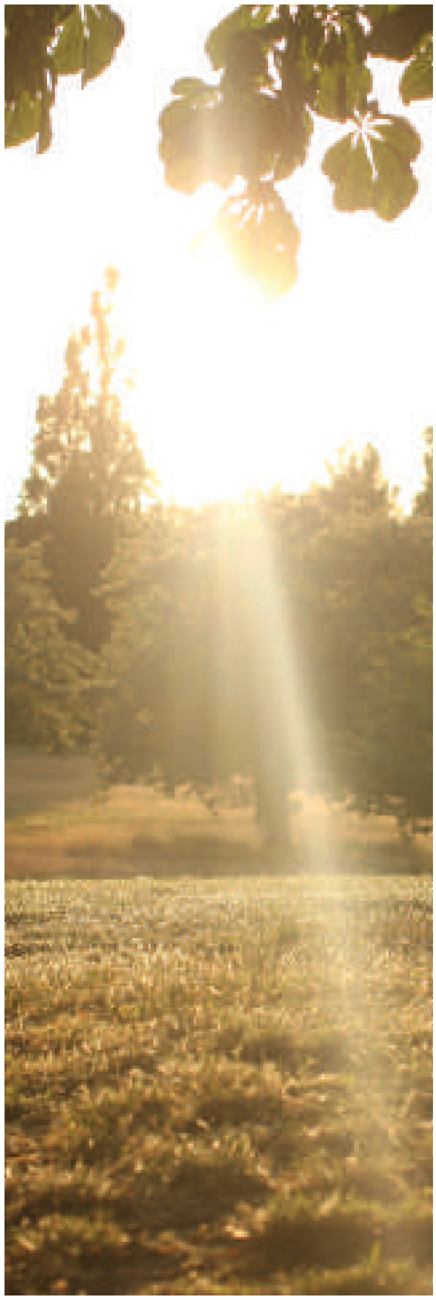
The Aviva Real Retirement Report

Issue Six

June 2011

Foreword



Welcome to Aviva's sixth Real Retirement Report. We have been tracking the concerns and finances of the three distinctive ages of retirement – pre-retiree (55-64), retiring (65-74) and long-term retired (over 75) for over a year and a half and have found distinctive trends emerging.

Each quarter we look at an area of particular concern to this age group with the focus for June 2011 on employment in the final years before retirement. The ten years before people reach 65 is when many expect to be free of financial burdens and in a position to grow and solidify their lifetime of pension savings.

However, two out of every five over-55s experience redundancy, enforced early retirement or stopped work due to illness in this period (see page 5). This not only means that they will need, if possible, to look for another job at a time when 74% believe it is harder to find employment than when they are younger (see page 5), but also will find their finances significantly impacted. Indeed, 68% of those who have had these issues feel that unplanned career changes have had a negative impact on their finances.

While these unplanned career changes had a negative impact on some over-55s finances, as a whole this group is in a better position than last quarter. Older people appear to have focused on paying off borrowing as they now use 11% of their income to make debt repayments (see page 11). In addition, they are also – despite a run of historically low interest rates – saving more for retirement and later life.

This dedication to paying off borrowing and increasing saving is particularly significant against the backdrop of an over-55s RPI of 4.75% (see page 8) and income which has only seen a marginal annual increase (see page 9). Many will have suffered a drop in real income and have addressed their expenditure based on their needs now and also in the future. These steps have seen over-55s feel more secure about the future but fears about health still pray on the long-term retireds' minds (see page 15).

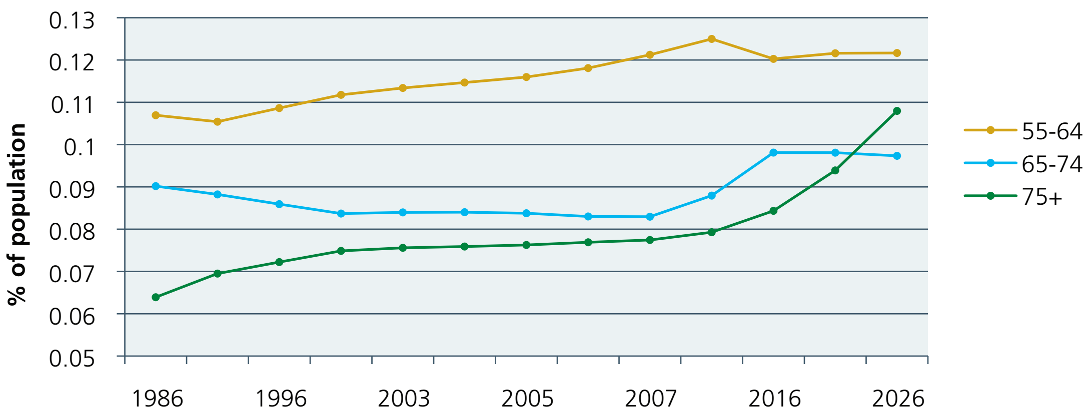
Clive Bolton, 'at-retirement' director at Aviva

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.

- **Pre-retirees** - (55 to 64 years old) are on the countdown to retirement but 28% still have outstanding mortgages (£60,546 – average outstanding balance) and on average they are repaying £3,151 worth of unsecured debt. Despite moving towards the end of their careers, 22% have no savings and 43% are not saving anything each month.
- **Retiring** - (65 to 74 years old) have just passed the age at which people generally retire and while 21% are still working, many are looking to relax after a long working life. While only 14% have no savings, 11% still have a mortgage that they need to service. Many are shocked by life on an increasingly fixed income and they are most worried about the rising cost of living (79%).
- **Long-term retired** - (75 years and older) most are 10 years or more into retirement. Those with private pensions (35%) or employee pensions (49%) are likely to have annuitised and be collecting an income from their annuities. While 75% own their homes outright, a worrying 5% are still paying off a mortgage (av. £77,500). Despite generally being economically inactive, they have the highest number of savers of all age groups (61%)

Population Trends



Employment After 55

- 15% of over-55s were made redundant between their 55th and 65th birthdays
- 11% of over-55s have had to stop work due to illness
- 34% will have to cut back on their lifestyle due to a premature end to employment
- 74% say it is harder to find employment when you are over 55

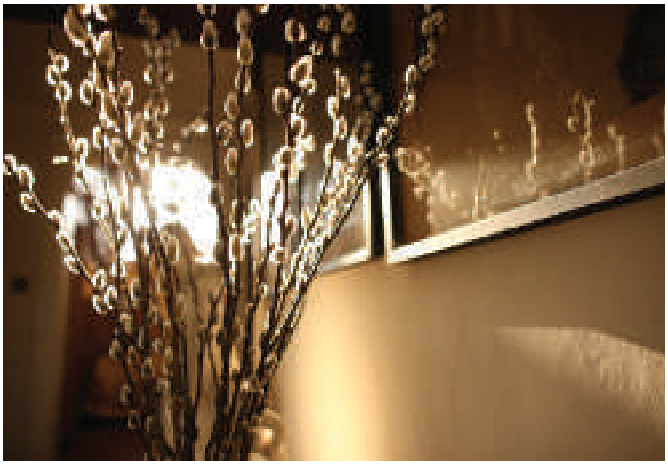
There are 2.43 million unemployed people in the UK – of which 397,000 or 16% of these are over fifty years old. Long-term unemployment is a particular issue for the older generation as 46% of the unemployed (182,000) have been out of work for 12 months or more. This is higher than the 40% of unemployed persons who are between 25 and 49 years old and raises the question as to how this issue affects the finances of the 17.4 million over-55s who fit into the three age groups this report tracks.

Countdown to retirement:

While the majority of people (61%) either retired when they wanted to or did not see any significant changes to their working lives in the run up to retirement, others were not so lucky. Indeed, 15% were made redundant between their 55th and 65th birthdays, 11% were forced to stop work due to illness, 9% were forced into early retirement, and 8% suffered a period of unemployment longer than three months.

However, others chose to make more positive changes to their employment status – with 5% moving to part-tirement due to preference, 3% starting their own business and 3% resigning from their roles as they wanted less pressure/to wind down. This is at odds with the traditional view of retirement, and demonstrates that a number of people intend to remain economically active, albeit in a different role as they move into the latter part of their careers and retirement.

> "While the majority of people did not see a significant change in their working lives in the run up to retirement, others were not so lucky. This serves to highlight the importance of saving for retirement during your entire career rather than banking on using your final few years in work to boost your savings"
> Clive Bolton, 'at retirement' director for Aviva



"Unexpected unemployment is difficult at any time but particularly so when you are faced with the possibility of never working again. This can turn carefully planned retirements upside down.

"The fear is that, not only will it lead to more uncomfortable retirements, but many will face unimaginable debt and even poverty in their old age."

Steve Nicholson, Chief Financial Officer, Consumer Credit Counselling Service

Gender divide:

Women (9%) who have historically retired earlier or given up work to take care of children are less likely than men (19%) to be made redundant, suffer enforced early retirement (4% vs. 12% men) or stop work due to illness (8% vs. 13% men). However, they are also less likely to start their own businesses (2% vs. 4% men) or choose to move to part-tirement (4% vs. 7% men).

Historically vulnerable:

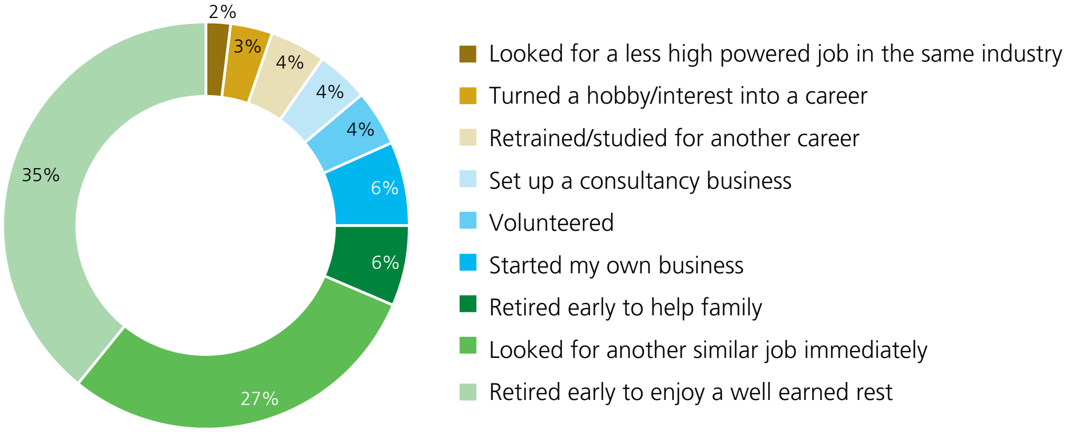
While the recent economic turmoil has been blamed for changes in the job market, the report highlights the fact that over-55s have always been vulnerable to a premature end to their careers. Indeed, today's over-75s – who celebrated their 65th birthdays at least ten years ago – report that 17% of them experienced redundancy between their 55th and 65th birthdays. That said, while they were vulnerable to redundancy, they were also less likely to be unemployed for over three months (5%) between these birthdays suggesting that finding employment for the over-55s today is harder than before (55 to 64 – 11% and 65 to 74 – 6%).

Impetus behind change to employment status:

The largest percentage (47%) of over-55s who were made redundant felt this was because their company was making cuts and they were simply included in those at risk. However, 31% chose to take redundancy as they were offered a good package, and a worrying 8% said they were made redundant as their company chose to replace them with someone that they could pay less.

Following redundancy, 35% decided to simply take early retirement and 27% started looking for a new job immediately. Others decided to re-evaluate their working lives and 6% started their own business, 4% retrained/studied for another role, and 4% started volunteering to keep busy.

Redundancy Reactions



Those who had suffered a period of unemployment longer than three months said that this was due to them applying for jobs that they did not get (49%) or not being able to find suitable jobs to apply for (24%). As a result, 24% decided to retire early having looked for work and 6% set up their own business.

Business start-ups:

The 3% of all over-55s who chose to use a career change to start their own business did so as they felt it would give them more freedom (41%) or because circumstances presented them with the opportunity (26%).

A further 18% said they had always planned to start their own business and they felt when they were given the opportunity, they had sufficient experience to make a success of it.

> "Very few people plan to end their formal careers with redundancy or early retirement and it is often a shock. However, some people choose to use this as an opportunity to utilise their expertise and start their own business – a proposition which often means they have far more freedom to plan their own retirements."
> Clive Bolton, 'at-retirement director' for Aviva

Financial impact:

For many people, the final ten years before they retire is when they make saving for their retirement a priority and put aside as much as possible. Thus, a premature or unplanned end to a career is likely to have an adverse affect on such a person's finances. Indeed, 34% of those who experienced a sudden end to their career said they would need to cut back on their lifestyle in retirement, 19% felt they would need to find some type of work to improve their financial standing and 11% would look to use other assets to boost retirement finances.

Perhaps most worrying of all was the 7% who have an existing mortgage and now had to figure out how they would repay this debt.

Looking for work after 55:

The vast majority (74%) agree that it is far harder to find a job after your 55th birthday than before. The long-term retired (over 75) are least likely to agree with this (67%) – suggesting that the bias towards younger employees is something that has developed over the last ten to 15 years. One potential reason for this view is that in today's busy society, over-55s believe employers' value youth and speed over experience (35%).

While these qualities are valued, over-55s believe that smaller employers (24% vs. 9% - large companies) are better places to work when they are older – potentially as they have more freedom and greater benefits.

A return to work:

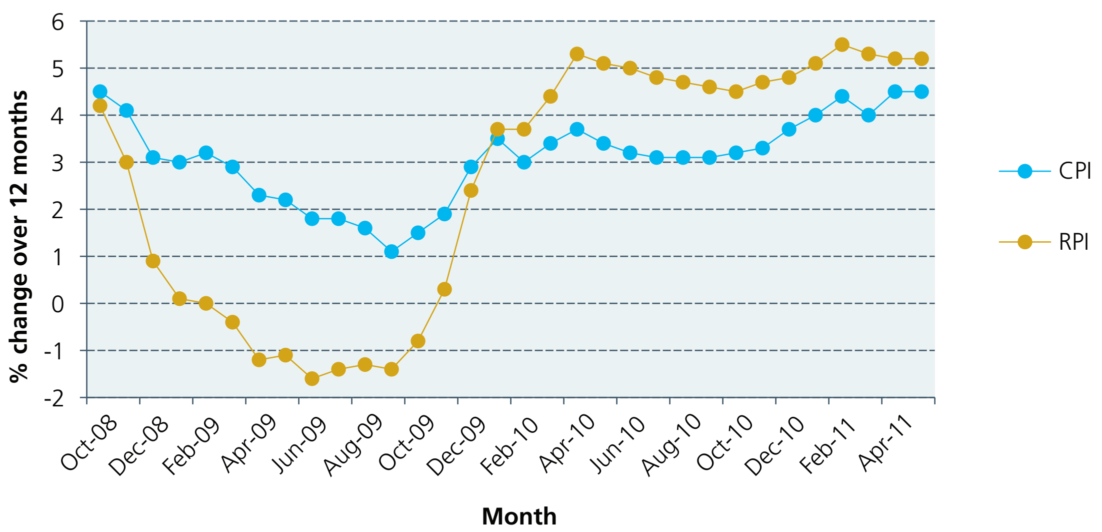
While 28% of over-55s were pleased to take early retirement, be made redundant or simply retire – the end to the working life is not always what people envisaged. Indeed, 8% have returned to work as they got bored and 14% went back to work as they missed the income.

Economic Overview:

- The cost of living for over-55s (RPI) rises by 4.7%, compared to 5.2% for the rest of the UK (5.2%)

Announced last summer, the measure by which public pensions are increased each year finally changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) on 1 April. The thinking behind this was that CPI is a better measure of the inflation pensioners experience, but while the RPI is generally more volatile it is also generally higher than CPI. It is too early to tell what this means in real terms, but by any measure inflation remains higher than the target rate of 2%.

CPI vs RPI



Annual rate of inflation:

All increases to the rate of inflation have an immediate impact on people's monthly expenditure, but price rises tend to have the most significant consequences for those on fixed incomes such as many over-55s. However, because this group's typical 'shopping basket' has a different bias to the general population, they feel economic pressures in a different way.

For example, the impact of the Easter holidays and rising travel costs exerted further upward pressure on inflation in the second quarter. But while this caused the general cost of living (as measured by the RPI) to rise by 5.2% in the year to May 2011, the UK's over-55s were partly protected from this as their overall cost of living still rose by 4.7% (RPI).

Income

- Main source of income for over-55s is state pension (61%), then employer pension (39%) followed by wages/earned income (34%).
- Income up slightly to £1,247 (May 2011) from £1,239 (May 2010)

The data compiled exclusively for Aviva's Real Retirement Report focuses on the weightings attached to the different income sources as opposed to the actual values being derived from them in order to allow meaningful comparison. The main source of income for the over-55s remains the state pension (61%). It is followed by employer pension (39%), wages/earned income (34%), and then personal pension (33%).

Gender divide:

There are some notable differences between men and women, with men more likely to rely on an employer pension (45% as opposed to 30%) and more likely to rely on investments/savings (30% as opposed to 20%). This is likely to be in part due to the fact that women of previous generations are more likely to have put their careers on hold to raise a family, and therefore many do not have a chance to build up as much of a pot as men.

With the State pension age for women being raised to 65 by November 2018, this gap may close in the next few years. However, with the savings data indicating a widening spread in the last 12 months as women save less on a regular basis, they are unlikely to close the gap on income derived from investments/savings in the short term.

The high inflation/low interest rate environment is likely to be a contributing factor to the low level of income being derived from savings and investments generally. But, the fact the average figure is so low (26%) indicates the need for people to change their attitudes towards savings and investments - irrespective of the recent financial environment.

Working into retirement:

There is a clear correlation between ageing and reliance on wages/other earned income. Among those aged 55-64, 50% say they rely on wages/other earned income compared to 21% of those aged 65-74, and 6% of those aged over 75. With the Government anxious to reduce the burden on the State by removing the default retirement age later this year the proportion of people aged over 65 and still relying on wages and other income is likely to increase.

> "With the end to the default retirement age, people now have the opportunity to design their own retirements – either working later or moving to part-tirement! This will have a positive impact on their finances in old age. However, as 11% of people retire prematurely due to ill-health, people should still look to use their entire career to build up their savings pot."
>
> Clive Bolton, 'at-retirement director' for Aviva

Auto-enrolment will boost saving:

Out of all the different types of pension, people rely least on income from personal pensions with 26% of over-55s, 41% of 65-74 year olds, and 35% of the over-75s saying they take an income from a personal pension. While the level of personal saving is unlikely to increase in the current financial environment, the proposed changes regarding auto-enrolment in workplace pensions (beginning in 2012) are expected to increase the level of income derived from employer pensions among the pre-retirees and the retiring in the next decade.

At present just 30% of pre-retirees, 46% of the retiring, and 49% of the long-term retired rely to some degree on an employer pension.

Income from property:

Residential property is often the largest asset people own when they move into retirement. As a result, income from property wealth, be it in the form of buy-to-let, downsizing, renting out a room, or equity release forms part of many people's plans for their finances in retirement.

At the moment only 4% of over-55s say rental income provides them with a source of funds indicating that many own holiday and second homes. However, the boom in amateur buy-to -let landlords in the last decade has resulted in more than one in ten (11%) 55-64 year olds owning more than one property.

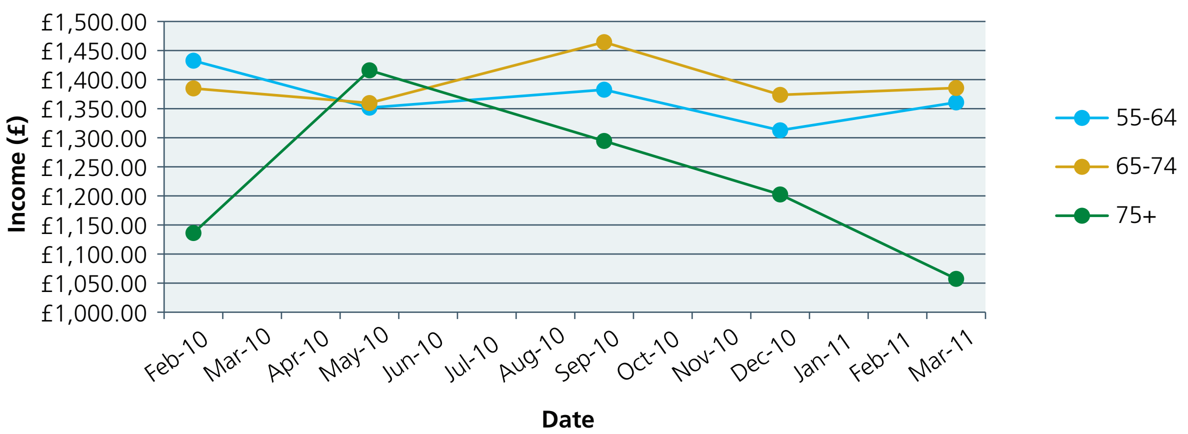
This means there is another potential source of rental income and with the mean value of these properties standing at £167,135 and the mean equity of £73,572 there is even more potential equity to be released if required.

Income changes:

In May, the mean monthly income for the over-55s was £1,247, continuing the upward trend seen since November (£1,210), and slightly higher than this time last year (£1,239). This figure has fluctuated during the past 12 months as various economic factors have taken effect – namely redundancy, wage freezes, price hikes and low returns on savings. However, the fact it is rising again is positive, suggesting these factors have now been worked through and the economy is improving.

Pre-retirees' mean monthly income has fallen slightly to £1,324 (May 2011) from £1,361 (Feb 2011). However, it has increased for both the retiring (from £1,386 to £1,426) and for the long-term retired (from £1,057 to £1,178). This is still in line with report findings to date, as for some people collecting their pension provides them with a boost to their income.

Mean monthly income by age group



Nevertheless, the economically active 55-64 year olds still have more people with incomes of more than £2,500 a month, compared to the two older age groups. Twenty-one per cent of this group have incomes of more than £2,500 a month, compared to 16% of 65-74 year olds and 13% of over 75s. Taking account of the previous point, this would suggest that it is those on lower incomes who are more likely to see an increase in their monthly income when they retire rather than the better off.

Expenditure

• Top five expenses are housing (21%), food (16%), debt repayment (11%), fuel and light (9%) and motoring (7%)

The primary monthly expenditure for the over-55s is housing (21% of income) and this remains steady from last quarter (21%), possibly due to the fact that no movement has been seen on the Bank of England Base Rate.

Food remains a significant cost for the over-55s, accounting for 16% of their monthly income. This figure has remained relatively stable in recent months (17% - Feb 2011 and 16% - Dec 2010) but is 10% lower than the same time last year despite annual inflation of 6.37%. This suggests that the over-55s have changed their food shopping habits, seeking out cheaper alternatives. Nevertheless, on average the over-55s still spend £180 a month on food (£41.49 a week).

The third largest single expense from the over-55s is debt repayment (11%). This dedication to clearing personal borrowing has seen the average owed by over-55s fall from £18,959 (Feb 2011) to £17,112 (June 2011). The fourth largest single expense for the over-55s is fuel and light (9%). With an average cost of £105.31 a month and with significant energy price hikes now mooted for autumn, this is likely to rise further later in the year.

While petrol and oil prices have fallen in the last quarter, this has not been passed on and inflation remains high here (9.5%). As a result, the overall cost of motoring is the fifth largest monthly expense for the over-55s (7%).

Age specific costs:

Those aged 75 and over spent less on housing (21%) compared to 55-64 year olds (22%) but more than 65-74 year olds (20%). As people get older they are more likely to have settled their outstanding debts and/or downsized but it appears that these costs rise again when people go into care or sheltered accommodation.

Assets

- Base rate unchanged for 26 months but over-55s still saving
- Pre-retirees – despite more high earners - most likely to be saving nothing per month
- Number of over-55s who own homes outright increases to 62%

The last time the Bank of England's Monetary Policy Committee changed the Bank base rate was in March 2009 when it cut the rate to 0.5%. And despite talk of an imminent rate rise increasing in 2011, it has now stayed the same for 26 consecutive months.

This has meant the interest paid on savings accounts has fallen, acting as a disincentive to save. And with incomes broadly static in this time, the rising cost of goods has meant people have had to spend a greater proportion of their monthly income in order to buy the same basket of goods that they did two years ago.

The cumulative effect of this has been a negative impact on the value of people's savings; however the latest figures indicate an increase in the number of people in retirement who are actively putting money aside to provide themselves with a financial safety net.

There has been a slight increase in the median savings among the over-55s from £11,427 (February 2011) to £11,907 (May 2011). This increase has been driven by the retiring (£15,453 - Feb 2011 vs. £17,499 - May 2011) and the long-term retired (£14,999 - Feb 2011 vs. £15,624 - May 2011) as they look to build financial security.

Median savings among the pre-retirees has actually fallen from £8,517 (February 2011) to £7,793 (May 2011) – potentially as they are the group which is most vulnerable to redundancy, hours reduction or early retirement changing their income.

Regular savers:

The proportion of over-55s who currently save nothing each month has fallen from 43% (Feb 2011) to 41% (May 2011). Despite small fluctuations over the course of the last 12 months this is now back at the same level it was in May 2010, thus suggesting that over-55s are still prioritising saving over other types of expenditure despite the increase to the cost of living caused by high inflation.

Looking at the figures in greater depth, it is again pre-retirees who are most likely to be saving nothing on a regular basis (43%), compared to the retiring (40%) and the long-term retired (39%). The mean amount being put away per month among those saving has remained flat over the quarter, dropping just £2 from £133 (Feb 2011) to £131 (May 2011). The retiring (£135) are still saving more on average each month than pre-retirees (£130) and the long-term retired (£124), indicating that imminent retirement acts as an incentive to save.

Taking into account that the latest figures indicate 26% of those currently in retirement take part of their income from savings, it gives further weight to the argument that it is pre-retirees who need to address their savings as a priority.

Gender divide:

The difference between men and women's attitudes to savings has continued to grow. In May 2010 there was little difference between the sexes in terms of who was saving, with 59% of men claiming to be regular savers compared to 60% of women. This has now altered as 61% of men now claim to be saving, compared to 56% of women. The difference between average monthly saving for men £151 (May 2010 - £158) and women £103 (May 2010 - £122) seems to indicate that women with their lower incomes are bearing the brunt of the high inflation.

"Our recent Family Finances Report revealed that women are more likely to use additional cash to spend money on non-essential items for their families rather than save for retirement. These figures confirm this worrying trend and highlight the importance of getting financial priorities right."

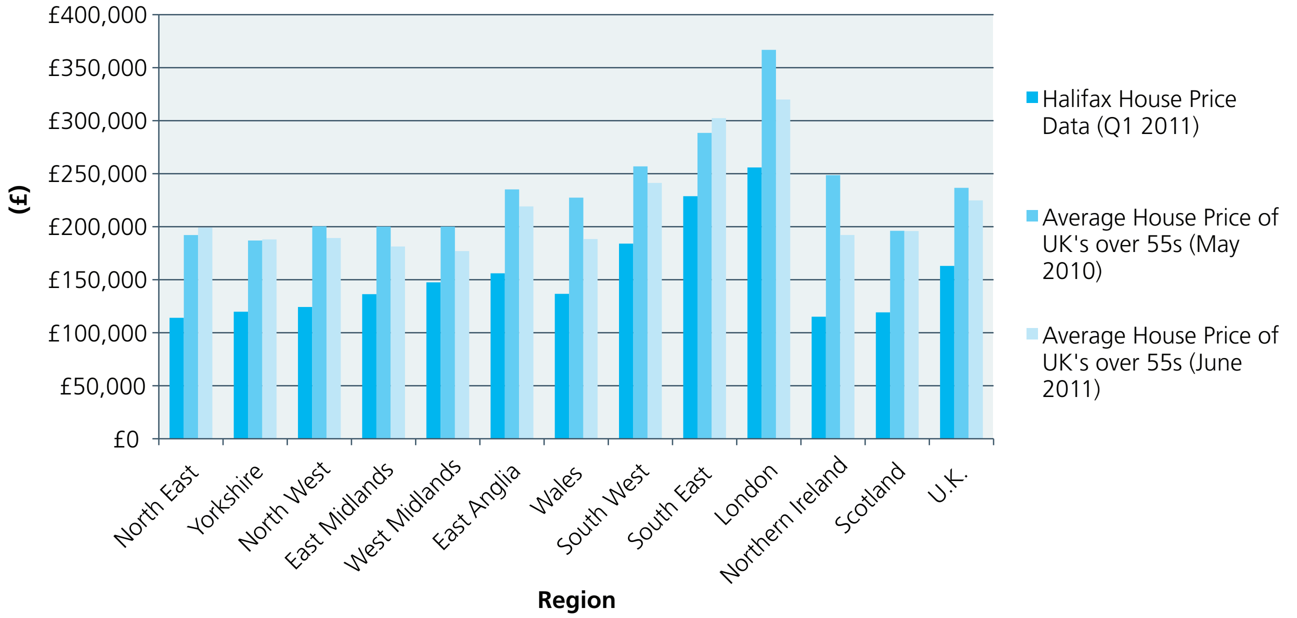
Clive Bolton, 'at retirement' director for Aviva.

Homeownership:

The number of over-55s (62% - May 2011) who own their own homes outright has increased over the last quarter (59% - Feb 2011) as people look to pay off their mortgages in the current low interest rate environment.

At the moment the exact amount of equity continues to fall, with the average price of homes owned by the over-55s standing at £231,306 (May 2011) compared to £235,590 in February 2011 and £236,653 in December 2010. Nevertheless, the value of homes owned by the over-55s is still much higher than the national average house price (£160,519 – May 2011).

UK House Price vs House Price of over 55s



For the 38% of over-55s with outstanding mortgage debt the average amount owed stands at £61,370, which is a significant amount to be carrying at a time when income is beginning to decline. However, this is lower than in February 2011 (£65,107) suggesting that people are becoming more focused on paying down their mortgage debt at a time when lending criteria means it is harder to remortgage and interest rates are only likely to increase.

Age related equity:

The long-term retired own the most valuable homes (£248,302 – May 2011) when compared to the retiring (£226,747 – May 2011) and pre-retirees (£233,641 – May 2011). While more likely to have paid off their mortgage, those long-term retired who have not paid off their mortgage owe significantly more (£77,500) than the pre-retiring (£60,547) and the retiring (£61,389). With monthly income falling as people move further into retirement (average income - £1,178 for the over-75s) repaying this debt can become more difficult.

The long term retired are also more likely to be living in sheltered housing / retirement complex / residential care home (6% as opposed to 1% of the retiring). But for those over-55s carrying mortgage debt into retirement, one way of clearing this debt is through equity release, and the number of over-55s taking out plans is expected to increase in the coming years.

Borrowing

- Debt falls as over-55s concentrate on paying off borrowing
- A quarter of over-75s have credit card 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. Excluding mortgage debt, the mean debt of all over-55s with debts is £17,112 (May 2011) – down from £18,959 (Feb 2011).

Paying off debts:

The most significant debt is likely to be a mortgage and, as we highlighted earlier, 19% of over-55s are still working to repay this borrowing (21% - Feb 2011). This is down from last quarter and suggests that over-55s are looking to tackle their largest liability first – before interest rates rise.

However, while the percentage of people with mortgages fell, overall unsecured debt held by the over-55s has stayed broadly consistent – credit cards (Feb 2011 - 30% vs. May 2011 - 30%), personal loans (Feb 2011 - 13% vs. May 2011 - 14%), overdraft (Feb 2011 - 10% vs. May 2011 - 10%) and store cards (Feb 2011 - 6% vs. May 2011 - 7%).

However, while the number of people with unsecured debt stayed roughly constant, the actual levels of debt have fallen, suggesting that the trend seen on mortgages is carried over to other types of debt. The average amount owed on credit cards has fallen from £3,311 to £2,973, personal loans from £5,983 to £5,569, overdraft from £2,202 to £988, store cards from £1,220 to £831, and hire purchase from £1,998 to £1,169 – a possible indication that people are paying down debts incurred over Christmas and the beginning part of the year.

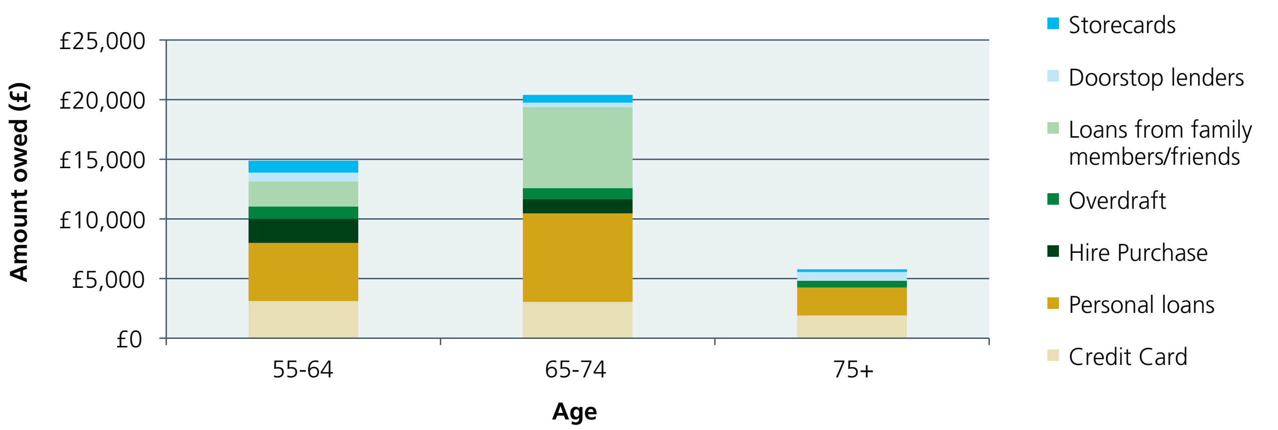
Age breaks

Over-75s are the least likely to owe money on the aforementioned forms of unsecured debt. However more than one in four (26%) owe money on credit cards, which although lower than 55-64 year olds (32%), is still a concern due to the fact that their income is more likely to be fixed and they will have less opportunity to boost earnings.

Gender splits

Women aged over-55 are more likely to owe money on credit cards than men (31% women vs. 29% men), while in contrast men are more likely to have acquired personal loans (16% men vs. 10% women) or accepted a loan from a family member or friend (5% men vs. 3% women).

Mean debt and types of debt



Over-55s Worries:

- While still high, worries about the rising cost of living among the over-55s have fallen in the last quarter
- Unexpected expenses consistent worry over six months and five years
- Over-75s worry most about health and care

Six month outlook:

As with the rest of the UK, over-55s are extremely concerned about the rising cost of living (73%). However, while still the biggest worry – it has fallen ten percentage points since February 2011 (83%) as while people are still struggling, their worst fears have not been realised.

Unexpected expenses remain the second most prevalent fear (31%), although once again this has fallen by eight percentage points (Feb 2011: 39%). The long-term retired (over 75s) are most concerned about unexpected expenses (33%). They are likely to have been dependent upon a fixed income for the longest period and are most likely to struggle with any unforeseen costs. Indeed, the February report found that 23% of this group had fallen into debt because retirement had cost more than they had anticipated.

The number of people concerned about the loss of Government benefits over the next six months has fallen from 11% (Feb 2011) to 8% (May 2011). With the State announcing benefit cut backs, these findings might seem unusual but they do suggest that people are increasingly looking to take control of their own finances, and are therefore less likely to be bothered by benefit cuts.

The threat of redundancy is also a considerable fear among pre-retirees with 15% of 55-64 year olds listing this as a worry for the next six months. With the removal of the Default Retirement Age (DRA) in October, this age group has the chance to work for years beyond the retirement age of 65, and may be reliant upon this as a way of funding their later years.

Over 55 fears – five year overview:

The rising cost of living remains the most common fear for the next five years (68%), although this too is less of a worry than in February (77%). This optimism could be because people feel prices have reached their highest levels and have levelled out for the time being. Unexpected expenses are just as much of a worry over the next five years as for the next six months (31%).

The newly retired (65-74) are most likely to worry about the rising cost of living (74%) compared with 64% of 55-64 year olds and 65% of over-75s. As many make the transition from work to retirement during these years it could be that the realisation of a fixed income rather than wages, with their potential to increase, has caused them concern.

The over-75s are the age group most likely to face worries about health and paying for care. Thirty-three per cent are worried about being affected by a serious illness over the next five years, compared with 16% of 55-64 year olds and 21% of 65-74 year olds. Furthermore 18% of those long-term retired are worried about the cost of paying for care, which could have serious repercussions on their finances as revealed in recent Saga research which showed that care homes cost on average £26,000 per year.

With longevity increasing the issue of having to pay for care is a very real problem for many of the UK's retired population. At the moment the care system is complex and difficult to navigate, and as evidenced by these figures many older people are concerned about how they will afford it. The Dilnot Commission into the Funding of Care and Support, due to report on its findings in July 2011, should highlight alternative ways of funding care, including, among others, equity release.

Regional overview

- Just 27% of over-55s in the East Midlands have a personal pension
- Yorkshire is the only region in the country were the majority don't save regularly

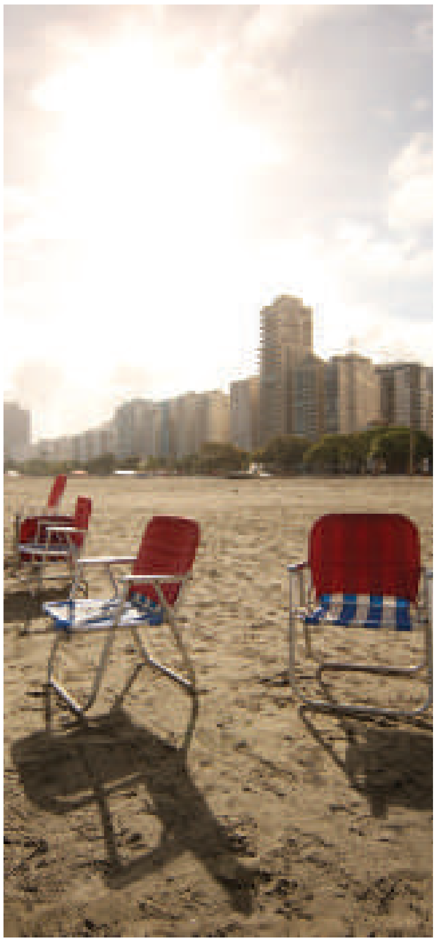
The over-55s living in the South East (£1,561), Scotland (£1,518) and London (£1,490) have the highest average monthly household incomes in the UK. In contrast, those in the West Midlands (May 2011: £1,185) and Wales (June: £1,051) have the lowest mean incomes of any of the regions.

With regards to the source of this income – looking beyond the state pension, which all eligible pensioners rely on – those in the West Midlands (42%) and South East (38%) are most likely to have a personal pension. This is in stark contrast to those in North West (24%) and East Midlands (27%) who are least likely to have taken out a personal pension.

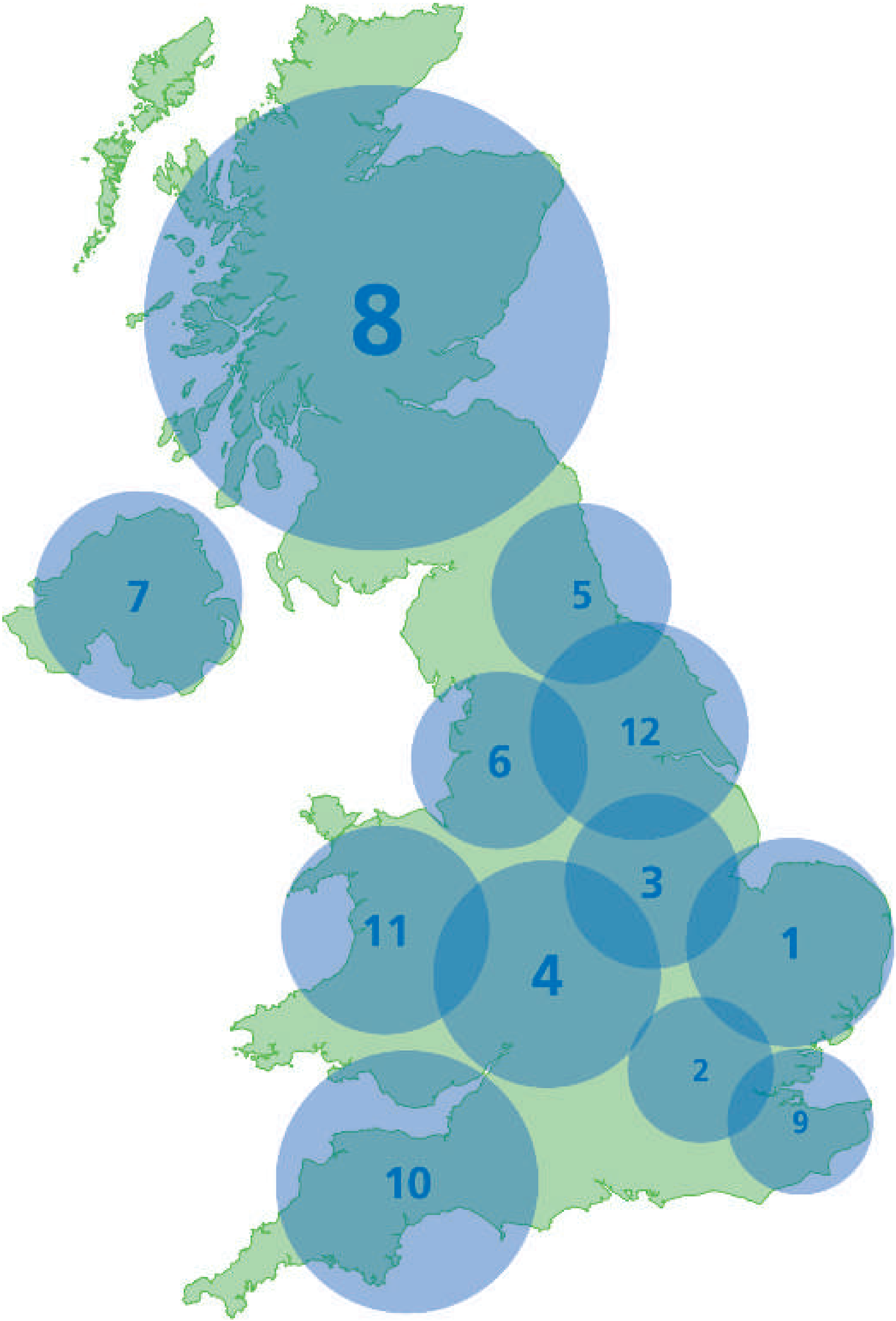
While those in the North East are once again the most likely to save some of their monthly income (75%) , the number doing so has fallen by 8% (Feb 2011: 83%). Yorkshire is the only region in the country where people are more likely to save nothing (53%) on a regular basis than actually put money away. In monetary terms, those living in the West Midlands put away the most each month, saving a mean average of £167, compared to those in Wales and the East who save the least (£95 and £102 respectively).

Those living in Scotland have the largest savings pots of any region (£50,972), followed by those in the South East (£46,436). In contrast those living in Wales have a far smaller amount stored away (£21,723). Furthermore, more than one in five (23%) of over-55s living in Scotland have savings exceeding £100,000. Meanwhile, a quarter (25%) of over-55s living in Yorkshire have no savings whatsoever, showing that there are significant divisions in personal wealth across the country.

Despite having one of the lowest average incomes and amount in savings, those in Wales are most likely to own their home outright (79%). In contrast 27% of those living in the North East are still paying off their mortgage, which could well prove to be an additional strain on a fixed retirement income. A comparatively low proportion of Londoners (59%) own their home outright, a likely result of high house prices in the capital.



		Average house price	Average mortgage	Own house outright	Number of Over 55s
1	East	£219,129	£70,833	63%	1,706,000
2	London	£319,940	£64,583	59%	1,574,100
3	East Midlands	£181,341	£72,917	63%	1,305,200
4	West Midlands	£177,009	£58,929	60%	1,568,900
5	North East	£199,194	£56,250	56%	765,700
6	North West	£189,352	£40,278	63%	1,977,600
8	Scotland	£195,890	£54,167	55%	1,512,000
9	South East	£302,328	£68,182	58%	2,458,000
10	South West	£241,283	£82,143	66%	1,696,900
11	Wales	£188,352	£37,500	79%	938,100
12	Yorkshire	£188,000	£51,786	64%	1,475,100
	UK	£224,853	£61,370	62%	**16,977,600**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So what does this tell us?

This edition of the Real Retirement Report investigates how people's employment status can – and does – change between the ages of 55 and 65. With the current economic crisis, 39% of over-55s saw significant changes to their working lives in the run up to retirement or did not have the option to choose when they wanted to retire. Thus, it is essential that when people are planning their finances, this is taken into account:

1. **Don't count on the last years of employment to build your nest egg –** The ten years before retirement are often when people have fewer financial commitments to their family so can concentrate on building their own wealth. However, this is not a certainty so it is best to spend as long as possible preparing for retirement.

2. **Rely on a variety of assets – not just the State pension –** People are increasingly expected to take responsibility for financing their own retirement. Thus it is critical that they take every opportunity to save for the future in a variety of different products and not relying on one type of asset.

3. **Pay down debts when possible –** While borrowing can be used to improve someone's standard of living, it is important that prior to entering retirement they pay off their debts. No-one wants to be in a situation where they are paying off a mortgage with their pension.

4. **It isn't just about what you have but how you use it –** While some people do earn less than others, if they start saving early and do so consistently, they may well find that they have a better retirement than someone who earns more but plans less.

5. **Don't count on your health –** The majority of people reach old age without significant health problems. However, this is not true for everyone and you need to make sure that you have this eventuality covered.

6. **Consider if your job is one for life –** Working into retirement is no longer a question for many people but the type of work may be. Is your career something that you can do in old age or do you need to consider how you can retrain?

"Following these simple common-sense tips will mean that people enjoy a better standard of living in retirement with fewer worries."
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 6,700 UK consumers aged over 55 were interviewed between February 2010 and May 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 become apparent.

Additional data sources include:

- Office of National Statistics – Inflation Data
- Office of National Statistics – Employment Data
- Department of Work & Pensions – Over 55 Data
- Halifax House Price – April 2011 – House Price Figures
- Family Finances Report – Aviva – May 2011
- Saga – Cost of Care – June 2011

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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