

# Skipton's Retirement Tracker 2016



Produced with support from YouGov

## UK plagued by an “Ostrich mentality” when it comes to retirement savings

### Headline findings

- Nearly half (48%) of the UK population have an “ostrich mentality” when it comes to saving for their future.
- 49% of UK non-retirees admit they have no idea how much they’ll need to save to fund their retirement.

### Introduction

The Skipton Building Society Retirement Tracker is a new piece of research providing a coherent view of retirement that focuses on the financial provisions people are making, economic sentiment, as well as the emotional aspects of preparation for life after work. Through the tracker methodology these consumers are grouped into five distinct “saving” categories which covers those saving towards their retirement and those who have already retired. These behaviours are combined with consumer confidence score was produced by YouGov utilising their Household Economic Activity Tracker index.

### Methodology

The Retirement Tracker monitors the retirement savings behaviours of over 6,000 UK consumers. Through the tracker methodology these consumers are grouped into five distinct “saving” categories according to household income, how much they are using to fund their retirement and retirement preparedness. The five distinct “saving” categories are:

- Wise Owl - They are on track to meet or exceed their savings target, they seek professional advice and have a sophisticated portfolio that includes one of the following – personal pension, investments, stocks & shares.
- Squirrel Saver- They are on track to meet or exceed their savings target, some may have taken financial advice but their portfolios may not be as sophisticated as those of Wise Owls.
- Money Mole – They are saving without a set target, unlike Squirrel Savers and Wise Owls, but do have at least one of the following – company pension, Cash ISA or are over paying their mortgage.
- Savings Snail – They are saving the minimum amount they can afford and without a target but the majority have nothing saved in addition to the state pension.
- Ostrich Mentality - They are not saving for their retirement or their savings are falling short and the majority have nothing saved in addition to the state pension.

### The results

UK consumers are most likely to fall into the ‘Ostrich mentality’ category when it comes to saving for their retirement, with this accounting for 48% of the total sample. This group is not saving for their retirement or that their savings are falling short, and don’t have anything in addition to the State Pension.

When asked why they weren’t saving appropriately for the future, two-thirds (66%) of the Ostrich category admitted they choose not to save because they can’t afford to. However, of those with savings that are currently falling short, 38% believe they’ll be nowhere near their savings target by the time they retire.

When looking at the UK as a whole, the Ostrich mentality is certainly widespread. More than half of non-retirees (51%) have not yet saved anything to fund their retirement and half (49%) have no idea how much they need. When it comes to saving, over a third (38%) of people surveyed said they can’t afford to save and 13% admit they choose not to.

In comparison, just 6% of the people surveyed have been categorised as “Wise Owls” in the Tracker. This group tends to have a more sophisticated portfolio with a broad range of investments and savings. Nearly half (47%) of the group are saving to fund their retirement through a Cash ISA, over one third (37%) through a personal pension, 32% through stocks and shares investments. This group are the most likely to use cash savings to fund their retirement (55% of Wise Owls, compared to 41% of Squirrel Savers and 27% of Savings Snails).

Across the rest of the UK, Skipton’s data shows that it is a mixed picture when it comes to retirement saver types. Only 6% of the sample are classed as Squirrel Savers, meaning that they are on track to meet or exceed their savings but have a less sophisticated portfolio in comparison to the Wise Owl group. The data shows that the majority (72%) of this group are relying more on their company pension to fund their retirement than other investment and savings options.

However, 21% of non-retired people are classified as Money Moles, which shows that they are saving without a set target but have at least one of the following to support them – a company pension, Cash ISA or are over paying their mortgage. Two in five (42%) Money Moles have sought financial advice.

*Continued overleaf*

Just one in five (18%) can be categorised as Savings Snails. This group is the most likely to talk to their friends and family for advice (18% compared to 7% of Ostriches). They tend to save more than those with an Ostrich mentality but 35% think they'll be quite far off saving their target amount. In reality, 20% of this group are not saving any part of their annual household income to fund their retirement.

### Other findings

- More than half (51%) of unretired UK adults are not saving anything for their retirement.
- Of those who are saving, the average percentage being ring-fenced for retirement is 10.4% of their annual household income. Females are significantly less likely to be saving than men.
- The annual retirement income for the majority is currently between £10,000-£20,000, although only one in ten retirees felt they met or came close to this target
- Perceived luxuries such as TV packages, gym memberships, and clothes shopping would be the first that non-retirees expect to drop should they need to in retirement
- People are over-relying on the state pension and employers when it comes to retirement planning.
- There are notable differences between what people pre-retirement anticipate spending their money on and what retirees are actually spending money on

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