

Do pensioners have sufficient income to meet their needs?

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Do pensioners have sufficient income to meet their needs?

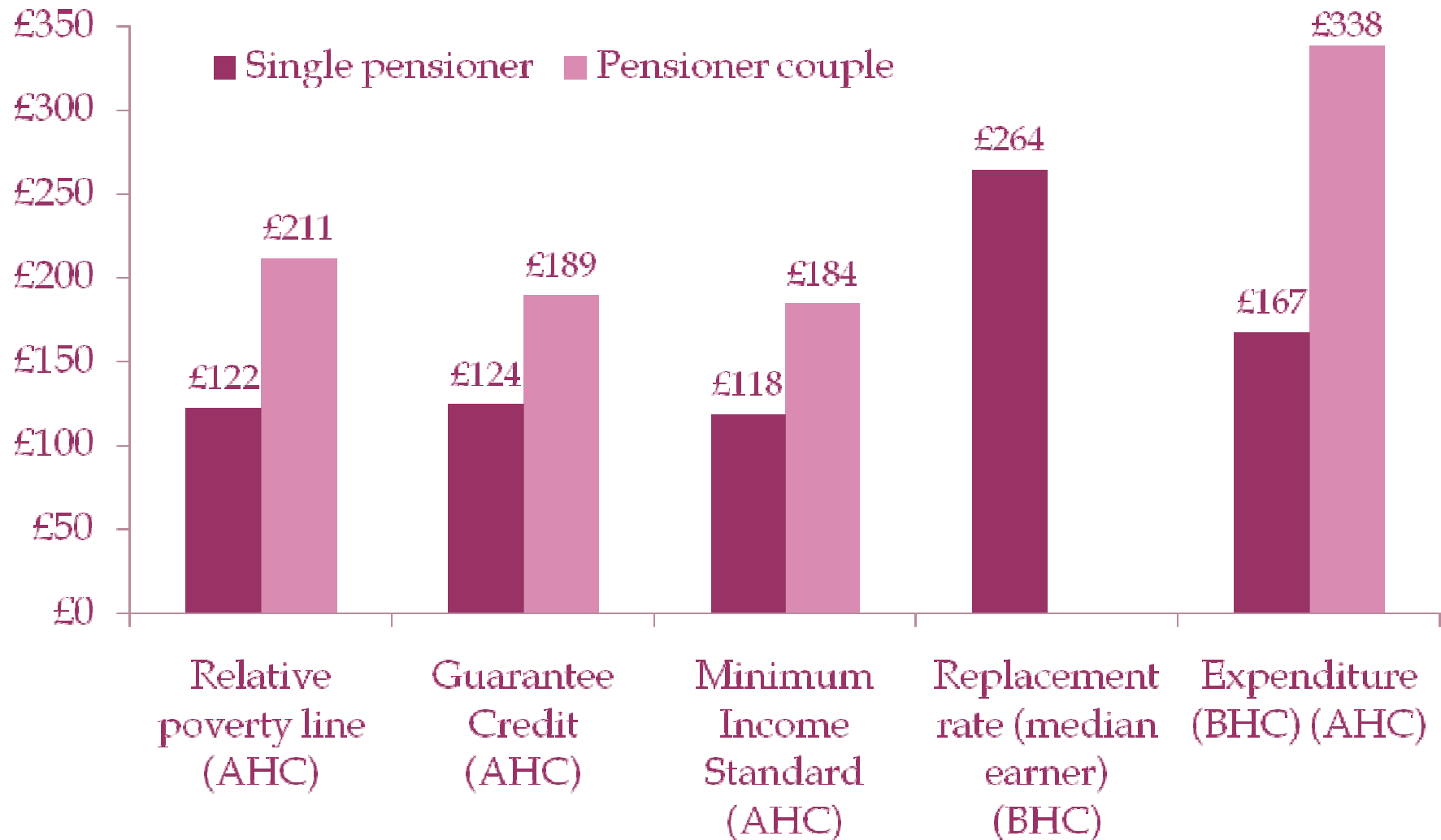
- Different ways to measure income 'needs'
- Income needs and spending preferences vary across groups
- Changes in health affect income needs
- Scenarios and case studies

Different ways to measure pensioner income needs

- Minimum income measures – poverty lines, guarantee credit, MIS
- Desired income measures – replacement rates, expenditure

Different ways to measure pensioner income needs

Possible minimum income measures for pensioners in 2008 values, income per week



Needs and preferences vary across pensioner household types



- Single and multi-occupant households
- Genders
- Age groups
- Household location

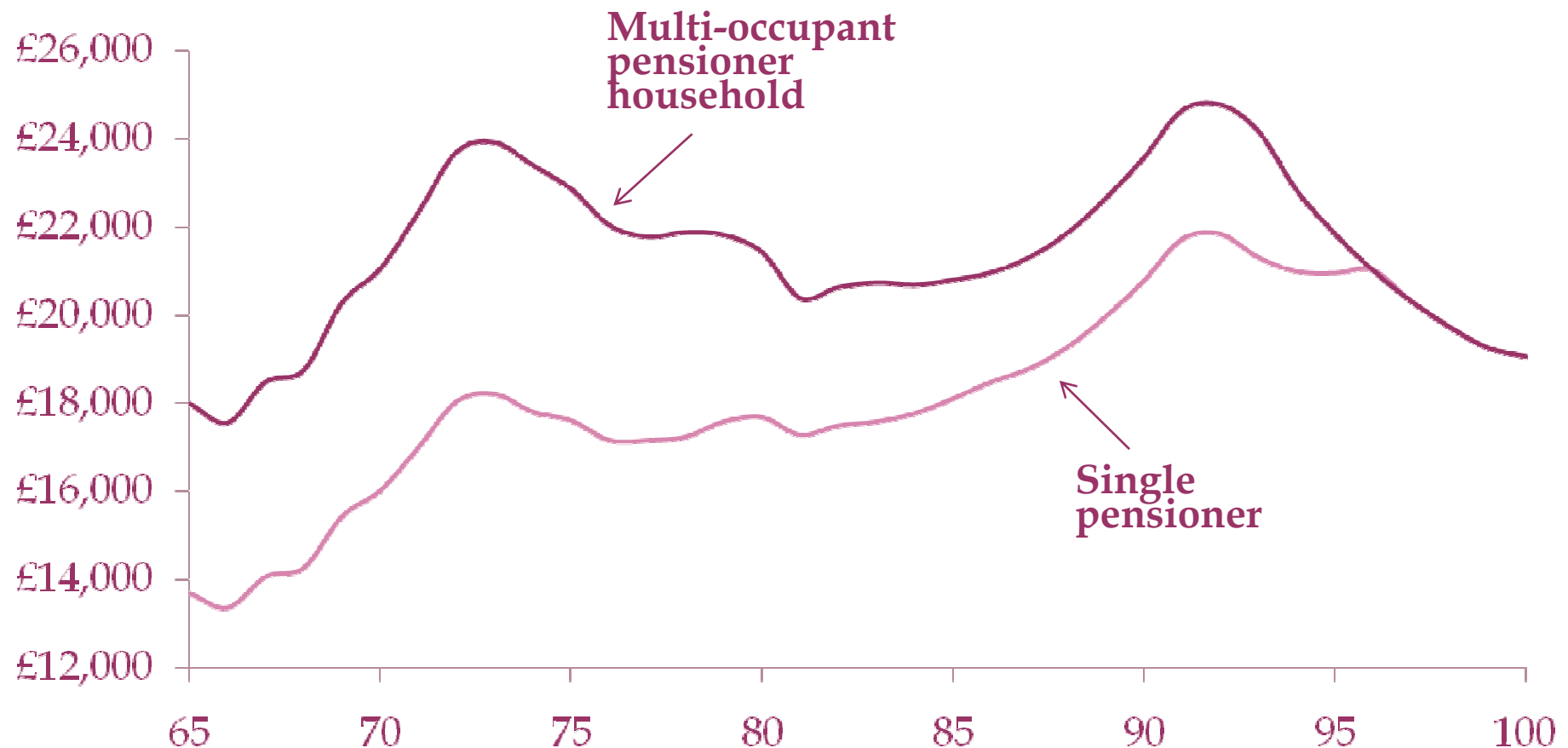
Needs and preferences vary during retirement

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- Spending on leisure and recreation, around 65 – early 70s
- Loss of mobility, around 75 – 85
- Increased health needs, around 85
- Increase in health/housing costs but overall decrease, around 90

Pensioner spending could vary during retirement as needs and preferences change

Possible annual household spending on different categories for pensioner households retiring at 65 in 2008



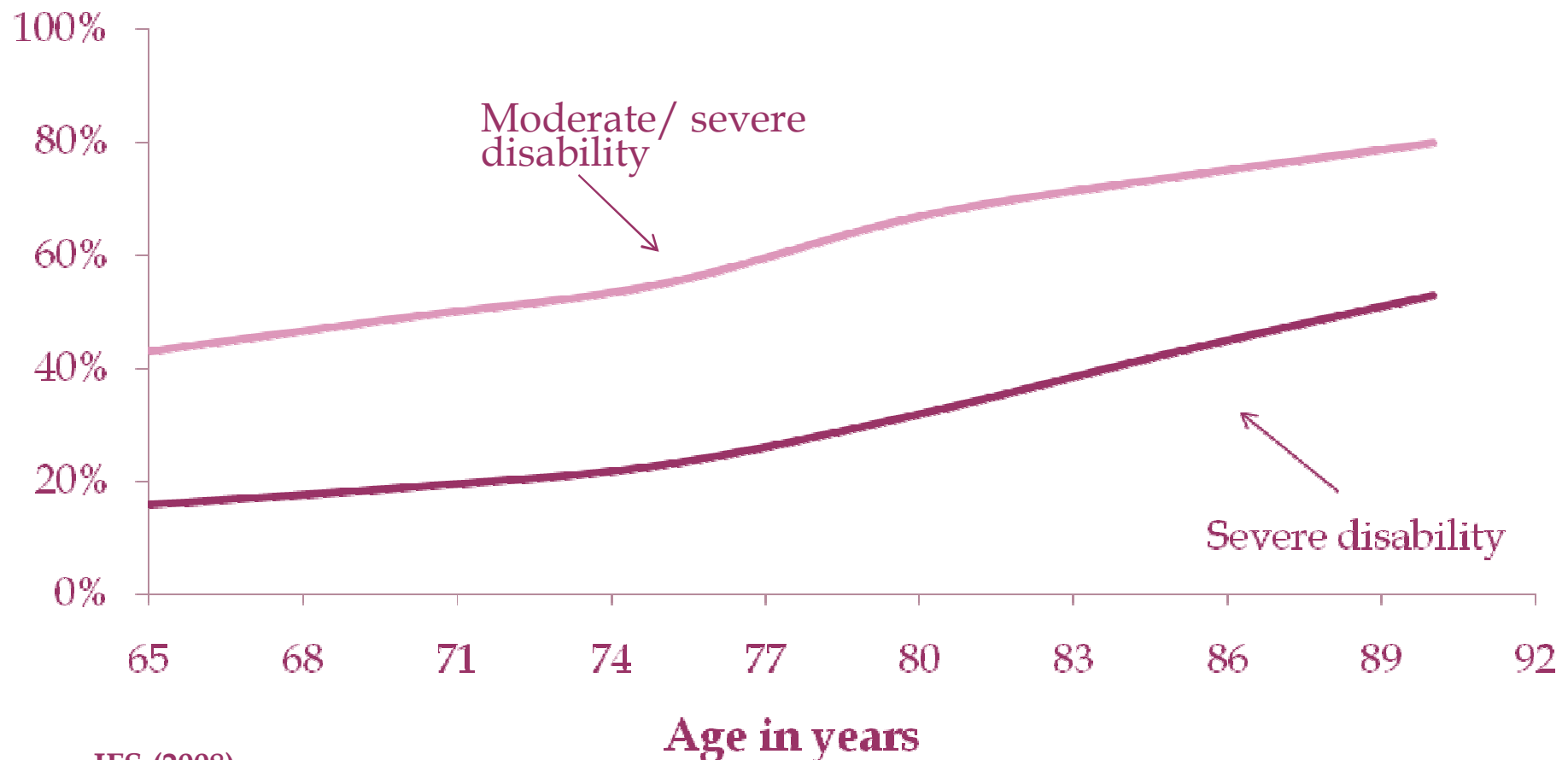
Source: Life Trust, cebr (2008)

As people age they are more likely to incur health related costs

- It is difficult to measure costs
- Costs can be met by individual, state, Local Authority, friends/family/ community
- Costs as percentage of mean income

80 per cent of older people have a moderate or severe disability by age 90

Percentage of older people with a moderate or severe disability by age



Gender and household structure affects need for spending on health costs

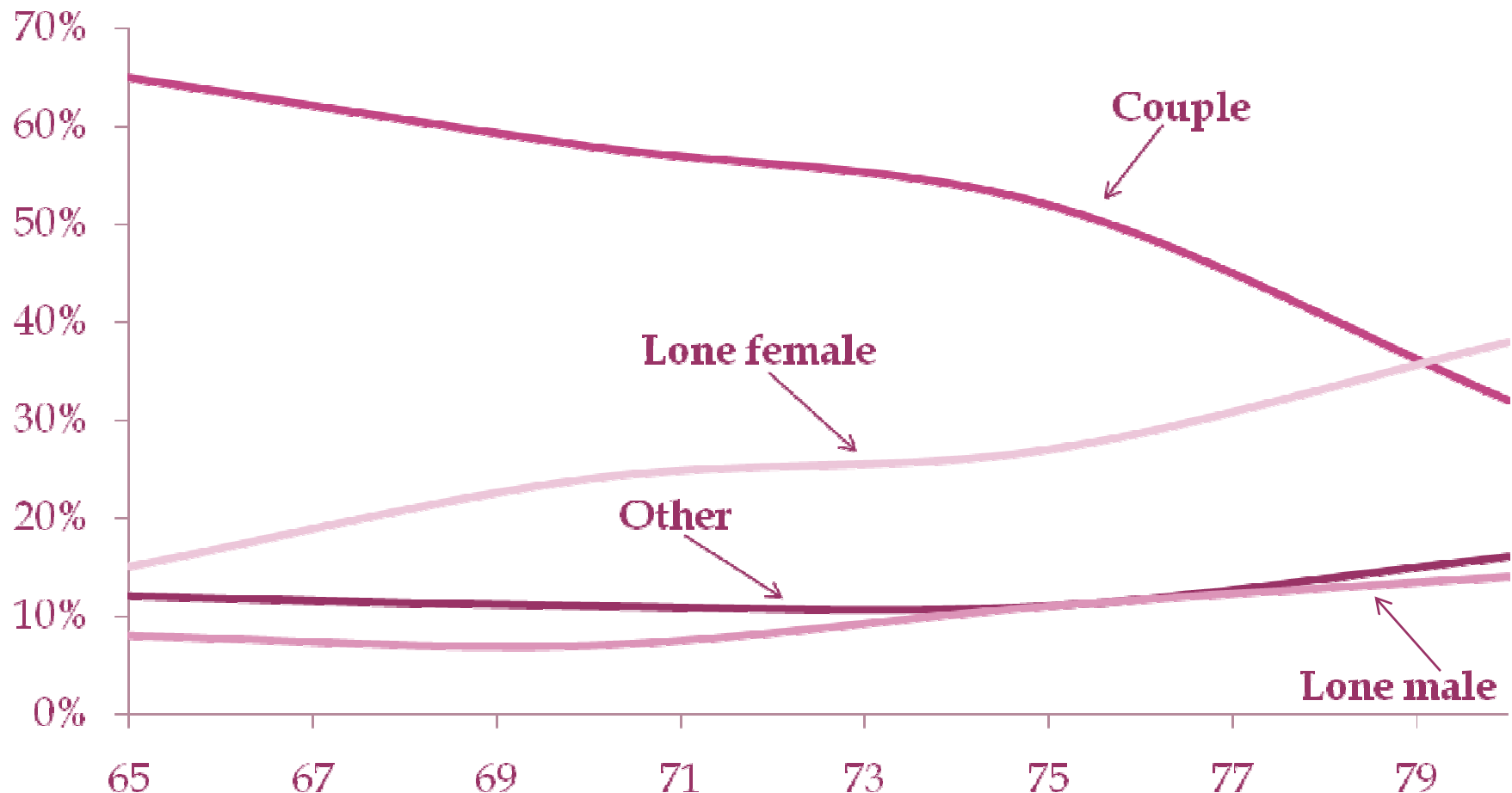
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- 50 per cent of women over 75 and living alone report health problems
- Women are more likely at all ages to report health problems
- Single households spend more on care

Older people, especially women, are more likely to live alone as they age

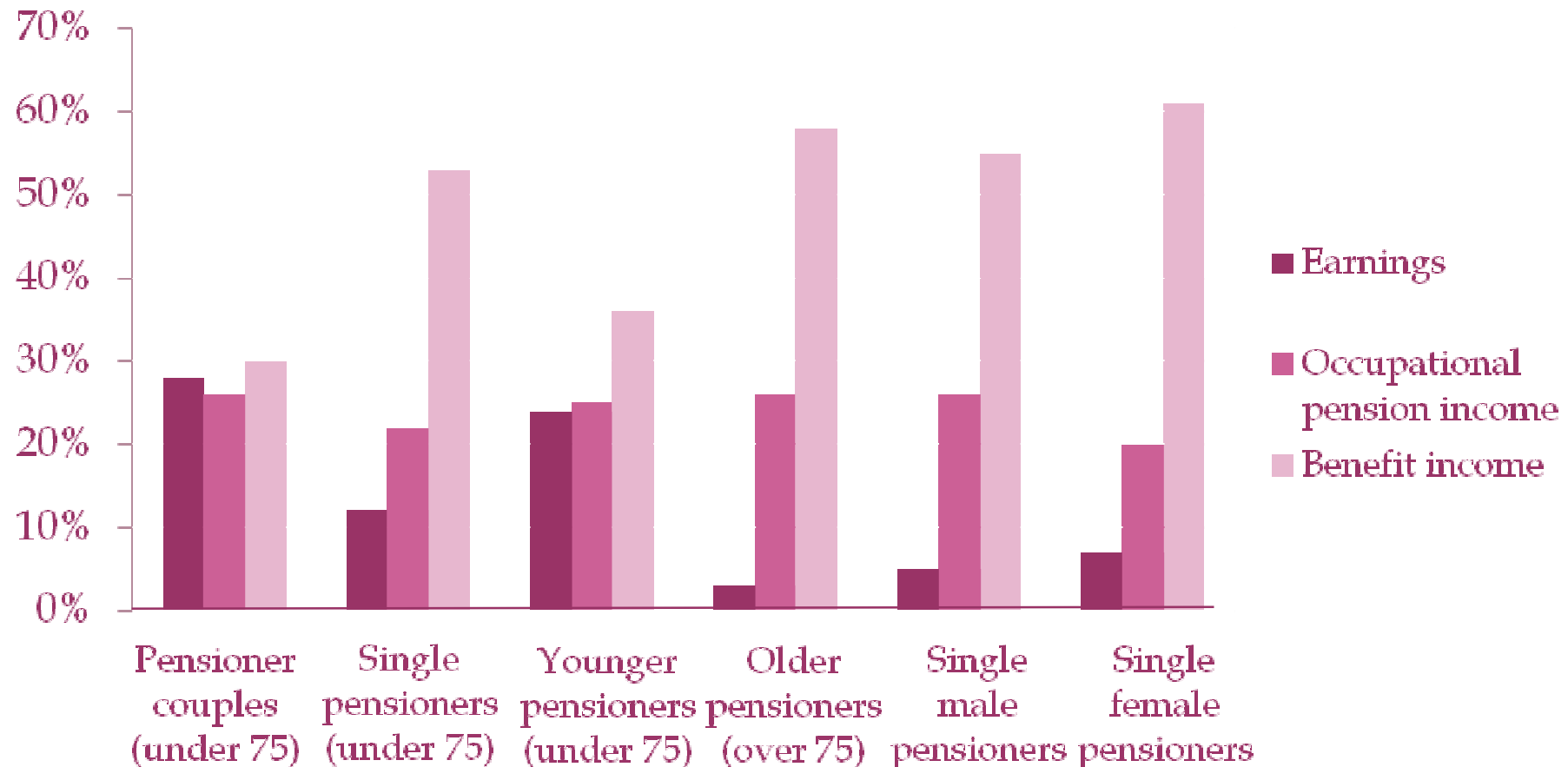
Household structures by age in 2001



Source: Data from Kellard *et. al* (2006)

Pensioners receive income in different proportions from different sources

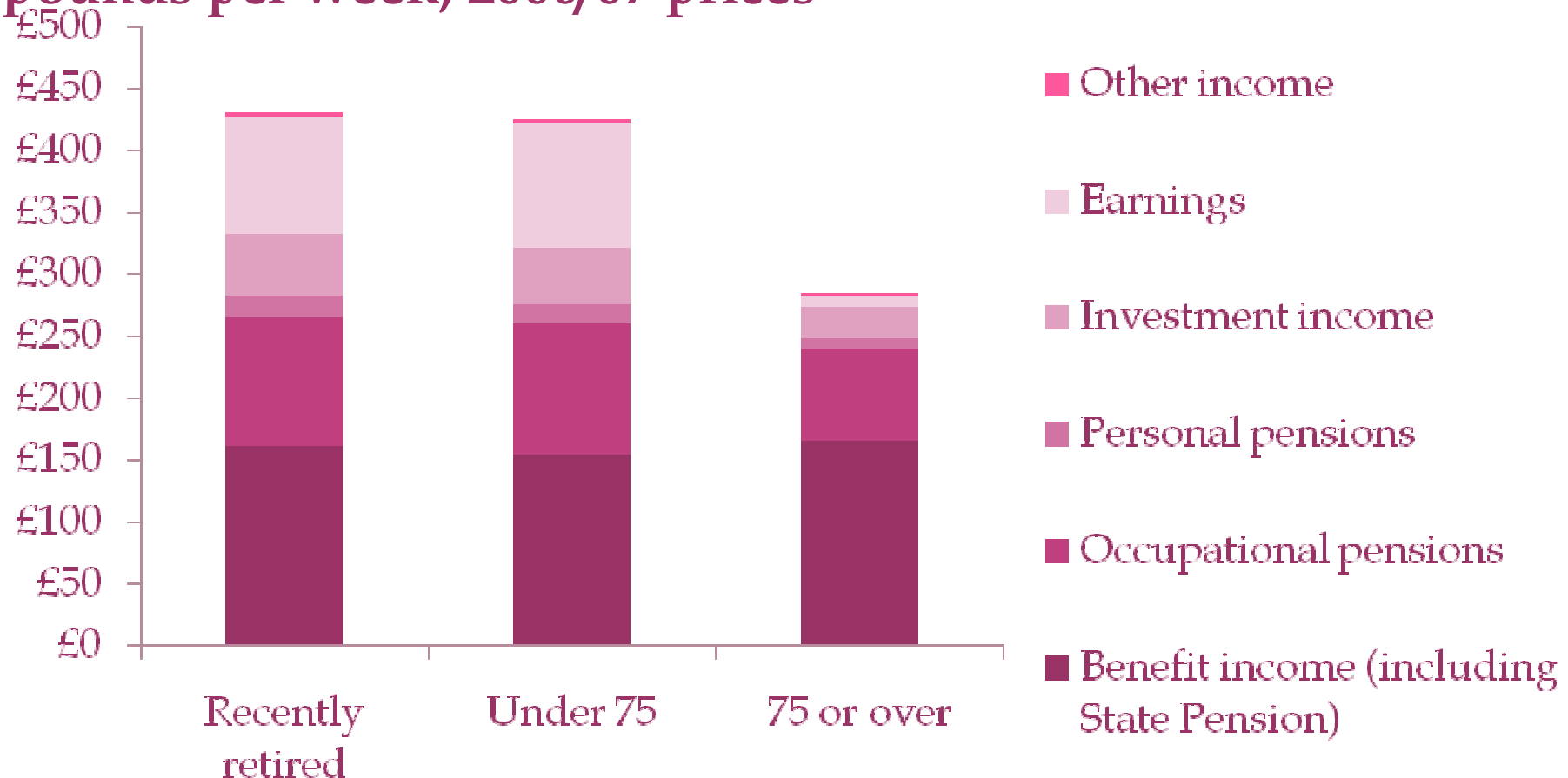
Percentage of gross income of pensioners by different income sources 2006-07



Source: Data from DWP (2008) *The Pensioners' Income Series 2006-07*

As people age their income decreases from all sources except benefit income

The average income of pensioner units by age in pounds per week, 2006/07 prices



Scenarios and Case Studies



- Amit – median earner, DC level annuity
- Grace – high earner, DB pension
- Keisha – low earner, State Pension
- William – disability benefits, State Pension

Life Course Scenarios

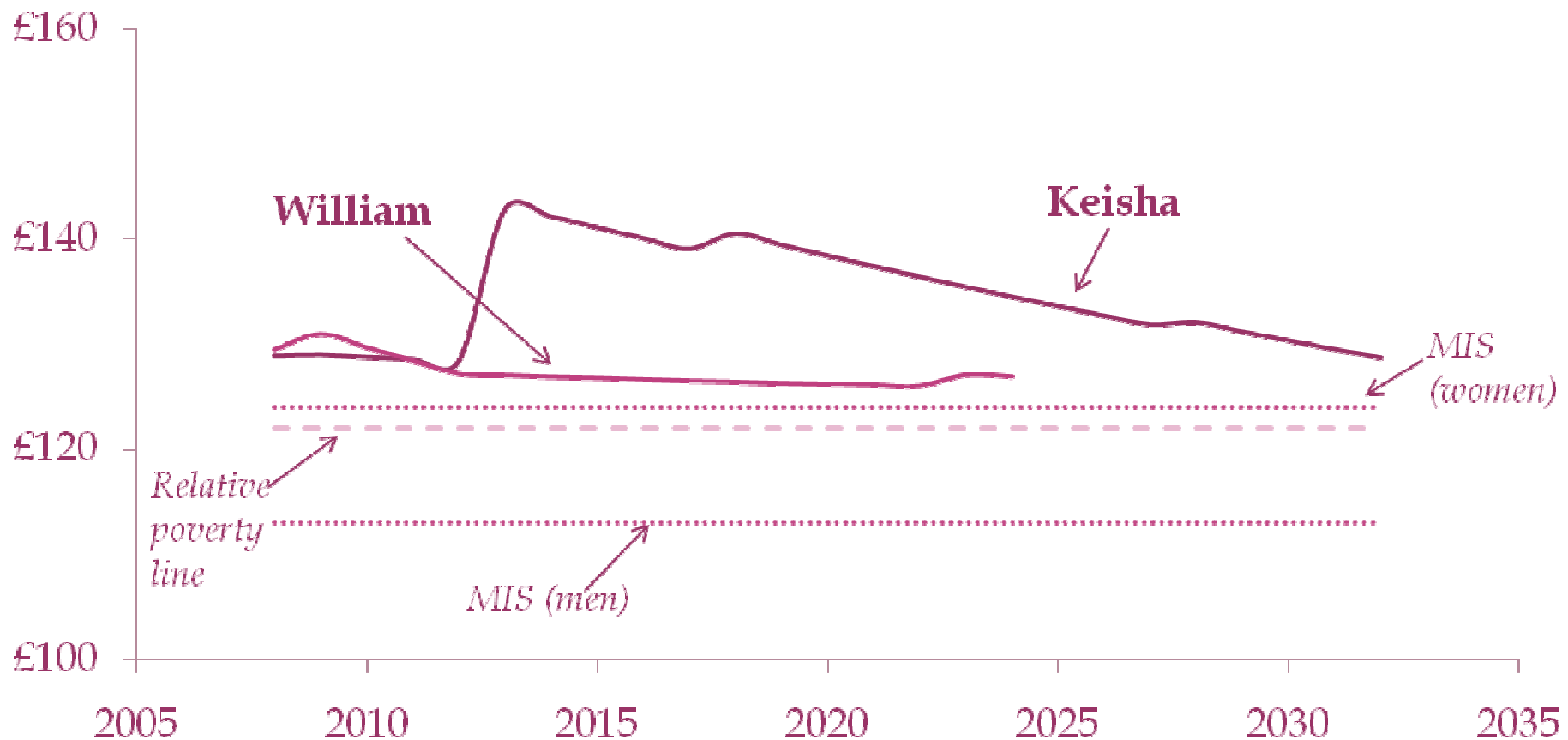
- Baseline scenario
- Longer working scenario
- Severe disability scenario
- Shorter life scenario

Do pensioners have sufficient income to meet their needs?

- Pensioners with low earnings could stay above minimum income lines
- But may not be able to meet desired levels of expenditure

Claiming Pension credit could help pensioners on low incomes to stay above the poverty line

Weekly post-tax income (AHC) in 2008 earnings terms by year, relative poverty line (£122), and Minimum Income Standard (MIS)

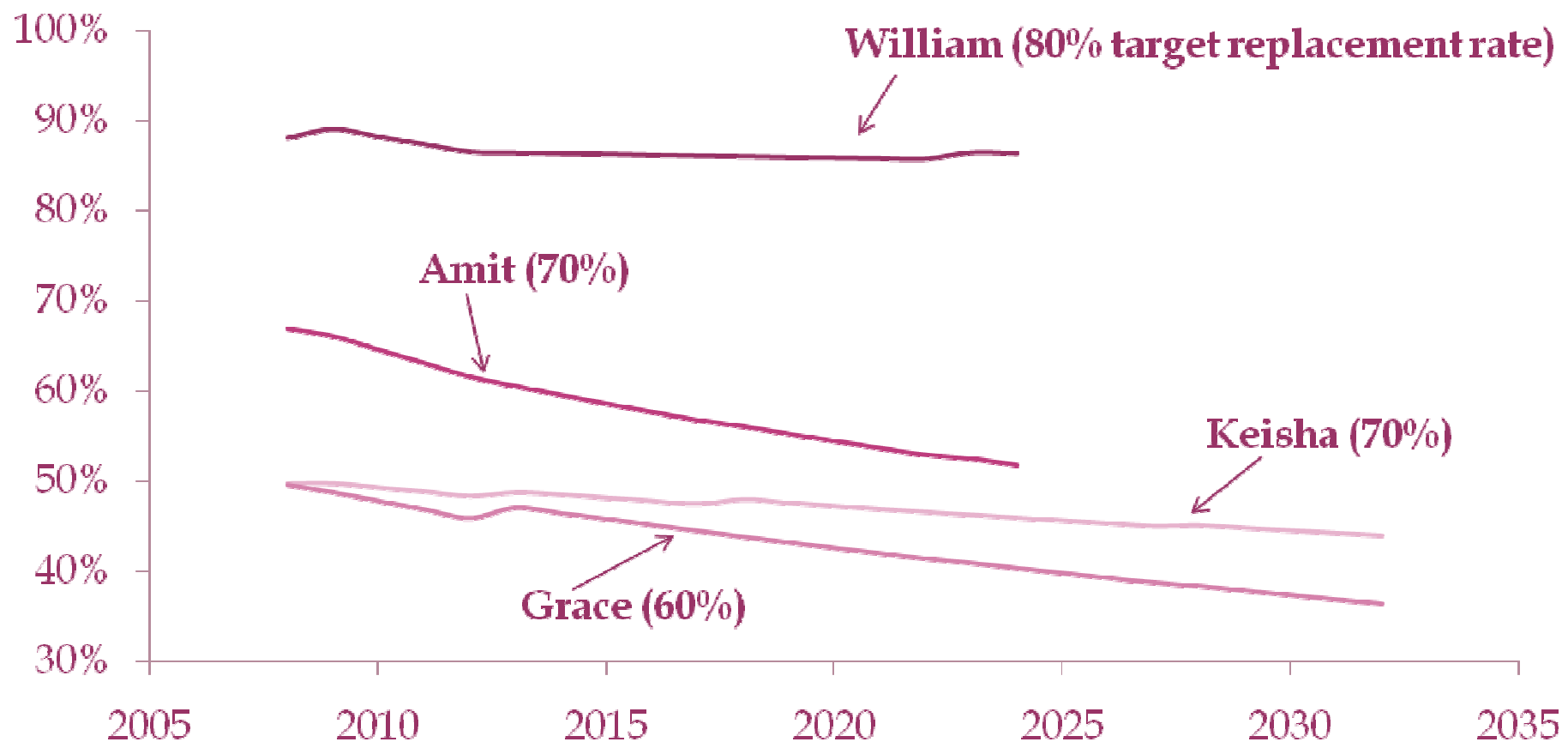


Do pensioners have sufficient income to meet their needs?

- Pensioners income decreases throughout retirement in real (earnings) terms
- None of the individuals meet their target replacement rate

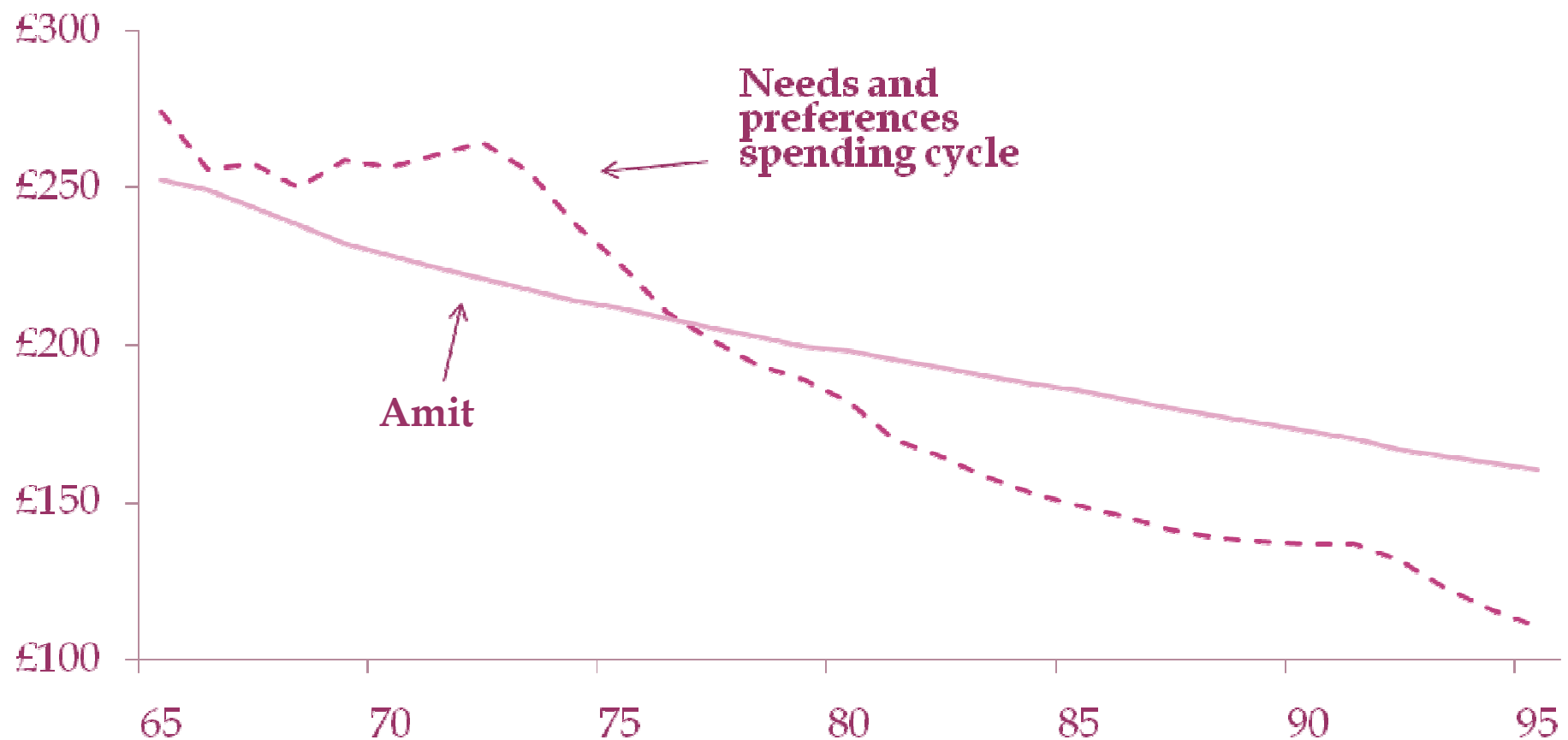
Some pensioners may find it difficult to meet their desired income replacement rates

Percentage of working-life income met in weekly post-tax income in 2008 earnings terms by year, ages 60 (F) and 65 (M) in 2008



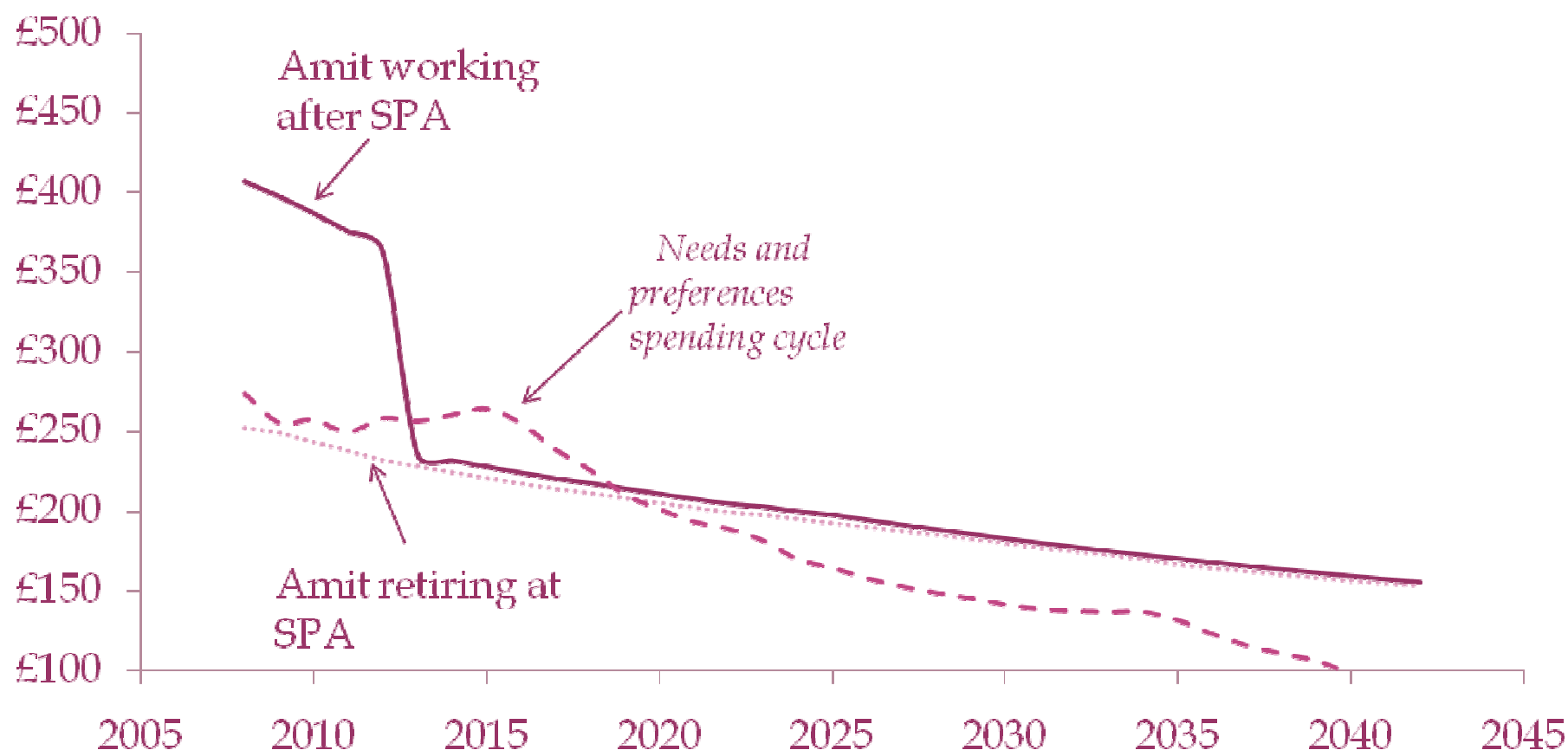
Some pensioners could find it difficult to meet their needs and preferences from income alone

Amit's weekly post-tax income in 2008 earnings terms compared to needs and preferences spending cycle by age



Working after State Pension Age could increase pensioner's income

Amit's weekly post-tax income in 2008 earnings terms by year, age 65 in 2008

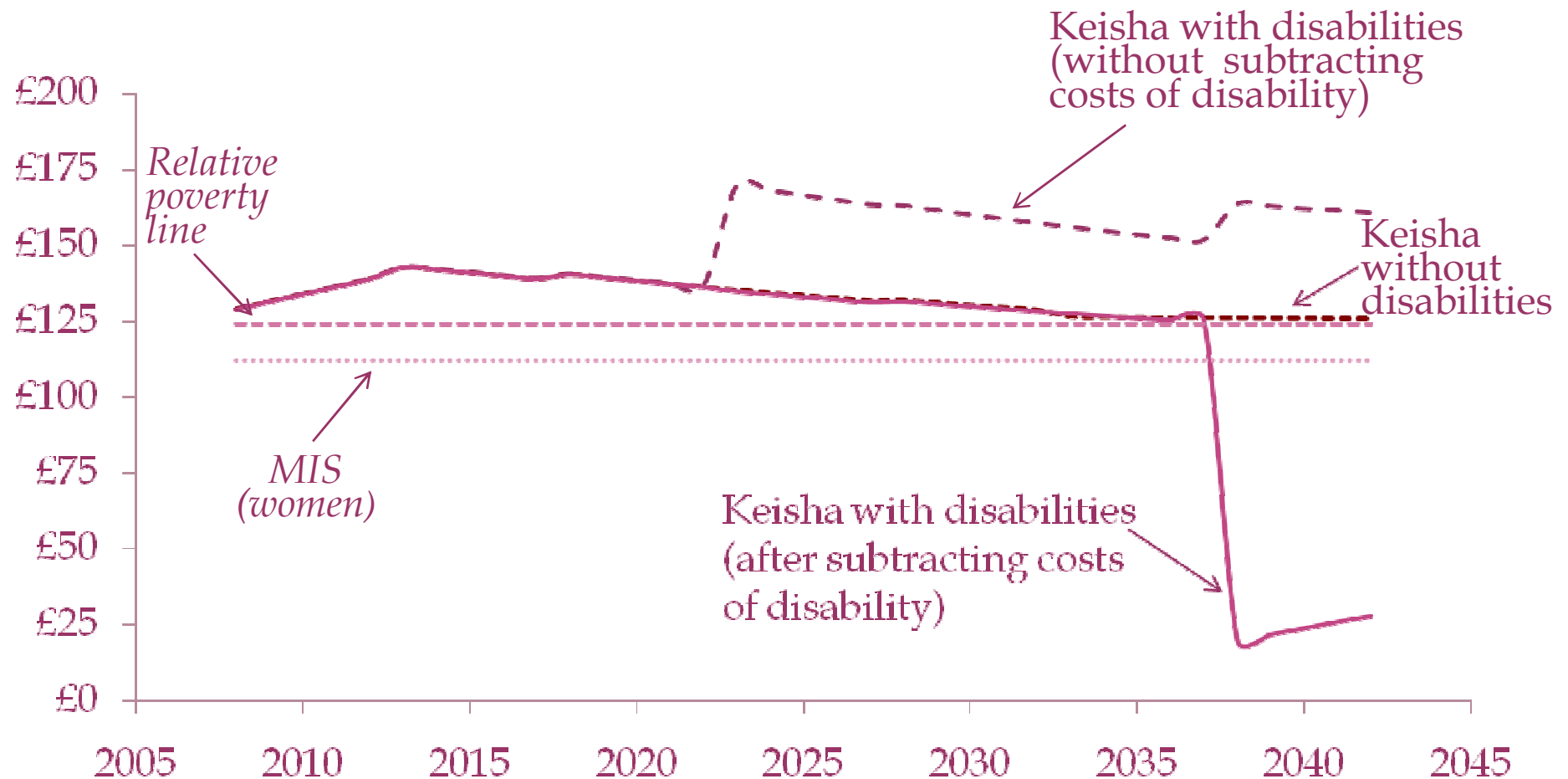


Do pensioners have sufficient income to meet their needs?

- Acquiring a disability in retirement could reduce available income
- Pensioners may not be able to meet the costs of disability on their own

The costs of disability can reduce available income in retirement

Keisha's weekly post-tax income (AHC) in 2008 earnings terms by year, age 60 in 2008 including added income from disability benefits



Do pensioners have sufficient income to meet their needs?

- Pensioners in couples could have higher income than single pensioners
- Pensioner couples may find it easier to afford the costs of disability

Pensioner couples may find it easier to meet their needs from their income alone than single pensioners

Total weekly post-tax income in 2008 earnings terms by year, ages 60 (F) and 65 (M) in 2008

