The Observer
Retirement planning

Retirement on hold for UK's over-60s as cost of living crisis bites

Many older people are now finding they cannot afford to meet basic outgoings. So retirement dates are being scrapped

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Job hunting, or keeping the one you have, has become a must for many over-60s forced to abandon retirement plans. Photograph: Roger Bamber/Alamy

As her 66th birthday got closer Lindsay Hunt was making plans for her retirement. She hoped to volunteer at her local Citizens Advice office and find a course to learn something new, which she didn't have time to do when she was working. Then the cost of living crisis struck.

Her husband's petrol bills for his journey to work increased significantly, as did the cost of the weekly shop. And then the mortgage had to be paid. All under a cloud of rising inflation and interest rates.

After doing her figures, Hunt realised that the state pension, and her small private pension, would not be enough to cover her costs. And so her plans to retire after her April birthday were shelved indefinitely.

"Although I qualify for a full state pension, I know I would be struggling to pay my bills as I am struggling now while still working," says Hunt, a housing adviser for a legal charity, who lives in Biggin Hill in greater London. "Going to the supermarket and seeing prices rise - 50p, 75p - every week, or every two weeks, really concentrates the mind on finances."

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Hunt is far from alone in deferring her plans. Research from Legal & General, one of the biggest pension providers in the UK, show that 38% of people in their late 50s and early 60s say they will delay retirement for up to a year as a result of the crisis.

"The pandemic had already made many people rethink their hoped-for retirement date. Now, the cost of living is also having an impact," says Emma Byron, managing director of Legal & General's retirement solutions division. According to the research, one in 10 believe that they will never retire.

Hunt says that she was due to get £1,200 a month from her state and private pension, but this would not be enough to cover rising bills. She and her husband are trying to pay off their mortgage as quickly as possible and do not have an extravagant lifestyle.

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> **Lindsay Hunt**

"We haven't been on a holiday abroad in a very long time," she says. "It is not something we do.

"If inflation comes down again, I will certainly look at retirement, but the forecast is for 11% and it may be that interest rates are going up, so I can't put a fixed time on it."

Diana Ridge*, who works in market research, does not have a private pension and says the state pension alone is not enough to pay her increasing household bills.

After recovering from brain surgery, Ridge has recently returned to work aged 66.

Her basic outgoings, such as gas, electricity, phone, broadband, car repayments, petrol and house insurance, among others, add up to £850 a month, or £10,200 a year. The full state pension she would be entitled to is just over £9,620 a year.

Ridge, who is divorced, did not invest in a private pension because she did not earn enough to afford it in the past, she says.

"My father would say to me 'you will inherit the house, you don't need a pension, and you will have a husband'. I was programmed to have a husband and a baby, not a career," she says.

After being in hospital, her income dropped to £340 a month from universal credit. "I haven't bought much food because I have got such a little amount of money coming in."

Former pensions minister Steve Webb, who now works for pensions consultants LCP, says that many people will find it very difficult to deal with just how quickly the cost of living is rising, leaving plans for retirement in tatters as the value of many private pensions declines.

"For those who are physically able to go on working, and have employers happy to keep them on, working past state pension age may be the only option if they do not feel they could make ends meet based purely on their state pension," he says.

"But this does suggest that those who cannot carry on working, or who have already had to stop work prior to pension age, will be feeling the squeeze even more. Single people over state pension age, do, at least, qualify for pension credit, paid at a much more generous level than universal credit. But no one would suggest it is enough to fund a comfortable retirement."

Pensions campaigner Ros Altmann says working longer can provide more income for a private pension - if they are healthy enough to be able to do so. "The problem is for those people who are too ill to be able to work, and whose state pension age has kept on rising while they have no private pension or savings. They are very disadvantaged and cannot mitigate their position, or improve their spending power, by working longer," she says.

There is concern that some consumers have started to limit their private pension contributions in order to pay for the rising cost of living.

A report from Scottish Widows shows that one in 10 people have reduced, or stopped contributing to, their pensions. Almost a quarter had dipped into their savings, which has a knock-on effect on pensions savings.


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It is expected that the state pension will rise by 10% next year. Chancellor Rishi Sunak said in May that the triple lock would be reinstated, while benefits would also rise in line with the rate of inflation from next spring.

Under the triple lock, state pensions are increased in value each year by either the rate of inflation for the previous September, earnings growth for the previous July, or 2.5%, whichever is highest.

During the pandemic, the number of over-50s who were not working rose unexpectedly. Figures from the Institute for Fiscal Studies (IFS) show there was a drop in the number working or looking for work between the start of 2020 and this year.

** Name has been changed*

What the state pays

● The age at which people can claim the state pension is 66. It is expected to rise to 67 by 2029 and 68 between 2037 and 2039.

● The state payment is paid to anyone who has made at least 10 years of national insurance contributions during their working life.

● The maximum payment is £185.15 a week, but how much you get depends on how many years of contributions you made.

● Laws that forced people to retire at 65 were scrapped more than a decade ago, so workers can now keep going if they want, or need to.