

LATEST NEWS

Almost a third of tranche 14 schemes in surplus

For professional clients only.
66% of female DC scheme members do not feel prepared for retirement

Source: BlackRock DC Pulse, May 2021.

Disc

'Stark' generation gap revealed amid lack of pension education for under-35s

By Sophie Smith 21/6/21

Under-35s are almost twice as likely as those aged over 65 to have not been taught about finance at school, according to research from Cushon, with a number of misconceptions amongst younger savers and the role of auto-enrolment revealed.

The research showed that 28 per cent of under-35s were not taught about pensions or savings at school or university, compared to 15 per cent of those aged over 65, whilst 19 per cent of under-35s were also not taught by parents, compared to 14 per cent for over-65s.

There was awareness of this "stark" generation gap, however, as 62 per cent of under-35s felt that older generations were better educated about personal finance, and 73 per cent of over-65s thought that younger savers need much more support to plan for their future.

Indeed, over three-quarters (76 per cent) stated that they thought that the government should be doing more to increase knowledge, while a further 74 per cent felt that employers should be stepping up to this role.

Over three-quarters (79 per cent) of savers also felt that schools should play a role in better educating people about finances in general, while 81 per cent thought this should also apply to parents.

The research also highlighted a number of misconceptions, however, with 32 per cent of 16-24-year-olds incorrectly believing that the minimum auto-enrolment contributions are enough for a comfortable retirement, and 38 per cent believing the state pension is enough to live on.

In addition to this, 30 per cent of under-25s wrongly believe that all over-18s are automatically enrolled by their employer, while a further 30 per cent believe that they do not need to start thinking about their pension until they are over 40, and 33 per cent think they can wait until after 50.

Despite this, 71 per cent of under-35s stated that they would contribute more into their pension if they understood it, suggesting that improving knowledge of pensions could help ensure healthier retirements for savers in future.

Commenting on the findings, Cushon CEO, Ben Pollard, said: "We believe everyone deserves a secure financial future, but many are underserved by the market.

"Unfortunately, the way pensions are set up makes it extremely difficult for people to know whether they are saving enough, and there are clear misconceptions around pensions, particularly among younger audiences.

"At Cushon, we're on a mission to make pensions simpler, fairer and more inclusive, and we believe more must be done across the industry to educate and engage those who are missing out."

Former pensions minister, Baroness Ros Altmann, who sits on Cushon's advisory board, added: "Cushon's research indicates that younger people tend to believe they have been disadvantaged by lack of education at school or home about savings and pensions.

"There is also concern from older generations that younger ones will not have good pensions in the future.

"Certainly, the traditional final salary pension offered older generations a generous retirement income deal, but there is still a great opportunity to encourage the younger generations to engage with and understand the benefits of pension provision for their later life.

"Using clearer language, simpler technology and broader financial education in the workplace are all clearly needed in order to improve pensions for the future."

SHARE STORY:

