

The impact of COVID-19 on thinking about and planning for retirement

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1. Introduction

I don't think we're ever going to get over this, I think we're always going to be left up here with this ... this mental scar of Covid-19 really.

Woman, 2021

In the past year and a half, life has looked and felt very different for many of us. A lot of what was previously taken for granted and routine has been challenged and changed in unanticipated ways. The pandemic has affected home and work life, leisure time, education, transport, housing, holidays, finances, thoughts and plans for the future, and more. Some of these effects have been dramatic and sudden while others have been more gradual. Its impact has been felt beyond the material, affecting people's confidence, well-being and mental health. Although we now find ourselves in a world where many things are returning to something that resembles 'normality', the ripples and impact of Covid-19 are likely to be felt for some time to come, and will impact working-age and pensioner households. The end of the furlough scheme and the cut to Universal Credit in October 2021 will have a direct and likely substantial effect on family finances (see Handscomb et al. 2021), particularly for those on lower incomes, and this in turn may impact on an individuals' ability to 'put money aside' for the future. There is global uncertainty concerning the performance of markets and what this will mean for expected returns on investments, including from pension funds (Baily et al., 2020). The OECD (2020) have identified a number of potential challenges to retirement savings which could result from Covid-19 including a decrease in the value of assets in retirement savings products and critically a reduction in the ability of many to contribute to retirement savings plans.

This reduced ability to save for the future is a real concern, particularly in light of existing fears that many people are simply not saving enough for the kind of lifestyle they imagine for themselves in retirement. The Institute for Fiscal Studies (Crawford, 2021), reporting on the findings of a Covid-19 substudy of the English Longitudinal Study of Ageing survey, found that a third of respondents thought that their income in retirement would now be lower as a direct consequence of Covid-19; 45% of respondents still in paid work reported that their post-retirement income would be lower as a result of the pandemic. It is clear from this that a substantial proportion of older people believe that the financial shocks resulting from Covid-19 will not just impact living standards in the short term, but will affect their longer term financial wellbeing and security as well. As Crawford and Karjalainen (2020: 2) highlight:

Being unexpectedly out of work, or on lower wages, in the years leading up to retirement can have obvious negative implications for retirement resources. Individuals may not be able to save as they were intending, and may even be forced to start drawing on their accumulated savings sooner than planned if they bring forward their retirement.

It is clear that there are critical questions emerging out of this unprecedented period, about the short and long terms impacts on living standards across the lifecycle, but also about the impact on shared views of what retirement looks like, what people agree that it is reasonable to expect to be able to do when you retire. This report begins to explore these questions, setting out what has emerged from qualitative research with groups of members

of the public in 2021. It is perhaps too soon to capture the more longer-lasting impacts of Covid-19 on investments or on actual income levels in retirement, but we can begin to explore people's experiences of the past eighteen months and what this has meant for their thoughts and plans for retirement.

2. The research

This qualitative research was undertaken as part of the review of Retirement Living Standards carried out in 2021 (see Padley and Shepherd, 2021). However, while this ongoing programme of research is about establishing public consensus regarding what is needed in retirement for a moderate or comfortable living standard, the Covid-19 focused research centred on gathering people's experiences and views. The purpose of this research was to begin to develop an understanding of some of the ways in which Covid-19 may have impacted upon people's experiences of, thinking about, planning for and expectations regarding retirement. It was not the intention to produce an in-depth account of the pandemic's effects, or to develop consensus about these impacts, but instead to identify aspects of living standards – both high-level and granular – that be impacted by this significant global shock in the short, medium and long term.

The research comprised three 3-hour online discussion groups, held using Zoom. Participants for this research were recruited online by a professional recruitment company and a total of 19 participants took part in discussions. One of the benefits of undertaking groups online is that participants from a wide range of different geographical locations can be included in groups: the three groups brought together participants from across the UK – Birmingham, Kent, South Lanarkshire, London, Leeds, Cumbria, Gloucestershire. Groups comprised individuals who were already retired and participants aged 55 and over who were still in employment. Including both retired and non-retired participants was important as experiences and expectations may well be affected by one's position relative to retirement. As in all of the Retirement Living Standards research, groups also included individuals from across a range of socio-economic backgrounds. This helps to ensure that the research captures a range of different experiences and views of Covid-19 from across the population, rather than reflecting a particular experience of the world – the impact of Covid-19 is likely to have varied across the income distribution. Finally, participants were recruited to include a reasonable balance of genders and individuals from different household compositions (i.e. single and partnered).

The structure of the discussions was informed by research focused on the impact of the pandemic on minimum living standards undertaken in the autumn of 2020 in London (Padley et al., forthcoming) and in early summer 2021, capturing people's reflections after a year of COVID-19, and exploring whether and to what extent Covid-19 had changed their perceptions of what might be needed for a minimum standard of living in the UK (Davis et al., 2021). The three groups in the research set out here were tasked with discussing and exploring the impact of Covid-19 on thinking about and planning for retirement around two key questions: (1) has anything changed as a consequence of Covid-19? (2) what impact has Covid-19 had on retirement expectations? To address these two questions, participants reflected on:

- *Their experiences of Covid-19 since March 2020* – e.g. what are some of the things you have missed the most? Are there some things that have been positive or that you will be keeping?
- *Any changes in their expectations about retirement* – e.g. has how you feel about retirement changed over the last 18 months? What do you expect to be able to do in retirement and has this changed? Has there been an impact on your priorities in retirement?
- *Any changes in behaviour* – for those already retired, are there changed views of finances or resources and how these might be used, and/or concrete changes in planning? For those not yet retired, has there been any impact on your plans and/or financial behaviours? Have you talked to anyone about retirement and/or pensions in the last 18 months?

The remainder of this report explores the discussions that took place within groups. It also reflects on discussions of the impact of Covid-19 that occurred within the Retirement Living Standards review groups undertaken in 2021 (Padley and Shepherd, 2021).

3. Exploring the impact of Covid-19 on experiences and expectations of retirement

Experiences of living through Covid-19

The group discussions began by asking participants to reflect on their experiences of having lived through the pandemic. As might be anticipated, there were a range of different views and reflections on the past eighteen months. Many participants were grateful that they had made it through the experience, particularly where family members and friends had not – ‘having your health’ was greatly valued and it was noted that Covid-19 had provided perspective on the ‘finite nature of life’ and consequently what was important:

Man 1: I think there could be a Covid impact, and to the extent that you ... you kind of ... the things that you value maybe you want to do more and you want to perhaps have a more quality experience going forward.

Man 2: Because Covid has taught us or reinforced the notion that life is finite and you want to make the most of it, rather than cutting around the edges, because you know, to save a few pounds.

Man 3: You know one thing you are always conscious of as you get older, is that what you’ve got left in the top of the egg timer is a lot less than what’s in the bottom, so ... and there’s no doubt that Covid has reinforced a notion of making the most of it while you’ve got it. But I think for me, the key thing is ... is getting your priorities right.

London, 2021

Some felt that at a day-to-day level, life had remained relatively unchanged – they were able to continue doing much of what they had done previously, for example, home-based hobbies and activities, and did not feel constrained or hindered by successive national lockdowns. Participants in general reported an increase in accessing goods and services online that they would previously have accessed in person, but this was viewed as an inevitable social change, that would have occurred regardless of Covid-19; the pandemic

had simply accelerated changes that were already taking place. Others felt that the restrictions on what they were able to do had given them time to think about what to 'say no to' in the future – the enforced periods of abstinence provided space to consider previously held obligations to activities or specific groups, and whether or not to continue with these in a post-Covid-19 world.

As in the research undertaken to explore the impact of the pandemic on minimum living standards (Davis et al., 2021), the restrictions on social contact with family and friends, had been a particular challenge for participants. People spoke of not having seen children for many months, except on a screen, of family 'chucking' presents through the door on Christmas day, and of the impossibility of visiting family living in other countries, both close to home and further afield..

So for myself it's been family, not being able to visit my two adult daughters, one lives in the Channel Islands and it's been damn near impossible to see her, and I'm just so glad the baby's come this year and not last year because I wouldn't have seen this child until it was probably a year old. And it just really reinforced to me how important it is to be able to see your family when you want to see your family. So my other daughter lives in London, and so that again was difficult.

Woman, 2021

I think seeing our families again I do miss. I mean as I said, I have a son in the States, his ... and he's been unable to come across here with the children, so I haven't seen him for quite a few years, and I think families, it's going to be very important that with this lockdown ending as much as what it can do, to be able to see your families is very important.

Woman, 2021

While technology – particularly through video conferencing tools such as Zoom – had mitigated some of this lack of social contact, some participants noted that the pandemic period had been one marked by isolation and loneliness.

I'm quite a social person normally, I'm usually out and about doing stuff but I've just been stuck in the house. And I love my house, I love everything about it, but it's been quite hard to get through this last sixteen months.

Woman, 2021

I'd sort of echo the sort of loneliness as well, in that there's been ... there are two periods of three months where you know I've not left the house except to walk to the shop, kind of only seen people virtually ... I think lonely would sum it up very well. And it's been just ... almost just the little things that you just take for granted, like just being able to hop on a train and just go for a day out. So it's ... very sort of flat and confined to barracks so to speak.

Man, 2021

The loss of freedoms – or confinement to barracks – resulting from the various lockdowns and restrictions across Scotland, Wales, England and Northern Ireland, also served to accentuate the importance and value placed on foreign travel as a central element of what many people expected to be able to do in retirement. Annual holidays are, and always have

been, a key part of a minimum retirement living standard (see e.g. Davis et al., 2012; Davis et al., 2020), although the public consensus is that an annual break in the UK is sufficient at this level. Above this minimum living standard however, holidays abroad each year feature as a central component and are a critical way in which different living standards are distinguished from each other (Padley and Shepherd 2019 & 2021): at a moderate retirement living standard the public agree that a 10-night holiday in the Mediterranean each year is a reasonable expectation, while at a comfortable retirement living standard it is agreed that two-weeks in the Mediterranean and a one-week winter-sun holiday are reasonable expectations each year. The restrictions on international travel as a consequence of Covid-19 meant that some had had to postpone or cancel planned trips abroad, and across the groups there was a cautious enthusiasm to get back to a position where this was possible.

I think that's ... the possibility of travelling abroad is one of the few things that keeps you sane. You're hoping that life will return to perhaps not identical to what it was eighteen months ago but as close enough a facsimile that you can continue to enjoy what you see as the life you want to enjoy.

Man, 2021

In general, there was a recognition across all groups that, while at times the pandemic had limited freedoms and imposed constraints on choices and opportunities, the situation could have been far worse, and some felt protected from the most severe impacts as a result of being home owners, being in a stronger financial position than at earlier points in their lives and having sufficient resources to navigate this period. For others however, the situation was more precarious because of less stable or predictable sources of income or less secure housing. Across the groups, amongst those who were retired, there was a view that the 'already retired' may be better insulated from some of the potentially more damaging consequences of Covid-19 compared to those 'not yet retired' – younger generations were seen as being most likely to bear the brunt of the short and long term financial consequences of Covid-19.

The impact on present and future living standards

With this pandemic, things are going to go up and you're going to get less.

Woman, 2021

The immediate, short-term impact of Covid-19 on living standards – as noted above – largely centred around the enforced reduction in choices and opportunities resulting from restrictions on movement and activities. This serves to underline the significance of these critical concepts in shared public definitions of living standards. In the ongoing research on minimum living standards across the UK and in London (Davis et al., 2021; Padley et al., 2021), groups are often asked to reflect on what difference it would make if it was not possible to exercise choice or access a range of opportunities; the response from groups is that limiting choice and opportunities would result in individuals and households being excluded from participating in society, with the associated impacts on well-being and mental health. In the research on retirement living standards, shared, publicly-generated

conceptions of moderate and comfortable living standards also position choice and opportunity as critical. Covid-19 has at various points removed both of these, impacting people's engagement with and participation in the world around them, something that can be difficult to regain once it is 'lost'

I feel ... really lethargic. I think that the length of the lockdowns has been ... you know where you've lost impetus ... but everything I do, I have to push myself to do because I've lost all that get up and go that I've had, I seem to have lost it a bit. I mean I'm hoping to get it back but ... yeah, I just feel that there've been so long of the lockdowns that it's hard now to come out of yourself again I think.

Woman, 2021

While the broader impact on living standards was apparent in discussions of people's experiences, the financial impact of Covid-19 and any consequent impact on present, material living standards was, for many, minimal. Participants, both those already retired and those not yet retired, noted that opportunities to spend money had been severely curtailed and that in general this offset any increased costs, such as domestic fuel bills, arising from being at home more of the time. This participant echoed a view expressed by others across groups:

I've had no impact from my income at all, it's stable month to month. Because I'm spending less on discretionary spend that I normally would in my normal life ...

Man, 2021

Within groups there was also discussion of the longer term impact on living standards. These discussions centred in particular around the adequacy of current pension plans and provision in enabling the kinds of living standard that had been anticipated or hoped for. For example, one participant, who was still working but nearing retirement, was concerned that his pension pot was not going to be sufficient, and that there may be a need to continue working well beyond state pension age.

Yeah, well it's just because I'm not retired yet, so I'm ... the impact of Covid on me really is on the ... on the pension I'm going to have because ... well [employer] has closed down its final salary pension over ten years ago, and so I'm now on a stakeholder pension which rely on the return of the investment ... Covid has had a tremendous impact on the economy and I mean the Government have spent a lot of money during the Covid and are getting a lot more debt than before, and those debts need to be paid back at some point, so I think that it will have an impact on the economy and then there will be knock-on effect on the return on investment in my pension pot, so I think that will be ... yeah, to be very honest, to compare to a final salary pension, to what you get from a stakeholder is really peanuts. So I do think that I might actually still go and do some part-time work in order to keep my standard of living after my retirement.

Man, 2021

A similar view was echoed by another participant, who was also still in work: a simultaneous recognition that their current pension would probably not provide the lifestyle they wanted *and* that there was little that could realistically be done to remedy this.

Yeah, I mean for me it's ... my pension probably won't be ... alone, won't be enough to support my retirement, you know keep my living standard. I can work part-time but I can't work part-time forever. So there will come a day when I will not be able to do anymore, that will become a problem. So I haven't got a solution for the problem yet, I will just you know take it a day at a time!

Man, 2021

For others though, reaching state pension age and starting to receive the state pension was likely to offer greater security and stability of income, and to have a positive impact on living standards because of current financial circumstances.

I mean I'm looking forward ... my regular income at the moment ... my only guaranteed income, due to the nature of how I earn money, my only guaranteed income is Working Tax Credit, which is £117 a week. I'm looking forward to the pay rise when I get my state pension ... my only thoughts have been you know how much ... how am I going to have enough income between now and retirement to get by, because once I reach retirement, I'll actually have more money than I've got coming in at the moment.

Man, 2021

Changing plans and expectations of retirement

I'd like another pint of Speckled Hen in the Singapore Cricket Club ...

Man, 2021

Each of the groups concluded with a discussion of any changes that Covid-19 had brought about in people's plans, preparations or expectations of retirement. One clear impact had been to encourage some individuals to take actions to try and improve and increase their likely income in retirement. For some, these plans centred around working for longer and more flexibly, beyond retirement age, in order to ensure that they had adequate resources to do the sorts of things they wanted to do. This option had become more achievable as working patterns changed through the pandemic period: greater flexibility with regard to working from home had opened up the possibility of working for longer.

And also I think a lot more work is going to be done from home, so ... I think for me, I can see more of a semi-retirement phase. I think there's going to be more work from home, and I can see more of an overlap between work and retirement, so I think that has changed my thoughts about retirement ... So there could be a sort of overlap so to speak, rather than going from full-on work to full-on retirement.

Man, 2021

For others, the pandemic had prompted a thorough consideration of retirement and the resources needed to retire at a particular standard of living.

I think having had the opportunity now to think more seriously about retirement and the future and when I'd like it to be and what I'd like it to look like, I think it's helped me to focus on saving more because I've been lucky enough to work through Covid, and I know that I'll always be able to work in an agency because of the work that I do, there is always a need. So I think it's focused me now on looking at it more seriously, so I can hopefully put the necessary plans in place whilst I still can, to ensure that at the time I can still achieve a decent standard

of living and not have to worry ... because I don't want to be in a situation where I'm having to worry about money, because once I stop earning, there's no way that I could change that.

Woman, 2021

The desire to be able to maintain or achieve a 'decent standard of living' in retirement was evident across groups, but there was a recognition that not everyone was well-positioned or had the ability to change their likely income in retirement, without making significant and perhaps risky decisions.

I've made some decisions concerning locations for my savings ... increasing risk, in order to sort of maintain the same income.

Man, 2021

I went to a financial adviser soon as Covid started, he started looking at my pension arrangements and everything, so definitely for me it did ... that time I utilised to reflect on what my future would look like.

Woman, 2021

It is perhaps no surprise that such a substantial global 'shock' should prompt individuals to assess their own circumstances and take actions to make sure that their retirement income matches their retirement expectations more closely. Participants acknowledged that by the age of fifty-five it could be too late to make any substantial changes, but there was an acceptance of sacrifice now for reward later. The reward being the retirement living standard they had imagined, the 'nirvana state' as one participant phrased it, the 'pint of Speckled Hen in the Singapore Cricket Club'.

While some accepted the benefits that could come from working more, working longer and saving more – postponing retirement and prolonging working lives – there were also individuals for whom the pandemic had hastened the decision to retire. This was often clearly related to a wish to 'make the most of what is left', accepting the finite nature of life.

It [retirement] didn't even enter my head sixteen months ago because it was just ... I was just on that wheel I felt like, I was on that work wheel, so it was just go, go, go, go. But now, I'm also ... I'm now thinking I need to start saving money, I need to look at what pension pots I have and how soon I can cash in ... cash them in and how they will look like, moving forward. I mean I even looked at the state pension and to my horror, I can't cash that in until I'm sixty seven or at least start thinking about ... and that's just ridiculous, in my opinion, you know because I don't want to work until sixty seven, that's just a waste of time, I want to be at least sixty, I'd like to be able to ... to yeah.

Woman, 2021

Yeah ... there's nothing I really want to continue with, I'm going the other way, I'm making arrangements, trying to make arrangements to reduce the amount of work that I'm doing, and our outlook on life has changed a bit, it's more about getting on with life while you can, you never know what's round the corner, so whilst we debated and kept putting off doing things, I think now it's basically let's just do it because you never know ... it just shows you, you never know what's around the corner.

Man, 2021

Arguably what most clearly and forcefully emerged from all of the groups was the longing to get back to doing the things that people had planned to do in retirement – or perhaps rather, a longing for retirement to live up to participant’s expectations.

I guess for me I’ve lost two years of the lifestyle I was hoping to have, so it’s become more important to do what I can with the rest, and that’s how my life’s changed ... like making sure I make the best use of the days that I have already. I’ve still got elderly relatives to look after, and that’s been a little bit more complicated than I thought, so it might mean waiting two or three years till that situation resolves itself as well. But practically it might mean planning what I’m going to do with my time I think.

Man, 2021

As noted earlier in this report, restrictions on international travel had been keenly felt, principally because they feature so prominently in people’s plans for and expectations of retirement. While there were some who believed that long-haul travel may difficult for many years to come, others were hopeful that they would be able to fulfil their plans and have the kind of retirement they had worked towards.

I’m hopeful, yes, I mean I’ve got a bucket list and you know it was ... kept kicking some of it down the road and stuff, but now I’m encouraged to ... if I can, I’ll do it. Not sure when, but you know things like travelling to New Zealand and Australia, I’d love to do that and you know as soon as I do it, I’m not going to be saying, well I’ll do it in another three years’ time.

Man, 2021

Ultimately, and perhaps most simply, the catastrophic loss of lives in the UK and globally as a consequence of Covid-19 had for many participants resulted in a different perspective on life and hence retirement.

Life is too short, you know the amount of people that have lost their lives in the last eighteen months, that won’t get the opportunity that we have to get on with stuff, so ... you know you’ve got to do it not just for yourself, your family, friends, whatever, do it for them as well, get out and then make the most of it.

Woman, 2021

4. Conclusion

The overarching aim here was to begin to explore whether or not Covid-19 has had an impact on thinking about and planning for retirement, and on shared conceptions of living standards in this stage of life: have individuals adjusted their plans or made changes in how much they are saving or working? Have expectations and shared ideas about retirement changed as a consequence of the pandemic? Through discussions of varying experiences of living through Covid-19, and reflection on their own plans and expectations for retirement, participants in this research have added, in a small way, to our understanding of the broader societal impacts of this pandemic period.

The importance of some central elements of public definitions of living standards are confirmed and reinforced here, in particular choice and opportunity. These elements are critical across all living standards in retirement (Padley and Shepherd, 2019), from the minimum socially acceptable standard of living to a comfortable retirement living standard,

and are highlighted through the ways in which different living standards are described and detailed by the public. When choice and opportunity are removed, as they have been at various points throughout this past eighteen months, there is a direct impact on people's quality of life and well-being. This period of enforced abstinence serves to underline just how important it is to be able to participate in the world around, not through extravagant choices but in more everyday and routine ways – seeing family and friends, going out for something to eat, taking an annual holiday, planning and looking forward to future social events. Revisiting discussions and deliberations about retirement living standards over the coming years will enable a further exploration of the centrality of choice and opportunity, and whether or not there are longer term impacts resulting from the pandemic in this area.

What is also clear from this research is that the pandemic has prompted people to think about their preparedness for retirement and whether or not they are likely to have the resources necessary to provide the living standard they want. There is an opportunity here, while these big financial questions are fresh in people's minds, to provide clear routes through which individuals can access advice and support in thinking about retirement. The updated *Retirement Living Standards* offer a starting point for these discussions, moving beyond retirement cliches and stereotypes, setting out concrete examples of what retirement 'looks like' at a minimum, moderate and comfortable standard. But this is only the start of a conversation. While some people will have been stirred in to action by the pandemic – assessing pension plans and savings – many others have not, and finding ways to engage individuals across society in thinking about and planning retirement remains a crucial task.

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