The Aviva Real Retirement Report – Spring

March 2012

AVIVA

Foreword

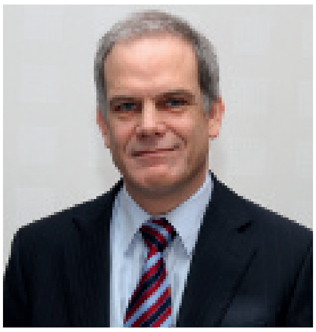
Welcome to Aviva's Spring Real Retirement Report. We have been tracking the concerns and finances of the three distinctive ages of retirement – pre-retiree (aged 55-64), retiring (65-74) and long-term retired (over 75) for over two years now and have found a number of distinctive trends emerging.

Each quarter we look at an area of particular concern to this age group with the focus for Spring 2012 on intra-family financial support. How do the over-55s support their families financially? Who do they support the most? What impact does this have on them personally? And is there evidence of a growing trend towards supporting their wider friends and family too?

This Report found that 41% of over-55s had provided their families and friends with financial support over the last year, and the majority of those who had not would step up to this challenge if they were asked. In addition, 46% of over-55s had provided their families with non-financial support over the last year – generally in the form of transport, odd jobs or child care.

Overall, the UK's over-55s are better off financially this Spring as we saw inflation fall from 5.4% (Dec 2011) to 4.05% (March 2012) and the average monthly income rise to £1,303 (March 2012) from £1,285 (Dec 2011). We also saw savings pots increase by 24% from £11,427 (March 2011) to £14,198 (March 2012). These statistics are a positive sign and suggest that the over-55s are adapting their finances to current market conditions.

Typical monthly savings amounts rose to £39.97 (March 2012) from £27.24 (March 2011) – the highest level since the Real Retirement Report started tracking this indicator in January 2010. However, while this is good news, the number of non-savers rose to 40% (March 2012) from 36% (Dec 2011) – revealing a hardcore of those who either don't want to or simply can't save on a regular basis.



The proportion of 55-64s with a mortgage rose to 30% (March 2012) from 29% (March 2011) and 26% (March 2010). Unsecured borrowing also rose to £24,827 (March 2012) from £19,878 (March 2011) as some people continued to use credit to facilitate their spending.

In the Spring 2012 edition of the Real Retirement Report, we introduce the 'Over-55's Financial Fears Index'. This index uses 12 separate indicators to track how this group sees the prospects for their short-term (six months) and long-term (five years) financial future and reveals that – ahead of the budget – this group is increasingly worried.

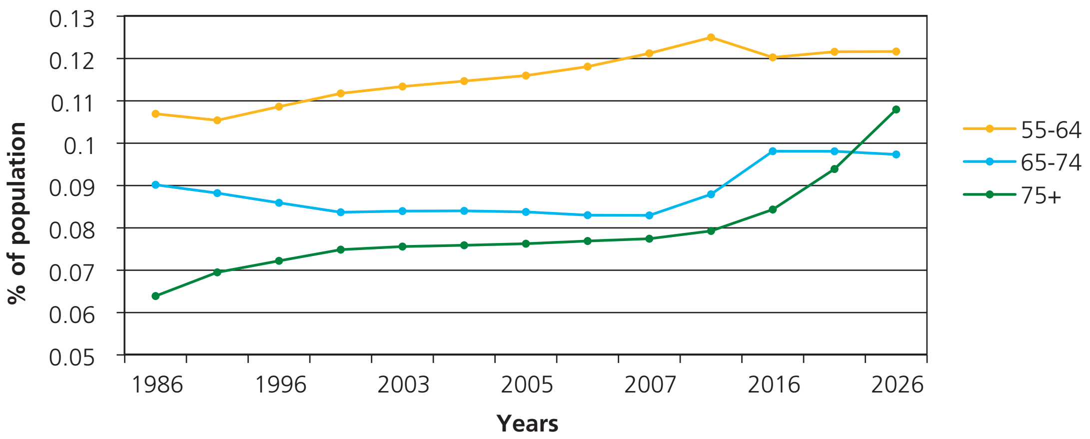
Clive Bolton, 'at-retirement' director at Aviva

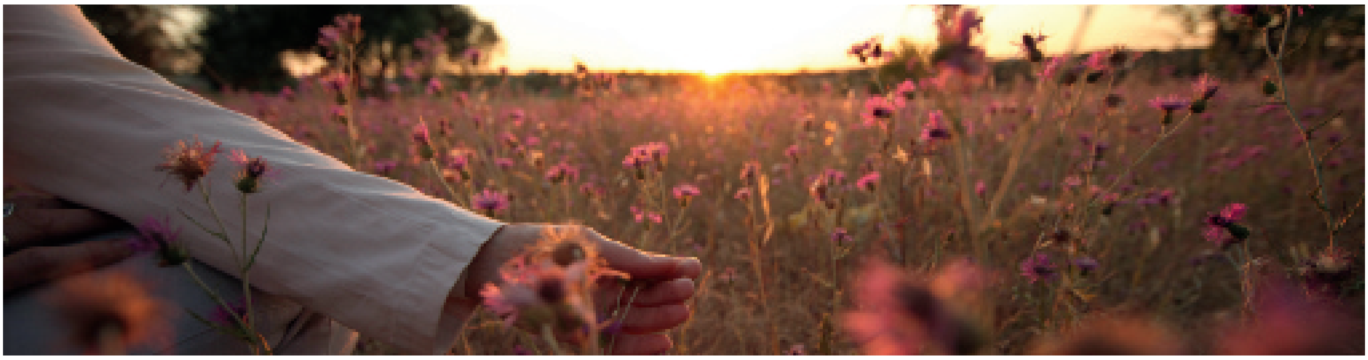
The three ages of retirement

The Aviva Real Retirement Report considers retirement as three stages to reflect the fact that 'retirement' changes as people get older, rather than simply being a single event.

- **Pre-retirees** – (55 to 64 years old) are on the countdown to retirement but 30% still have outstanding mortgages (£63,796 – average outstanding balance) and 17% have unsecured debts (£20,599 – average outstanding balance). Despite moving towards the end of their careers, 26% have savings of less than £500 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 20% still count wages or an earned income as one of the sources of their monthly income, many are looking to relax after a long working life. However, retiring may come as a shock to some as 14% have no savings and 11% still have an outstanding mortgage to pay off.
- **Long-term retired** – (75 years and older) most are 10 years or more into retirement. Those with private pensions (36%) or employee pensions (52%) are likely to have annuitised. While 74% own their homes outright, 8% are still paying off a mortgage. Furthermore, although they have the lowest average debt held by the three age groups, those that do have unsecured debts owe a sizeable amount (£20,487).

Population trends





The Age of Generosity – the cost of supporting family and friends

- 41% of over-55s have helped their families and friends out over the last year and more say they would help in the future. Typical financial assistance is 9% (£1,430) of annual income (£15,636)
- Main reason for help was the need to help pay bills (31%), topping up income (17%) and paying for one off costs (17%)
- Encouragingly, 46% of over-55s have utilised their free time and skills to help their families and friends out with non-financial support over the last year

In the last couple of years the rising cost of living has had an impact on everyone. However its effect has been felt most keenly by the young – struggling with unemployment and seemingly unattainable life goals – and the older generation – faced with lower annuity rates as they look to maintain their lifestyle on a fixed income.

This has meant an increasing amount of people are turning towards their family for assistance, and Spring's Real Retirement Report looks at the scale of this issue and what impact it has had on the UK's over-55s.

The Real Retirement Report found that 41% (March 2012) of over-55s had provided financial assistance to family or friends over the last 12-months. This means on average over-55s spent 9% of their monthly income (£119 - March) or £1,430 (March 2012) annually on providing their family with financial assistance. The retiring (£1,622 – March 2012) provided the most help followed by the pre-retirees (£1,369 – March 2012) and the long-term retired (£1,025 – March 2012)

While some people had not assisted their families financially, this appears to be due to lack of necessity rather than desire. Of those who had not helped their families over the last year, 51% (March 2012) said they would be happy to help their adult children, 39% (March 2012) their grandchildren and 23% (March 2012) their parents. This is perhaps an indication of how much financial pressure young people are under compared to the long-term retired. The current generation of over-75s may be better insulated from the current financial crisis than their grandchildren. However, it will be interesting to monitor whether this changes over time as more people move into the long-term retired bracket who are still saddled with debts and lacking the savings and pension provision to maintain even a basic lifestyle.

Boomerang generation:

Adult children (23%) and grandchildren (13%) were the groups most likely to receive some form of financial help from the older generation. The retiring (65 - 74) are most likely to have helped out their adult children in the last 12 months (28% – March 2012) as they are less likely to have grandchildren who are old enough to require financial help. Indeed their children are likely to be of the generation that are still starting out on their career, paying off debts, and finding not only is mortgage financing out of reach but rental costs are an increasingly significant part of their monthly income.

However, it is significant that 20% of the long-term retired (over-75s) have also given financial assistance to their children in the last year, as they are more likely to have children aged in their 30s and 40s. This demonstrates just how hard some families are finding it to make ends meet in this difficult economic climate.

This is further substantiated when looking at what the financial aid is being used for, as the largest single reason given was not for gifts and luxuries, but essential items that people cannot live without. In fact the main reason for providing financial assistance is to help pay off debts/bills (31%) followed by paying for a one off cost like a rental deposit (17%) and topping up their income as they don't earn enough (17%).

Main reasons for providing financial assistance:

	Over-55	55- 64	65-74	Over-75
To help pay off debts / bills	31%	34%	30%	21%
A one off cost such as a buying a new appliance or paying a rental deposit	17%	15%	18%	24%
Regularly top up their income as they don't earn enough to survive	17%	19%	15%	12%
They were unemployed and needed help	16%	13%	19%	21%
Pay for one off occasion such as a wedding	15%	14%	18%	6%

It is interesting to note that the long-term retired (over-75) are more likely to help with immediate chronic needs such as when people are unemployed (21% – March 2012) but less likely to regularly top up income (12% – March 2012) or pay for a one off expense such as a wedding (6% – March 2012). This is likely to reflect their financial status and the age of their children, as their children are more likely to be in their 30s and 40s and have built up their own lifestyle and family which could be threatened by unemployment. Gifting their precious capital to help with an emergency is perhaps seen as more beneficial than helping with non-essential items if it means leaving them worse off.

Pressure from all sides:

There are also financial demands from the over-55's ageing parents with 2% (March 2012) of pre-retirees saying they have supplied an average of £3,280 (March 2012) to their parents over the last year. Of those who have provided financial support, 4% (March 2012) of over-55s said they had had to pay for care costs/support and 2% (March 2012) said they were providing a financial top up as their parents needed a boost to their income.

Spousal support:

A further 2% (March 2012) of over-55s have helped out their friends financially, but even closer to home is when one half of a couple needs support. Typically, this will be given unconditionally as it will form part of a larger 'pot', but the Real Retirement Report has found that in almost half (46%– March 2012) of relationships among over-55s one partner typically has far more pension provision than the other.

Impact of giving:

While people naturally want to help their families, giving does have an effect on some people's finances. In fact, 75% (March 2012) said that providing financial support impacted on their personal finances.

Over a third (37% – March 2012) of over-55s said providing this help had meant they had to dip into their capital and now have less in savings/investments than before and almost a quarter (23% – March 2012) said they had less to spend on day-to-day expenses.

Impact of giving on over-55s finances:

	Over-55	55- 64	65-74	Over-75
I had to dip into my capital and now have less (in savings/investments) than before	37%	36%	41%	27%
I used my income so had less to spend	23%	21%	22%	39%
I put less into savings	22%	23%	22%	18%
I put less into investments	6%	6%	6%	12%
I put less into my pension	3%	4%	2%	0%

Those most affected by providing financial support are the retiring (64-75) with 41% (March 2012) saying it meant they had to dip into their retirement capital. While the long-term retired were most likely to say they had used money from their income to provide assistance (39% – March 2012), 18% (March – 2012) said it meant they couldn't put as much money into their savings and 12% (March 2012) said it meant they couldn't put as much money into their investments as before.

This suggests that while the over-75s were not dipping into their capital they had lost out on what they could have gained from investing the money themselves. With longevity data showing people are living longer than ever before this could have consequences further down the line.

Non-financial support:

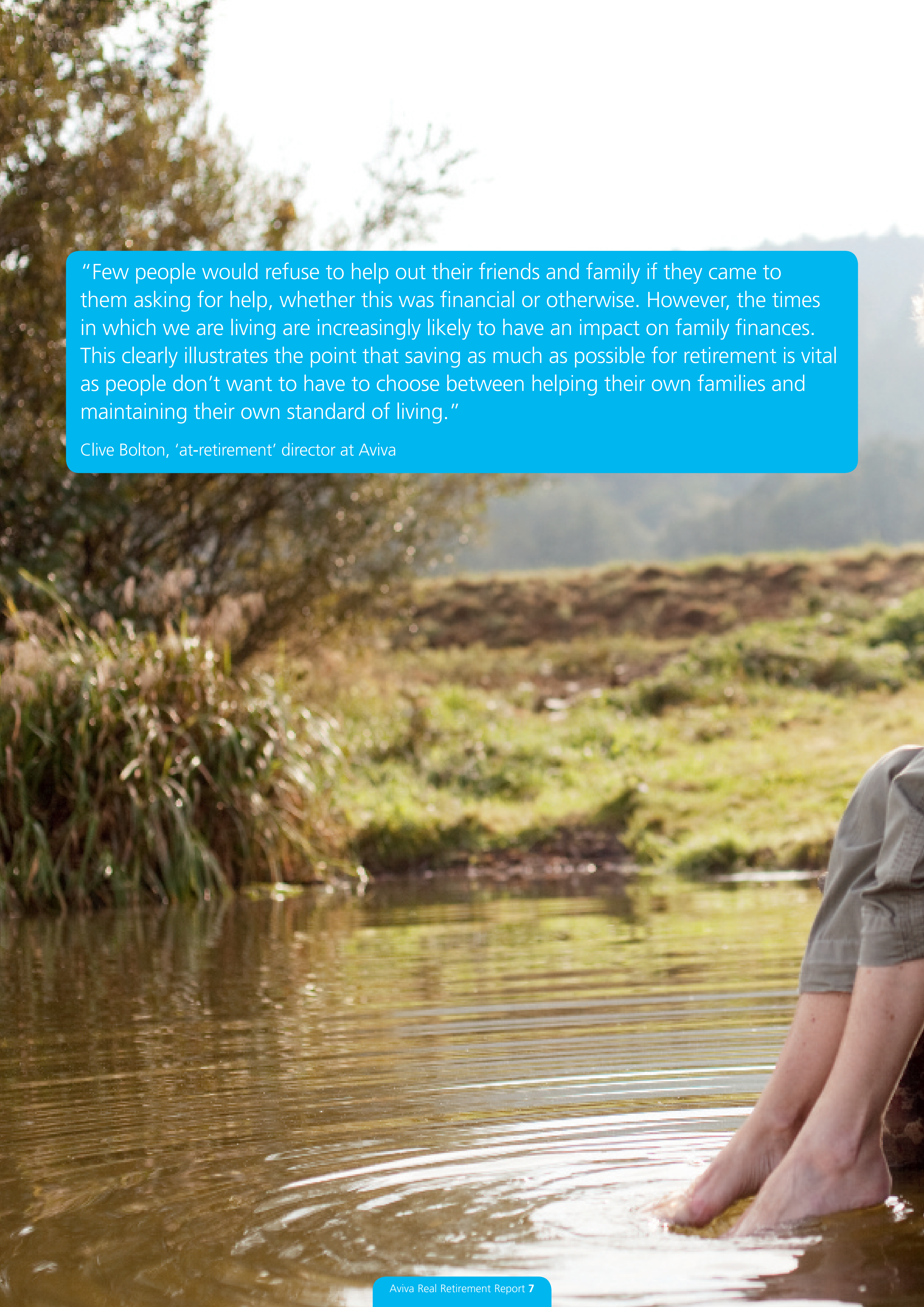
Over-55s have traditionally been at the heart of the family structure – providing support for a variety of generations. The Real Retirement Report shows that this remains a big part of family life with 46% (March 2012) of over-55s providing some form of non-financial help.

The group they are most likely to provide with non-financial help is adult children living away from home (23% - March 2012) followed by grandchildren (16% – March 2012), friends (11% – March 2012) and their parents (9% – March 2012).

The most common type of non-financial assistance provided in the last year was helping out with transport needs (41% - March 2012), followed by providing general help around the home such as odd jobs (35% - March 2012) and providing childcare (34% - March 2012).

The impact of providing support:

While people obviously make their own decisions about whether or not they wish to provide support, it can have an impact on their own lives. As such, 6% (March 2012) of over-55s said the provision of support (both financial and non-financial) had meant they had had to delay retiring, 4% (March 2012) had retired early to look after older family members, and 2% (March 2012) went back to work part-time to generate/replace lost income.



"Few people would refuse to help out their friends and family if they came to them asking for help, whether this was financial or otherwise. However, the times in which we are living are increasingly likely to have an impact on family finances. This clearly illustrates the point that saving as much as possible for retirement is vital as people don't want to have to choose between helping their own families and maintaining their own standard of living."

Clive Bolton, 'at-retirement' director at Aviva


FROZEN
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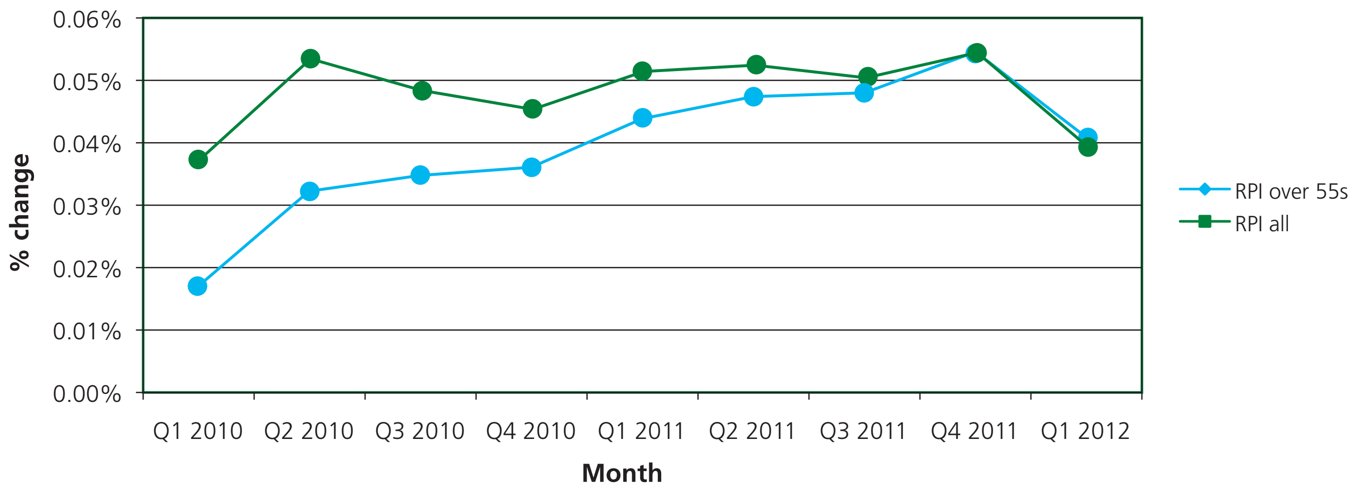
Economic Overview:

Over-55s RPI (4.05%) vs. all UK (3.9%)

The over-55s RPI fell from 5.4% (Dec 2011) to 4.05% (March 2012) which is likely to be a relief for many of those on fixed incomes.

Over-55 RPI vs. all RPI Jan 2010



On another positive note, some of the 'basic' expenses that the majority of households would expect to pay have fallen significantly. The rate of inflation of fuel and light has slowed from 20.21% (Dec 2011) to 14.93% (March 2012) and the rate for food has slowed from 5.75% (Dec 2011) to 3.95% (March 2012).

There was only one item in the over-55s 'shopping basket' which bucked the trend. The cost of housing rose marginally from 1.20% (Dec 2011) to 1.29% (March 2012) but this is likely to have less of an impact on this age group as 60% (March 2012) have a home that they own outright.

Age group inflation:

While over-55s as a group experienced RPI inflation of 4.05% (March 2012), within the three ages of retirement inflation is at different levels, climbing as people age: 3.98% (55-64), 4.14% (65-74) and 4.34% (over-75).

Thus, the group with the lowest median income (£1,221 – over 75s – March 2012) experienced the highest level of inflation so they are likely to have found that their income continues to be most stretched out of all the groups.

This is due to the fact that they spend proportionally more of their income on costs which are subject to high inflation such as fuel and light (+14.93% – March 2012) and clothing and footwear (10.88% – March 2012).

Income

- The median monthly income of the over-55s rose to £1,303 (March 2012) from £1,285 (Dec 2011). This is the highest level since November 2010 (£1,335).
- Over-55's largest sources of income are the State pension (59%), employer pension (37%), wages/other earned income (37%), personal pension (35%) and investments/savings (25%)

To provide a true picture of the over-55's finances, the Real Retirement Report looks at not only the impact of inflation but also the level of income, sources of income and how this income is spent.

Level of income:

The median income of the over-55s rose marginally to £1,303 (March 2012) from £1,285 (Dec 2011). This is the highest level since November 2010 (£1,335) and is up 5% since the same time last year (March 2011 – £1,240).

The over-75s saw their income increase slightly from £1,125 (Dec 2011) to £1,129 (March 2012) and 55-64s also saw an increase from £1,271 (Dec 2011) to £1,327 (March 2012). However, 65-74s saw their income fall from £1,388 (Dec 2011) to £1,318 (March 2012).

Employment appears to be the key to this increase as there have been more 55-64s and over-75s in employment over the last year while the number of 65-74s in employment has fallen marginally.

Percentage of over-55s who derive income from wage/paid employment:

	Over-55s	55 – 64	65-74	Over-75
March 2011	36%	54%	21%	6%
March 2012	37%	57%	20%	8%

However, while the over-75s have seen an increase in their median income, they remain the age group with the lowest overall level of monthly income (£1,129 – March 2012). While admittedly, the majority of them (74% – March 2011) have paid off their mortgage so they have fewer financial burdens, they will still need to pay for other necessities so may struggle more than some other age groups.

On average over-55 men (£1,546 – March 2012) have an income of 36% more than women (£1,137 – March 2012). This general trend has been constant since the launch of the first Real Retirement Report at the start of 2010 and highlights the importance of making adequate individual pension provision.

Income bands:

In March 2012, 19% of over-55s live on less than £750 per month and 18% have an income of more than £2,500. It is interesting to note that over the last year, fewer people have an income of less than £750 (19% - March 2012 vs. 20% – March 2011) and fewer people earn more than £2,500 (18% - March 2012 vs. 19% – March 2011). These are small changes but it does seem to indicate that social welfare is helping the poorest over-55s while the comparatively wealthy are losing ground.

Income sources:

The State pension (59% – March 2012) is the most significant source of income for the UK's over-55s – rising from providing part of their monthly income for 93% of 65-74 year-olds, and rising to 96% of over-75s. This level is marginally lower than in March 2011 (61%) which is likely to reflect the changes to the State retirement age and – due to Age Discrimination Legislation – some people choosing to delay taking their pension as they are still working.

Following this, employer pensions (37% – March 2012) and wages (37% – March 2012) come in as the second most common sources of over-55s income. It is interesting to note that the percentage of over-55s who benefit from a company pension has dropped from 45% (March 2010) to 38% (March 2011) to 37% (March 2012).

Percentage Of Over-55s who derive an income from an employer pension:

	Over-55s	55 – 64	65-74	Over-75
March 2010	45%	39%	51%	51%
March 2011	38%	30%	43%	53%
March 2012	37%	27%	46%	52%

Indeed, it appears that while some over-55s have benefitted from generous DB (defined benefit) or excellent DC (defined contribution) pension schemes, others do not and their finances are suffering as a result.

"There is a widespread belief that today's over-55s have all received generous pensions from former employers. However, these figures show that this is clearly not the case. Over half of today's retiring (65 – 74) do not derive an income from this source. Auto-enrolment will go a long way towards improving this situation but these statistics clearly illustrate the importance of individuals taking their own positive steps in retirement planning."

Clive Bolton, 'at-retirement director' for Aviva

Savings and investment income remains stable:

Another significant source of income for the over-55s is savings and investments (25% – March 2012). In March 2010, 30% of over-55s derived an income from savings/investments but this dropped to 25% (March 2011) and remains the same in March 2012 (25%).

On a quarter by quarter basis, we saw the number of people who derived an income from savings and investments fall from 28% (Dec 2011) to 25% (March 2012). It appears that the UK's over-55s are working to find ways in which to maximise their savings and investment returns – rather than dipping into the capital.

Other significant sources of income:

Following the income sources listed above, 35% (March 2012) of over-55s also receive an income from a personal pension, 15% (March 2012) from benefits and 4% (March 2012) from the rental of property.

The number of over-55s who derive an income from benefits has fallen from 21% (March 2011) to 15% (March 2012). As we find that there are fewer under-55s whose income is below £750, this seems to show that changes to universal benefits have hit this age group but not those most in need.

The income derived from property is also particularly interesting as 11% (March 2012) claim to own a second property but only 4% (March 2012) derive an income from it. This leads us to the conclusion that some people own holiday homes, still have significant buy-to-let mortgages where rental yields either meet or are less than mortgage interest payments or have family/friends living rent-free in their second properties.

Expenditure

Top expenses of the over -55s remain steady but proportional spend shifts

While many over-55s have different spending patterns to the typical UK consumer, they still have regular expenses that they need to meet. In March 2012, the largest single expense is housing (23%) followed by food (15%), debt-repayments (14%), fuel and light (9%) and entertainment/recreation/holidays (7%).

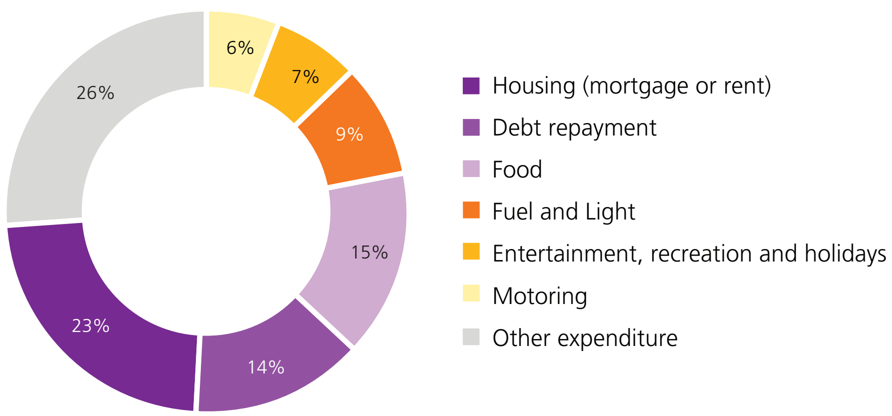
Percentage Of Income Spend On Expenses By Over-55s:

	Housing	Food	Debt	Fuel and light	Entertainment
March 2011	21%	17%	11%	10%	7%
March 2012	23%	15%	14%	9%	7%

While the 'top five' expenses stayed the same on an annual basis, the proportion of income spent on each of the majority of the items shifted. Spending on housing rose to 23% (March 2012) as we found an increased number of 55-64's with a mortgage (29% – March 2011 vs. 30% – March 2012).

Spending on food fell from 17% (March 2011) to 15% (March 2012) and spending on fuel and light fell from 10% (March 2011) to 9% (March 2012) as inflation on these costs has started to decrease. This is excellent news for the over-75s who typically spend more of their income on these costs than other age groups.

Percentage of monthly spend



As spending on housing, food and fuel and light dropped, the UK's over-55s increased their debt payments from 11% (March 2011) to 14% (March 2012). The number of over-55s with borrowing has fallen on an annual basis so some people are obviously repaying borrowing. However, the amount of debt has actually increased from £19,878 (March 2011) to £24,827 (March 2012), so while some have cleared their debt others appear to have increased their expenditure simply to keep on top of their obligations.

Each age group has a slightly differing expenses profile but housing remains the top expense for each group. It is particularly interesting to note that although 74% of over-75s own their own homes, they still spend a sizable amount of their income on their properties (18%). This is likely to be due to the fact that their incomes have shrunk and while they don't have a mortgage, they still need to maintain their properties.

Assets

- Savings pots up 24% from £11,427 (March 2011) to £14,198 (March 2012)
- Monthly savings grow to £39.97 (March 2012) – highest level since Jan 2010
- Number of pre-retirees (55-64) with mortgages steadily growing

Savings pots on the increase:

The typical person over-55 has savings of £14,198 (March 2012) which is 24% up on the same time last year (£11,427 – March 2011). The main impetus behind this increase appears to be the sharp increase in the savings of the 65-74s from £15,543 (March 2011) to £20,713 (March 2012).

While it is good news that they have bigger savings pots, this is likely to be due to redundancy payouts or the tax free lump sum gained from the proceeds of buying an annuity. Over-75s saw their savings fall marginally to £14,998 (March 2012) from £14,999 (March 2011) and 55-64s saw an increase to £9,842 (March 2012) from £8,517 (March 2011).

On an annual basis, the number of over-55s who had no savings fell from 20% (March 2011) to 17% (March 2012) as more people started to listen to the 'saving for retirement' messages and take positive action. However, on a quarterly basis the percentage of over-55s people without savings rose from 15% (Dec 2011) to 17% (March 2012) as some chose to spend their nest eggs over the festive season.

Regular savers:

With the worries of 2011 behind them, the UK's over-55s have started 2012 with an extremely positive savings ethic. Indeed, they are now saving £39.97 (March 2012) per month which is up on the same time last year (£27.24 – March 2011) and the highest since the Real Retirement Report was launched in January 2010.

All age groups have shown an improvement since last quarter (Dec 2011) but the long-term retired (+£18.70 to £57.00 per month – March 2012) and retiring (+£11.60 to £53.00 per month – March 2012) have seen the biggest shift. It is a concern to see that the pre-retirees (+£0.61 to £28.67 – March 2012) who have the highest income (£1,327 – March 2012) save the least.

> "That people are actively working to improve their savings ethic is excellent news. However, they need to maintain this and ensure it is the one New Year's resolution they keep! While savers are saving more, there still appears to be a hard-core of non-savers who either don't have the money or the ambition to start saving so this really needs to be addressed as quickly as possible."
> Clive Bolton, 'at retirement' director for Aviva.

The 55-64s also boast the highest number of non-savers (43% – March 2012) in comparison to the 65-74s (39% – March 2012) and over-75s (36% – March 2012). The number of non-savers has jumped across all groups between December 2011 and March 2012 as people find that the festive season fall-out impacts on their savings opportunities.

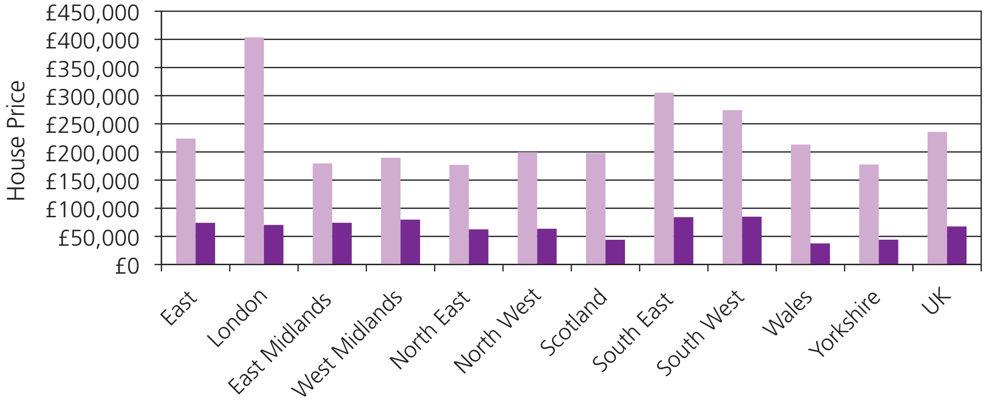
Percentage of over-55s who do not save on a monthly basis:

	Over-55s	55 – 64	65-74	Over-75
December 2011	36%	39%	33%	39%
March 2012	40%	43%	39%	36%

Homeownership:

The typical over-55 year old in the UK owns a home worth £235,608 (March 2012) with a mortgage of £67,663 (March 2012), this is 46% more valuable than the typical UK home (£160,907).

House prices across the UK vs mortgages



Over-75s (£262,963 – March 2012) own the most expensive homes followed by the 55-64s (£234,100 – March) and the 65-74s (£230,195). This trend has remained relatively constant since the launch of the Real Retirement Report and highlights how much of the typical over-55s wealth is made up of housing equity.

While the majority of over-55s (60% – March 2012) own their home outright, one in five (20% – March 2012) still has a mortgage, 9% live in social housing and 8% rely on private rental accommodation. The number of over-55s with a mortgage fell by 1 percentage point between March 2011 (21%) and March 2012 (20%).

The impetus behind this move appears to be the number of 65-74s (14% – March 2011 vs. 11% – March 2012) who have repaid their mortgage as the number of 55-64s (30% – March 2012 vs. 29% March 2011) has actually increased. The number of over-75s with a mortgage remained stable at 8% (March 2011 and 2012).

It will be interesting to monitor the number of pre-retirees (55-64) who approach retirement with a mortgage as the tracking data shows that this is increasing – possibly due to regular remortgaging, under-performing endowments and it taking longer to get on the housing ladder.

Percentage of 55-64s with a mortgage:

	March 2010	March 2011	March 2012
55-64s with a mortgage	26%	29%	30%

"The number of pre-retirees who are still paying off a mortgage is growing as can be clearly seen from the data. Very few people are in a position to enter retirement with-out this type of financial obligation, so we are likely to find that people keep working longer or turn to other options like equity release to repay their borrowing."

Clive Bolton, 'at retirement' director for Aviva.

Borrowing

- Unsecured debt increases to £24,827 (£19,878 – March 2011)
- A third of over-55s have a credit card – but this has fallen since this time last year

The average debt held by over-55s has increased by 25% in the past year from £19,878 (March 2011) to £24,827 (March 2012). Debt also increased by 13% over the past quarter as some members of this age group used credit to fund their festive season purchases (£21,901 – Dec 2011).

The total debt of all over-55s with outstanding debts and a mortgage to pay off has also increased from £84,985 (March 2011) to £92,491 (March 2012). This figure is lowest among 55-64 year olds who are more likely to still have an earned income from which to pay off their remaining mortgage and any debts they have (£84,395). However, this increases among over-75s (£107,987) and 65-74 year olds (£114,244) whose fixed income may force them down the path of using credit to fund unplanned spending.

However, while the average debt has increased, the number of people with debts has actually fallen year on year. With the percentage of income spend on debts increasing from 11% (March 2011) to 14% (March 2012), this shows that some over-55s are actively looking to reduce borrowing as much as possible as they head into retirement.

Percentage of over-55s with debts (by types of borrowing):

	March 2011	Dec 2011	March 2012
Credit card	42%	39%	33%
Personal loans	33%	23%	16%
Overdraft	30%	20%	16%
Hire purchase	27%	14%	11%
Storecards	28%	13%	11%

Indeed, we have seen a drop in the 'more expensive but easily repaid' types of borrowing. The average credit card debt has decreased from £3,311 (March 2011) to £2,816 (March 2012) and store card borrowing from £1,220 (March 2011) to £1,051 (March 2012).

On the other end of the scale, there has been a significant increase in the amount owed to more informal lenders – such as short-term borrowing – with the 7% (March 2012) of over-55s who use this type of credit increasing their borrowing from £613 (March 2011) to £2,226 (March 2012).

Of all the age groups, the pre-retirees (10% – March 2012) are most likely to use this type of credit followed by the long-term retired (8% – March 2012) and the retiring (3% – March). This seems to indicate that as people retire, they are able to repay their borrowing but they then fall back on to reliance on this type of credit as they adjust to retirement.

Fears about keeping up with debt repayments have stayed consistent over the past year with 5% worried about this over the next six months and also the long term (next five years), down slightly from last year (6% for both periods respectively).

Over-55 Financial Fears Index

- Short-term fears on the increase as long-term economic factors bite
- Over-55s less worried about unexpected expenses as other issues come into focus

Since the Real Retirement Report launched in January 2010, it has tracked the views of the over-55s as to the threats to their standard of living over the short (6 months) and long (5 years) term.

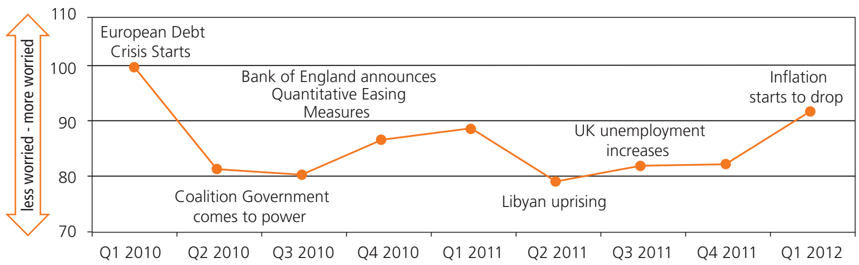
Using the data from the first Real Retirement Report as the base (100) it is possible to observe the trends over time and chart how people have been feeling about the pressures on their finances. For full methodology behind the index, please turn to page 20 of the report.

Short-term overview (Six months):

The index has found that since January 2010, over-55s have been getting steadily more confident about their short-term future. However, this changed in Q2 2011 and we saw this reverse as fears of a double dip recession rocked people's confidence and increased their fears.

While overall the Index remains below its initial level – in terms of specific concerns – worries over the rising cost of living have never been higher (78% – March 2012). Conversely, following the recent predictions from the Bank of England that stability and growth in the UK are returning, over-55s are less worried about the returns on investments (22% – March 2012) than last quarter (23% – Dec 2011).

Short-term fear index



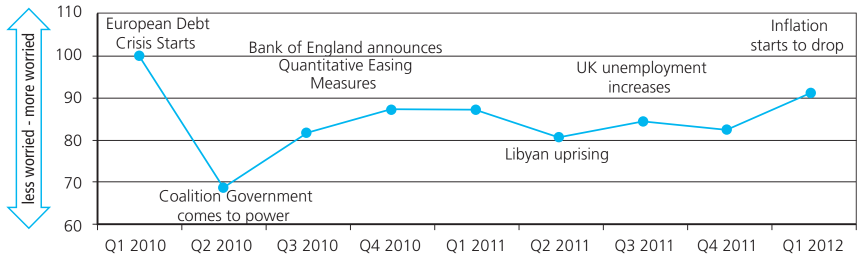
Long-term fears (Five years):

In the last two years, the Index shows that perceived threats to financial stability have generally declined. This long-term measurement is understandably less volatile than the short-term fears as it is further into the future; however there has been an increased level of anxiety in recent months.

Worries over the impact of increases to the cost-of living have never been higher (73% – March 2012), and the continued volatility in Europe has contributed to concerns over falling returns on investments in the long-term which are at the highest level for two years (23% – March 2012).

Perhaps as a result of these overarching worries, stress levels over more prosaic problems such as how they will cope with unexpected expenses (44% – March 2010 vs. 36% – March 2012) and an inability to keep up with any debt repayments have declined (7% – Jan 2010 vs. 5% – March 2012).

Long-term fear index



Overview of the over-55s over the last two years

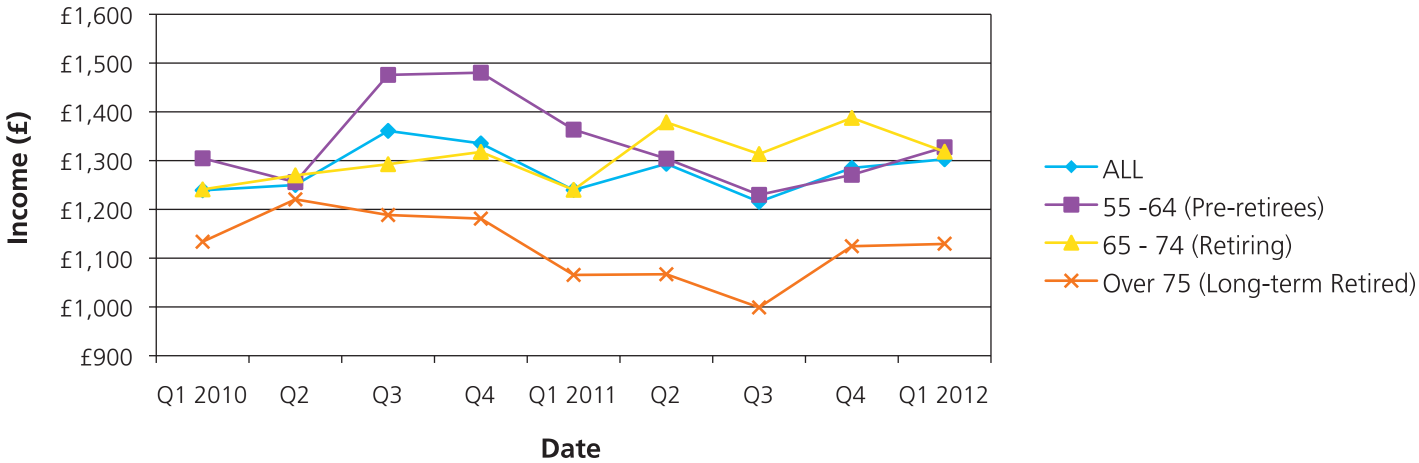
- The Real Retirement Report has charted the income, wealth and debts of the UK's over-55s since the start of 2010 and this section takes a holistic look at how this had changed over time.

Income:

The Report has tracked the typical monthly income of the UK's over-55s since February 2010. It reached its highest level in August 2010 (£1,361), with an increase of 9% on the previous quarter (May 2010 - £1,250). They reached their lowest point in September 2011 (£1,216) as the likely result of a surge in the number of over-50s listed as unemployed, leaping from 384,000 in May (2011) to 409,000 in September (2011).

The typical monthly income of 55-64 year olds has followed the overall trend, as they are the age group most likely to be affected by changes to the employment market. Meanwhile, retirees (65-74 year olds) have seen their monthly income remain at a relatively consistent level as they start to feel the benefit of their retirement planning.

Median monthly income



The over-75s typically have the lowest average monthly income of all three age groups, and have also seen significant fluctuations in the amount they receive. This is because they are most likely to be reliant upon a fixed income, and so any significant changes to the wider economic climate or basic costs will be felt by them more keenly.

Savings

As incomes peaked in August 2010, so did the typical over-55 year old's savings pot (£16,296). Similarly, they reached their lowest level in September 2011 (£10,468), and generally matched the downward curve of incomes throughout this year.

However, as monthly incomes have started to increase again so have the amounts that over-55s have saved. March 2012 saw the typical savings pot held by the over-55s reach £14,198 – a high not seen since November 2010 (£15,262).

An increase in incomes has led to a growth in confidence among over-55s in their ability to save. The typical amount saved monthly has reached its highest level since the report was launched with the average amount put away in March (2012) standing at £40.

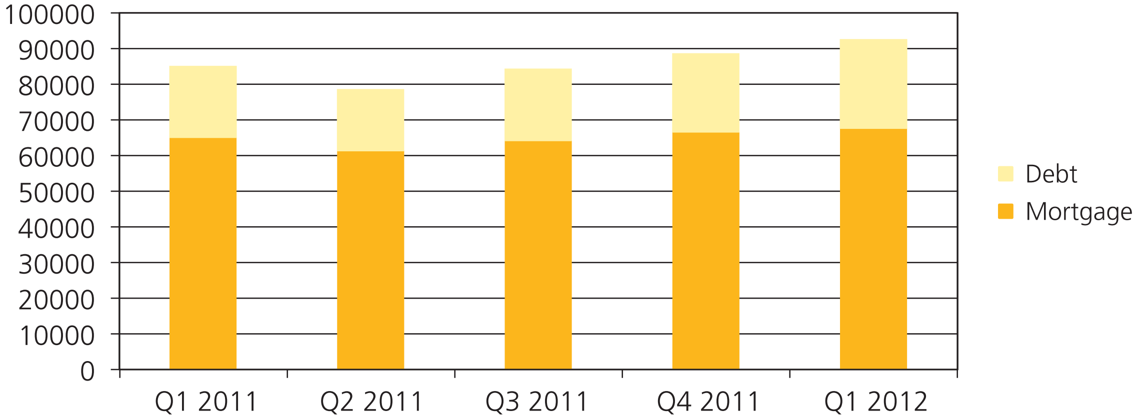
Typical Monthly Savings for the Over-55s:

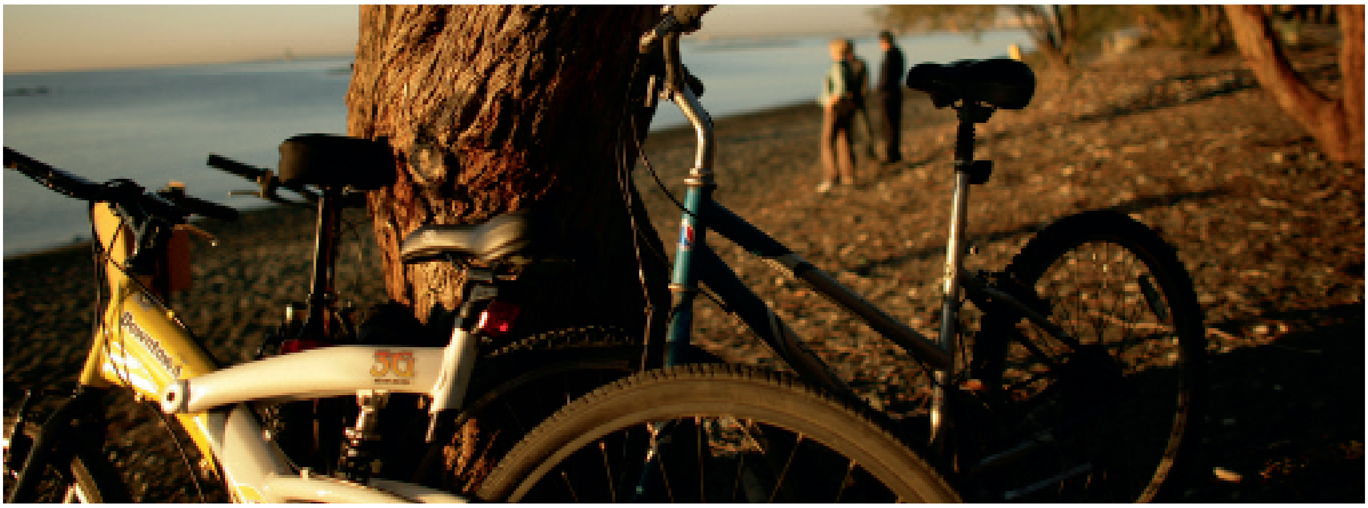
2010				2011				2012
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
£44	£39	£31	£27	£33	£35	£27	£27	£40

Debt:

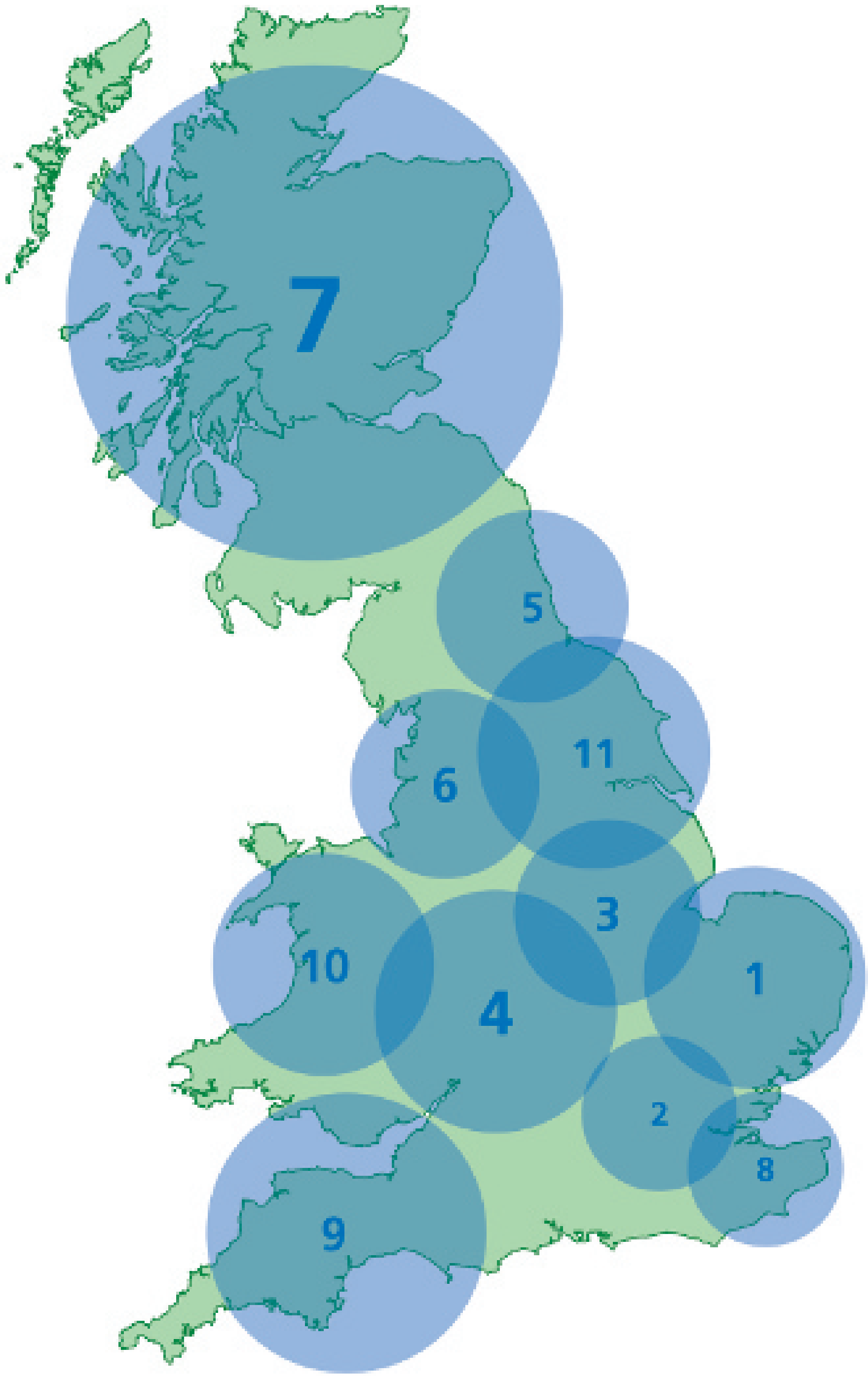
The Real Retirement Report has tracked unsecured debt since it launched in Q1 2010 but only started to break this debt down into its constituent parts in Q1 2011. This provides a more accurate picture of borrowing as it ensures people take all types into account. A review of the data suggests that the level of unsecured debt held by over-55s in the UK has reached its highest level (£24,827 – March 2012) since we started this type of tracking. Mortgage debt also hit its highest level since Q1 2011 (£67,663).

Mortgage and unsecured debt of over-55s





Regional overview



		Average house price	Average mortgage	Own house outright	Number of Over 55s
1	East	£243,945	£57,734	54%	1,706,000
2	London	£382,051	£63,461	47%	1,574,100
3	East Midlands	£210,387	£76,974	62%	1,305,200
4	West Midlands	£183,152	£43,750	65%	1,568,900
5	North East	£208,190	£39,769	53%	765,700
6	North West	£200,000	£55,917	60%	1,977,600
7	Scotland	£204,844	£38,094	56%	1,512,000
8	South East	£311,719	£70,733	58%	2,458,000
9	South West	£288,870	£78,121	59%	1,696,900
10	Wales	£196,250	£37,500	70%	938,100
11	Yorkshire	£162,333	£51,042	61%	1,475,100
	UK	£238,284	£58,947	59%	**16,977,600**

So what does this tell us?

This edition of the Real Retirement Report takes another look at over-55s finances and focuses a spotlight on the issues around intra-family financial support and that provided to friends too. How much assistance do people continue to provide their families with as they count-down to retirement? What impact does this have on their finances? How is this generation fairing financially? All these questions are answered and leads us to the following practical suggestions:

1. **Anticipate that everything will not go smoothly** – One of your children might lose their job and need financial assistance or you may find that you or your partner are unable to work as long as you might like. Unfortunately, things generally do not run as smoothly as planned so it is vital that you ensure you build a fund of emergency savings which you can dip into if the unexpected happens.
2. **Factor inflation into your retirement planning** – While inflation is starting to fall, it still has a significant impact on many people's retirement finances. Therefore, it is vital that you consider how inflation will impact on your pension pot and consider taking steps to guard against this – for example, taking out an inflation-linked annuity.
3. **Consider the impact of remortgaging** – While remortgaging to get a better interest rate makes complete sense, some people simply re-mortgage for the maximum term so they benefit from lower monthly payments. Doing this repeatedly can mean that you are still paying off a mortgage when you retire – not something most people want to be doing.
4. **Manage your borrowing** – Debt is a normal part of financial management for many people, however some forget that it can be harder to get credit when you are no longer employed so you need to factor this into your retirement planning.

"Following these simple tips will mean that people enjoy a better standard of living in retirement with fewer worries."

Clive Bolton, 'at retirement' director for Aviva.

Aviva Real Retirement Report:
Today's UK's retirees at a glance – Spring 2012

	All over 55s	Aged 55-64 Pre-retirees	Aged 65-74 Newly retired	Aged 75+ Long term retired
DESCRIPTOR		WORRIED? "Smallest savings pots and saving the least each month, highest level of typical debt and a significant number (30%) with an outstanding mortgage"	PREPARED? "Above average savings and the lowest number without any savings, and an overwhelming majority own their home either outright or with a mortgage"	COMFORTABLE? "Saving the most each month, lowest typical debt of the three age groups – however those with a mortgage to pay off still owe a significant amount"
Typical monthly income	£1,303	£1,327	£1,318	£1,129
% surviving on under £750 per month	19%	22%	16%	20%
Savings and investments**	£14,198	£9,842	£20,713	£14,998
Zero savings	17%	19%	14%	16%
Savings of £2000 or less	30%	35%	24%	26%
Savings of £100,000 or more	18%	18%	19%	17%
% not saving monthly	40%	43%	39%	36%
Amount saved monthly**	£40	£29	£53	£57
Typical amount of debt (of all-over 55s)*	£2,045	£2,248	£1,950	£1,383
% who are homeowners (with a mortgage or outright)	80%	78%	83%	82%
% who own their home outright	60%	48%	72%	74%
% with a mortgage	20%	30%	11%	8%
Average mortgage (those with a mortgage)*	£67,663	£63,796	£76,786	£87,500
Average house price*	£235,608	£234,100	£230,195	£262,963
Average house equity*	£218,472	£209,658	£219,704	£254,823
Spending on food as % of all spending	15%	15%	15%	15%
Spending on housing as % of all spending	23%	23%	22%	18%
Spending on fuel and light as % of all spending	9%	8%	9%	11%

* mean/true average ** median/typical

Methodology

The Real Retirement Report was designed and produced by Wriglesworth Research. As part of this more than 12,600 UK consumers aged over 55 were interviewed between February 2010 and March 2012.

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 figures for Q4 2011 – Unemployment
- Halifax House Price – January 2012

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.

Over-55s Worries Index:

- The over-55s worries index uses data from 12 separate indicators – including fears over falling returns on investments, rises in the cost of living, unexpected expenses – to create an index that allows changing attitudes towards financial threats to be tracked over time. Using the data from the first Real Retirement Report as the base (100) it is possible to observe the trends over time and chart how people have been feeling about the all the pressures on their finances.

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