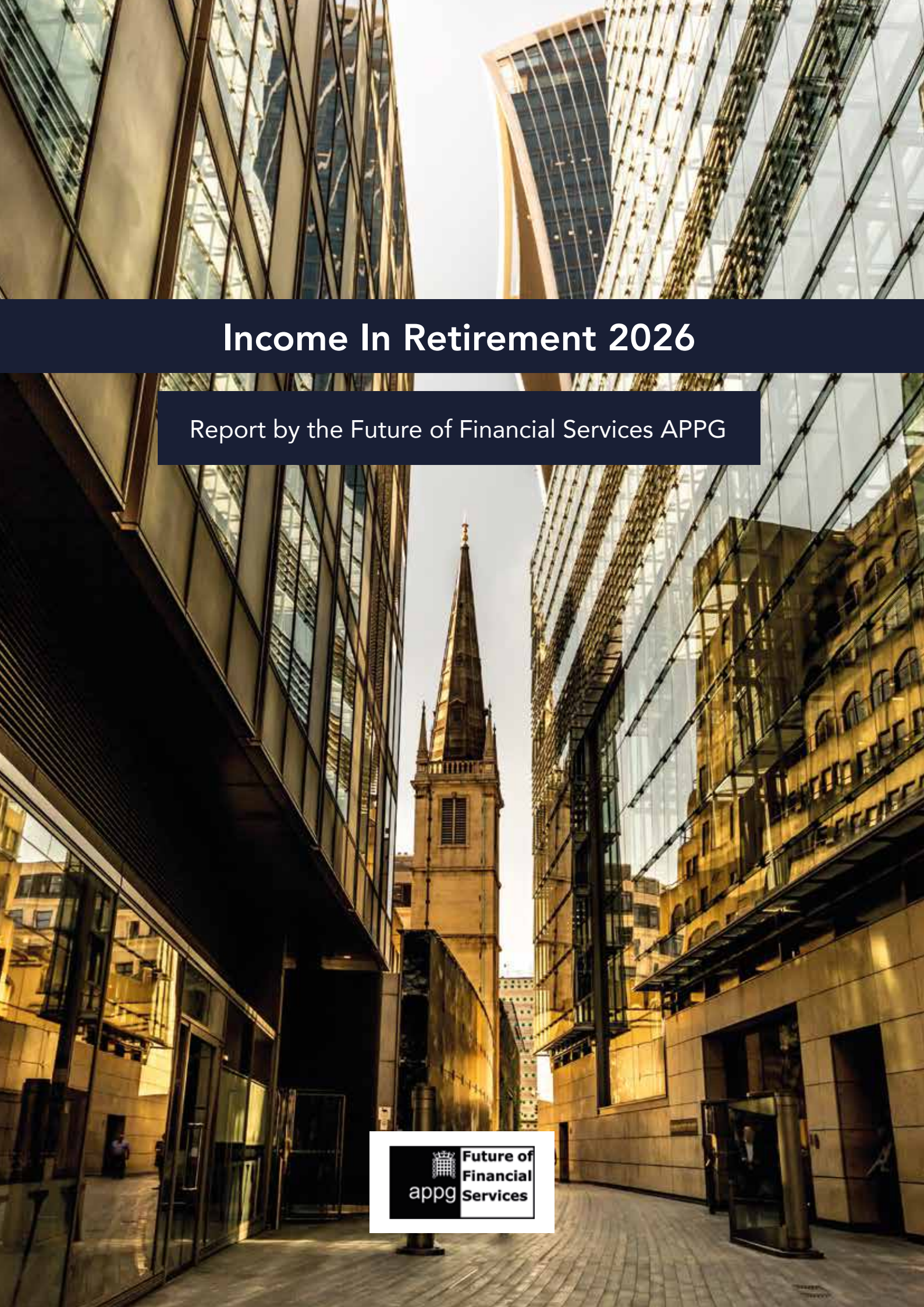

Income In Retirement 2026

Report by the Future of Financial Services APPG

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This report was prepared for the APPG by Future Financial Forum, a trading brand of Barndoor Strategy Ltd. A list of Barndoor Strategy's clients is published on the website of the Office of the Registrar of Consultant Lobbyists.

I. Chair's Introduction

Living with dignity into later life is something many of us take for granted. However, as with everything else in life it depends on multiple factors. Health, the type of employment you may have had in your working life and the robustness of your saving arrangements or pension. Historically, the state pension coupled with final salary pension schemes meant that many of the pre and post-war generation were well catered for.

However, with increasing longevity and a change in the proportion of retired to working members of the population all this has started to change. The type of gold-plated defined benefit (DB) pension scheme that many professions offered their employees have become a thing of the past. They have been replaced in part by DC schemes. These are dependent on employee and in some cases employer contribution. With changing working patterns, many employees nearing retirement have a slew of small pots – each one from a different employer. Far too few future pensioners actively manage their savings. The question many in the pensions industry and many parliamentarians have been invited to ponder in recent months is whether these new pension arrangements are adequate or fit-for-purpose.

There is a paradox here. Pensions are one of those issues that many people, including politicians push into the long grass. However, with the Pensions Schemes Act proceeding through Parliament many members on all sides and in both chambers have had to consider some profound issues around pensions. In our evidence session and through the written evidence we found however that even people close to retirement are a little fuzzy about what their pension pots actually contain. As recently as last month (27th April 2026) Money Marketing published KPMG research revealing that 80% or four out of five adults remain unaware of the MoneyHelper long-awaited Pensions Dashboard.

With many members of the population living longer, healthier lives, there needs to be a wider national conversation about what living well into requirement entails. What it looks like, what it will cost and who will fund it. It is simply not appropriate that as they are approaching potentially up to 30 years of retirement many, members of the public have far too little understanding of what their retirement income will be or where it will come from. As politicians we owe it to the public and our constituents to try and close this gap of saving and understanding. We hope that the recommendations in this report will assist in moving in that direction.

Peter Bedford MP & Lord Sharkey
Co-Chairs, Future of Financial Services APPG
June 2026

II. Overview

The purpose of this report is not to re-hear the arguments which have been made in Parliament around the Pension Schemes Act. It is not restricted to the content of that legislation but intended to take a broad view of the entire pensions landscape for the benefit of legislators and others with an interest in income in retirement who may not be from the financial services sector.

Part of the role of the Future of Financial Services APPG is to demystify financial services for its members and for audiences outside parliament alike and consider how to move the sector in a positive way for both consumers and institutions.

In that regard, the APPG published a call for evidence and received submissions from a wide range of different organisations. Based on these, an inquiry session was organised to try and tease out some of the more complex issues. We are grateful in particular to our witnesses for submitting oral and written evidence and for taking the time to appear before the APPG. A full list of the witnesses and evidence can be found in appendices 1 and 2.

III. Summary of key points arising

Income in retirement depends on savings products as well as interventions by the state. The ability of the country to support pensioners is a factor of the wealth of the nation and the ability of the active workforce to support those who are no longer in employment and to save for their own retirement.

The present State Pension is in reality part of a welfare system, despite the fact that many pensioners believe that they are paying in some way for their own retirement.

Auto-enrolment has largely been viewed as a success by those who have given evidence to the APPG. However, it is not a panacea. With longer life expectancies having some savings is better than nothing. However, auto enrolment of itself didn't guarantee that pensioners will be able to live in the manner they expect on retirement.

Hence, there are still significant questions about the adequacy of auto-enrolment and whether individuals are making an assumption that they are putting enough away for retirement when this may not in fact be the case.

Those with large student loans are effectively paying a higher rate of income tax. They have lower disposable income. Lower access to the mortgage market and therefore may be significantly disadvantaged when they come to retire in later life.

On a related point, increasing dependence on rental accommodation into later life is severely impacting retirement. The Pensions Policy Institute (PPI) in their report Renting in Retirement – the Fault line below the UK pension system, sets out the predicament faced by increasing numbers of UK pensioners. Unlike mortgage payments which are usually complete by the time of retirement, rental costs either in the private rented or social sector, do not diminish in the same way. Falling home ownership could therefore pose serious financial risks to those entering retirement in future decades.

[1] https://www.pensionspolicyinstitute.org.uk/media/fjgla1kv/202311-the-uk-pensions-framework-final2.pdf

The triple lock which the main political parties have wrestled over in recent elections only covers a minority of pensioners. There are many more who are still on the old state pension and don't qualify for the uplift in the triple lock save through the additional State Pension.

Those with caring responsibilities either bringing up their own children or caring for others are often at the bottom of the savings pyramid due to the fact they either have incomplete contribution records or an array of small pots.

IV. Key conclusions and recommendations

Three key themes which emerged from our oral and written evidence were:

Consumer expectations – issues ranged from engagement with pensions through to either unduly pessimistic or overly generous views as to what their pension entitlement will be. There has to be a change in Government approach in this area. With the precedent of the WASPI Women, far too few people are engaged with their pension and their likely income in retirement. Given we are rapidly approaching changes such as the shift to the Normal Minimum Pension Age which increases from 65 to 67 in April 2028, it is extremely concerning that so few, even in the immediate period up to retirement, are engaged with and know what is in their pension pots.

Financial education in the National Curriculum should commence the discussion over pensions, retirement and saving into later life as well as a comprehensive pensions dashboard for those in employment, which clearly displays their likely income in retirement and allowing them to track their pensions and top up when able to.

National wealth and dignity in retirement: Without trespassing into the debate surrounding the Pensions Act on the direction of pension fund investment by the Government, there clearly needs to be a wider conversation about the UK economy and productivity. While the UK remains a prosperous and successful country the lack of growth in recent decades coupled with the increase in numbers of those in retirement will present challenges. Several of our witnesses raised the issue of whether there is sufficient wealth being generated in the UK to keep pensions payments where they should be to ensure dignity in retirement.

We would like to see a national conversation involving MPs and Peers of all parties as well as wider groups outside Parliament to engage in this wider conversation about national wealth and dignity in retirement with HM Treasury and DWP to plot the way forward.

Adequacy of auto-enrolment and the new pensions landscape – whether new forms of pension fund and trusts will ensure better saving into later life and good outcomes for pensioners or will it be the source of tomorrow's detriment and litigation were a hot topic of debate amongst our witnesses. As the new pensions landscape beds in more work needs to be done in terms of examining its adequacy and looking at solutions to plug the savings gap.

Government and regulators need to be proactive in ensuring that the new pensions landscape is fit for purpose and should conduct five yearly reviews to see if it is working as anticipated.

Recommendations

On the basis of our work, we would make the following recommendations:

1. **The establishment of a new National Insurance Day**; an annual financial education event working with schools, pensions providers, banks, financial institutions and employers highlighting pensions and savings to all those in the UK with a national insurance number. It could be held on or around the 2nd December following the Budget and be tasked with ensuring everyone has access to the information they need around pensions.

2. **National Curriculum based financial education should include a discussion of pensions**, especially with students in their mid-teenage years approaching employment when they receive their national insurance number.

3. Regulatory action targeting consumers through the establishment of a comprehensive **pensions dashboard to be rolled out to new workers as soon as they receive their national insurance number** so that they can engage with and track their pensions and likely retirement income throughout their working lives.

4. **A Royal Commission into dignity in retirement** to commence a national conversation into how future pensions are paid for and how economic activity can be harnessed to ensure the pensions of the future meet the retirement expectations of the population.

5. **Flexibly scale-up auto-enrolment – with protections and opt-outs to ensure it has the potential to deliver an adequate retirement income** with five-yearly reviews of Auto-Enrolment to ensure the new pensions landscape is working as intended before problems have time to crystalise. Auto Enrolment rates could be raised with the knowledge that employees could opt out and set a rate which suited them or their circumstances.

6. **Require all DC pension schemes to provide a clear pathway to that adequate retirement income, perhaps through the pensions dashboard** – in other words, to achieve this you need to put this much away – and make it as clear and simple as that.

7. **Government should launch a scheme to increase Pension Credit take-up** – using simple language and effective communications to get core messages about take-up through to ordinary people.

1. Consumer Expections

In terms of consumer expectations this was a theme that several of our contributors raised in both oral and written evidence. Chris Curry, Pensions Policy Institute:

"Decisions made 20, 30 or 40 years ago were bearing fruit now. People in their 50s and 60s would be coming into this system with relatively small pension savings.

This was a theme referred to by Jan Shortt, National Pensioners Convention that: "Younger people didn't see the point of saving because they did not believe they would live to retirement age in Newcastle. "If you ask people in the street what state pension they will get and people often say "I'll get my wages"

And by Molly Broome of NEST: "The move from a DB to a DC world had given a lot of flexibility but introduced a lot of complexity at the time of retirement. Echoing a theme in NEST's written evidence. It was also worth noting that NEST called for a requirement for pension schemes to provide clear default income options and structured pathways.

NEST also pointed out that: "Less than half of people aged 50-66 had checked the balance of their pension pot(s)" Which given the proximity of that age group to retirement is a very striking figure. NEST was far from an outlier in their evidence with St James' Place written evidence highlighting that

"Three in five people approaching retirement were not confident that they will have enough money to achieve even a moderate standard of living at retirement."

This emphasised the point that there is clearly therefore a major educational piece of work to be undertaken by Government to engage the public in more actively preparing for their retirement. Moreover, there is a big gap between many workers expectations and the actuality of their retirement income in the mid to late 21st Century.

Paul Waters of Hymans Robertson also felt that savers were insufficiently supported in the industry generally and Anjie Mukhi of the ABI that guided retirement had a place She also cautioned that savers needed flexibility and that default options didn't work for everybody.

This was a theme introduced by St James Place in their written evidence where they stated that: "the hardest part for consumers is articulating what they want for retirement"

Finally, even amongst informed consumers there were issues as illustrated by Michael Johnson's written evidence where he flagged how many retirees risk wallowing in indecision when pondering the complexities of how to decumulate their workplace and DC pension pots. The People's Partnership in their written evidence argued that savers needed better bespoke information with informed communication to make the right decisions citing their research project New Choices, Big Decisions.

2. National wealth and dignity in retirement

What enabled dignity in retirement was an issue wrestled with by some of our contributors and how could the British state provide for it.

Jan Shortt, National Pensions Convention set out how the NPC had spoken about a decent state pension for all – a pension that can live on without needing to claim benefits. The National Pensions Convention's policy at the moment was for the state pension to be set at 70% of the National Living Wage.

In terms of meeting this expectations gap and ensuring dignity in retirement, perhaps the most radical solution was suggested by Michael Johnson, a frequent contributor to the work of the Social Market Foundation argued that the present system should be replaced with a much larger and later state pension in terms of a "senior citizens pension" after 75. Furthermore, he suggested that between 60-75 there should be an extension of Income Support. In that 15-year window between 60 and 75 individuals could compress all savings, workplace and personal schemes into this 15-year timeframe.

Paul Waters of Hymans Robertson argued that using defaults and guided retirement were important in the context of Collective DC schemes. The guided retirement aspect was also referenced by the ABI in their written evidence.

More broadly, in both the oral and written evidence, a theme around defaults emerged. The ultimate default in any situation with complex decisions being that of inaction. Hymans Robertson also flagged this in their written evidence highlighting how many savers who follow present defaults will fall short of their retirement goals.

Moreover, the ABI argued that with only 9% able to access regulated advice there was a massive advice gap. A key theme that emerged from the ABI's written evidence was that many people were simply not saving enough for their retirement and that the statutory minimum savings rates didn't provide enough for many savers in retirement. They were not alone and Pensions Monkey also flagged that since the FCA's Retail Distribution Review (RDR) abolished commission that "access to advice was now limited to less than 10% of the population."

Pensions Bee additionally suggested that tax policy changs could also have a significant impact for financial advisers and pensions providers.

Pensions Monkey highlighted that the fall in per capita GDP over the last 20 years and that measures to reverse this were needed to improve outcomes for future pensioners. They also flagged how the old age ratio in the population was deteriorating rapidly from 280 pensions per 1,000 workers today to perhaps as many as 450 per 1,000 by 2075.

3. Adequacy of auto-enrolment and the new pensions landscape

At our round table there was a lengthy discussion of Collective Defined Contribution Schemes (CDC) and some reference to the CDC scheme of the Royal Mail. CDC schemes are, as set out by the House of Commons Library those where:

Both the employer and employee pay into a collective fund. Like a defined benefit scheme, the CDC schemes pay members an income for life. However, unlike in a defined benefit scheme, the employer does not guarantee the pensions.

Paul Waters of Hymans Robertson suggested that CDCs could help by pooling longevity risk for DC scheme members. While Chris Curry of the Pensions Policy Institute argued that they had been polarising but that no pension scheme was perfect for all types of consumers.

Turning to questions of the operation of auto enrolment more generally. Hymans Robertson argued both orally and, in their evidence, argued that:

Increase the amount going into auto enrolment – get to 12% in a phased way and make the first £1,000 of contribution go to a "sidecar" saving scheme for those who might need their money today;
Secondly, through the state pension, set a transparent adequacy benchmark and in time move away from the triple lock; and,
Lastly, the most obvious and most controversial one was collective DC. A lifetime CDC scheme with a public service obligation to take anybody into CDC, not just those who were commercially attractive. This was a solution for those in their 50s and 60s who were approaching retirement but didn't have money. They had an important role to play in future.

Michael Johnson also suggested a parallel or third stream of thinking was a pot for life. Furthermore, he argued that the artificial division between workplace and personal pensions pots was ludicrous.

One issue underlying auto enrolment and axiomatic to consumer expectations is consumer engagement. This was flagged in the evidence submitted by St James' Place and in our discussions.

Without greater consumer engagement the changes of themselves are unlikely to improve consumer outcomes as putative pensioners are still likely to remain in the dark about their retirement prospects whether auto-enrolled or not. As St James' Place rather eloquently put it product level reform is unlikely to improve outcomes without first improving consumer engagement. With the most impactful change cited as "increasing the extent to which consumers understand and participate in retirement decision-making".

4. Conclusion

Pensions has become a very topical issue for parliamentarians with the Pension Schemes Bill and now Act working its way through Parliament. Pensions and income in retirement remain a complex and thorny area as they seek to combine the need for long-term saving with solutions that are practical and effective for savers leaving them with something that will adequately provide for their retirement.

This is an area the APPG will keep under review, particularly as the Pensions Schemes Act has entered into law.

On the basis of our work, we would make the following recommendations:

1. The establishment of a new National Insurance Day; an annual financial education event working with schools, pensions providers, banks, financial institutions and employers highlighting pensions and savings to all those in the UK with a national insurance number. It could be held on or around the 2nd December following the Budget and be tasked with ensuring everyone has access to the information they need around pensions.

2. National Curriculum based financial education should include a discussion of pensions, especially with students in their mid-teenage years approaching employment when they receive their national insurance number.

3. Regulatory action targeting consumers through the establishment of a comprehensive pensions dashboard to be rolled out to new workers as soon as they receive their national insurance number so that they can engage with and track their pensions and likely retirement income throughout their working lives.

4. A Royal Commission into dignity in retirement to commence a national conversation into how future pensions are paid for and how economic activity can be harnessed to ensure the pensions of the future meet the retirement expectations of the population.

5. Flexibly scale-up auto-enrolment – with protections and opt-outs to ensure it has the potential to deliver an adequate retirement income with five-yearly reviews of Auto-Enrolment to ensure the new pensions landscape is working as intended before problems have time to crystalise.

6. Require all DC pension schemes to provide a clear pathway to that adequate retirement income, perhaps through the pensions dashboard – in other words, to achieve this you need to put this much away – and make it as clear and simple as that.

7. Government should launch a scheme to increase Pension Credit take-up – using simple language and effective communications to get core messages about take-up through to ordinary people.

[2] https://bills.parliament.uk/bills/3982

Appendix 1: Retirement Income Inquiry – Roundtable Tuesday 13th January 2026

Members:
Peter Bedford MP (Co-Chair) (PB)
Lord Sharkey (Co-Chair) (LS)
Kirsty Blackman MP (KM)
Lord Davies of Brixton (LD)

Witnesses
Jan Shortt – General Secretary, National Pensioners Convention (JS)
Michael Johnson – Independent Research Fellow, Social Market Foundation (MJ)
Chris Curry - Director, Pensions Policy Institute (CC)
Paul Waters – Hymans Robertson (PW)
Molly Broome – Research and Policy Lead, NEST Insight (MB)
Anjie Mukhi, The ABI (AM)

Others
Jane Morford – Senior Associate, External Communication, Financial Conduct Authority (Observing)
Jack Goodenough (Senior Parliamentary Assistant, Peter Bedford MP)
Callum Harrison – The ABI
Havard Hughes – Secretariat
David Spencer – Secretariat

Peter Bedford (PB): Opened the meeting and thanked the witnesses and those who had given written evidence. He introduced himself saying that he was Conservative MP from the 2024 intake, a former Chartered Accountant and sat on the Work and Pensions Committee. This then opened a round of introductions.

Lord Sharkey (LS): Introduced himself as the Liberal Democrat Member of the House of the Lords and detailed how he had spent four hours on Pensions Bill in the Grand Committee the previous day. Consequently, this session was timely.

Paul Waters from Hymans Robertson (PW) - Hymans Robertson were a 100-year-old actuarial business owned by its partners. Set out how he only ever had had a DC pension. Not a DB. He was focussed on looking at how to fix the issues for three decades. The focus that the APPG and Government had put on income in retirement was very welcome. Savers were not well enough supported in the industry generally. Once people were about to take their benefit from their pension there was insufficient support. This was due to a risk averse approach. Despite the best efforts of the FCA to change this. There needed to be something that was more supportive that was better for the majority even if it was not ideal for everybody. There was a really high degree of decision risk for those taking their benefits.

Focussed on three recommendations in submission:

- Increase the amount going into auto enrolment – get to 12% in a phased way and make the first £1,000 of contribution go to a "sidecar" saving scheme for those who might need their money today;
- Secondly, through the state pension, set a transparent adequacy benchmark and in time move away from the triple lock; and,
- Lastly, the most obvious and most controversial one was collective DC. A lifetime CDC scheme with a public service obligation to take anybody into CDC, not just those who were commercially attractive. This was a solution for those in their 50s and 60s who were approaching retirement but didn't have money. They had an important role to play in future.

Appendix 2: Evidence Received

Please see our website: https: fofsappg.org to read this in full.

[3] https://commonslibrary.parliament.uk/research-briefings/sn06008/

The CF Arch cru Investment and Diversified funds (Arch cru) investment scandal crystallised on 16th March 2009 when the fund was suspended due to liquidity issues. Subsequent investigation by the FSA and its successor the FCA revealed that as a result of unsuitable advice, some 20,000 investors had funds invested in a mix of high-risk investments. These ranged from hedge funds, to private equity, forestry, wine and even shipping interests. The FSA established a consumer redress scheme for those affected. The House of Commons Library produced on a note on Arch Cru in 2014

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June 2026