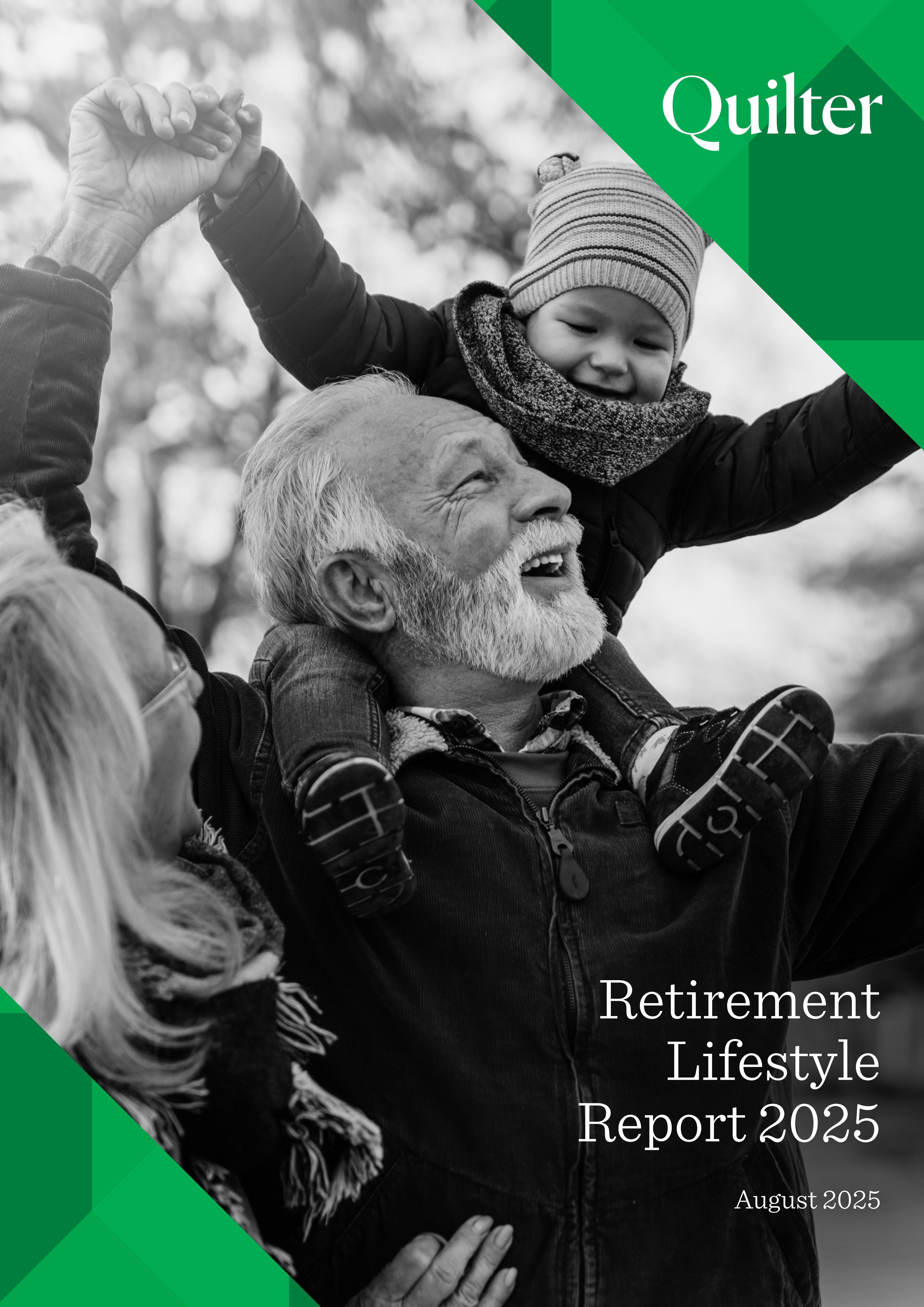


Quilter

Retirement Lifestyle Report 2025

August 2025

Contents

Foreword by Steven Levin, CEO, Quilter

Retirement planning is difficult.

In a world where the burden of saving for retirement is placed squarely on individuals, people face a myriad of challenging questions:

- How much money do I need in order to enjoy my retirement, based on my current lifestyle?
- How important will my State Pension be as part of my monthly or annual income?
- At what age should I be looking to retire?
- How will the incoming inheritance tax changes impact the legacy I wish to leave for my family?

We strive to create brighter financial futures for every generation. Retirement planning is a crucial part of this, regardless of your age, but we need powerful data-led insights to help provide the best possible advice we can.

There is abundant data on retirement adequacy, savings, and single issues impacting pensioners like changes to inheritance tax and energy costs. Government bodies and corporate organisations have all produced research on retirement, but there is no comprehensive, layered study on how retirement income and spending differs across different cohorts, nor how these groups differ in their priorities, concerns and financial plans.

We want to address this blind spot. Our aim is to provide our customers, the industry, policymakers and other stakeholders with an accurate annual picture of how retirees are deploying their savings, what they spend their money on, and how content or concerned they are about maintaining their quality of life in the years ahead.

This is why we have created the Quilter Retirement Lifestyle Report. It tracks monthly and annualised retiree income and spending across various categories. Based on a survey of 5,000 UK retirees, the research breaks down spending by age, gender, region, relationship status and income, providing both an average retiree income and a granular view of annual expenditures.

To create a robust spending index, we collaborated with the Centre for Economic and Business Research (Cebr), who developed a methodology that we can run and track annually. This will provide year-on-year spending data, allowing us to identify trends in retiree spending behaviour and income levels over time.

But the report covers more than just spending. It also provides an in-depth picture of income for retirees across the UK. We surveyed the retired population to understand their levels and sources of income, how it has changed and why.

We also asked questions to uncover retirees' satisfaction levels with their retirement income. They told us how they feel about their financial situation, how they feel about their prospects, and much more. In the face of profound changes to retirement and inheritance tax policy, we asked how retirees feel about the Government's actions, and what action they are considering in response.

To bring these findings to life, we created six retiree personas, based on income and age, derived from econometric analysis of the survey data. These personas offer a nuanced picture of spending habits and financial concerns across different groups of UK retirees.

We are excited by the depth of insight this long-term research project provides. Even in its first iteration, key themes emerge:

- With geopolitical shifts reshaping global economies, retiring without the security of a defined benefit pension presents growing risks.
- Contrary to stereotypes, many Baby Boomers rely heavily on the State Pension to meet basic financial needs.
- Ongoing changes in pension tax treatment are disrupting even well-laid retirement plans.
- Despite clear benefits, too few retirees seek financial advice to navigate these challenges effectively.

Our research highlights these realities. Over time, we will track how macroeconomic and microeconomic events affect retiree income and spending, helping us build a more detailed picture of retirees' financial challenges. This is just the beginning of our journey to better understand and support those planning for or living in retirement.

We are delighted to publish our inaugural Retirement Lifestyle Report, and hope you find it insightful.

Steven Levin,
Chief Executive Officer

Executive Summary

Getting to grips with UK retirees

Quilter's first Retirement Lifestyle Report sets out to fill a gap in UK retirement research: a single piece of research that brings together spending, income and sentiment data among the UK's retired population. The study, run with Censuswide and the Centre for Economics and Business Research (Cebr), surveyed 5,001 retirees across the UK in February 2025, modelling their monthly and annual outgoings across 38 spending categories. Its aim is to give clients, advisers and policymakers an up-to-date view of where retirees make and spend their money, and how that picture shifts with age, income and in the face of policy changes.

How the data were gathered

Fieldwork was conducted between 13-19th February 2025, covering a sample of 5,001 retirees across the UK.

Once the survey was completed, Cebr used econometric techniques to calculate representative baskets of spending across categories and created six retirement personas defined by age and household income to measure differences in attitudes and behaviours across these groups.

The personas are divided among three age groups – those aged under 65, 66-79, and 80+ - and between those with incomes above and below £35,000 per year. These groups -Early-age Scrimpers, Early-age Spenders, Mid-age Stretched, Mid-age Comfortables, Late-age State Dependants and Late-age Independents - provide the backbone of our analysis. They help illustrate how priorities and pressures diverge across the 12.3 million people already retired, from the almost one in five who live on £20,000 or less per year to the small minority drawing more than £100,000.

Spending: £22,140 a year on average, but huge differences across groups

The headline Retirement Spending Index shows a mean spend of £1,845 a month, or £22,141 a year. Housing costs, groceries and holidays absorb the largest proportion of this, but discretionary items shift sharply by persona. For example, holiday expenditure runs to £6,723 for Late-age Independents yet only £1,387 among Late-age State Dependants.

Age on its own does not always cut spending. Higher-income retirees continue to pay for travel, eating out, gifts and other expenses well into their eighties, while lower-income peers tighten spending on every major line item. Groceries illustrate the point: the monthly bill falls from £295 for Early-age Scrimpers to £191 for Late-age State Dependants, yet holds relatively steady at £399 and £402 respectively for the same age span within the wealthier cohort.

The research also shows gifting to be an overlooked outflow. The average retiree gives £1,323 a year directly to relatives and a further £1,175 towards education. Early-age Spenders - the group with the highest gifting figures - gifts £4,836 to relatives and a further £4,791 to charity. This underscores the intergenerational flow of retiree cash, and the critical role retirees play in the wider economy.

Considerable reliance on the State Pension among low income retirees

Across the whole sample the median gross household income is £35,000, close to average earnings for a working adult. The mean, skewed by high earners, reaches £52,780.

The State Pension plays an enormous role in maintaining retirees' living standards: it accounts for 47% of income for 70-74-year-olds and 50% for those over 80. High-income and advised retirees are less reliant on the State Pension, but lower-income personas, the Mid-age Stretched and the Late-age State Dependants, rely on it for more than half of their income.

Half of retirees saw their income rise last year, yet the average uplift of 1.34 % was a little under half of UK inflation during the same period. Early-age Scrimpers even recorded a slight fall. We found that income satisfaction tracks heavily to income level and declines marginally with age: 63% of retirees overall are content with their income, but this rises to 85% among the younger, higher-income Early-age Spenders, compared with 52% among lower-income retirees of the same age group.

Living-standards worries cut across income lines

Just over half of retirees fear they cannot maintain today's standard of living over the next 12 months; 18% are very concerned. Inflation and the rising price of essentials top the list of concerns (around 40% each). Better-off retirees are paradoxically more anxious: 72% of Early-age Spenders report concern versus 53% among retirees overall. Lower-income personas cite potential cuts to benefits, especially the triple lock, as a significant threat.

These fears are already changing behaviour. A quarter (26%) plan to cut discretionary spending, one fifth (21%) will trim essentials, and one in ten (9%) are contemplating food-bank use. Younger retirees are the most active: only 12% under-55s intend to "do nothing", compared with 32% overall.

Policy shifts are reshaping retirement strategy

Inheritance tax changes that bring pension pots into scope for inheritance tax from 2027 are already driving action. Forty-one per cent say the current political environment has impacted their plans; among those with over £1 million this rises above two-thirds. More than 60% of retirees expect to take action to protect their assets and manage tax liabilities, with advised households the most proactive.

Quilter's recommendations

Consult on State Pension uprating and commit to consistency: The Government should consult on the State Pension, encourage UK political parties to agree an income level relative to mean full time earnings, and commit to a sustainable uprating mechanism that is acceptable to provide a minimum standard of living in retirement.

Provide targeted support for the unadvised majority: A structured targeted support regime, offered early and at key decision points, would help retirees who are unable or unwilling to access full financial advice to make informed choices.

Modernise the gifting allowance to promote intergenerational support: Cognisant of the increased revenue generated by pensions being brought into scope for IHT, the Government should modernise the annual gifting allowance, bringing it to £12,000 in line with inflation to promote the financial mobility of younger generations and, by extension, the wider economy.

Chapter 1: Introduction and Retirement Personas

A note on the methodology

The findings of this report are derived from a survey commissioned by Quilter and conducted by Censuswide which polled a sample of 5,001 retirees between 13th-19th February 2025.

The survey asked retirees about their gross household incomes, sources of income, spending habits, and their perception of both their financial situation and the impact that government policy has had on their current situation and financial future, along with any action they planned to take in response.

To enrich the insights, Cebr performed an econometric analysis of the survey data. This allowed for a detailed breakdown of individual-level spending habits across a predefined basket of goods on a monthly or annual basis.

Further, Cebr's analysis led to the creation of six retirement 'personas' – cohorts of retirees with common attributes, habits and concerns, divided up by income level and age group.

The following pages introduce these six personas – the primary cohorts within the UK retiree population – providing valuable insight into how spending priorities and financial concerns shift across different segments.

Subsequent chapters will explore how these groups differ across various aspects of retirement, including income sources, expenditure patterns, financial confidence and responses to economic and policy changes.

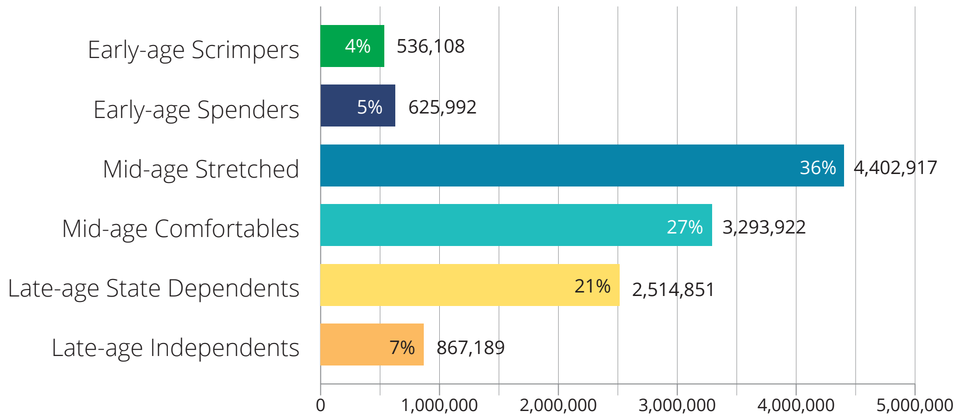
The Retiree Personas

Together with Cebr, we created these six personas through an exploratory review of the raw data, based on the key demographic splits that lead to differing results. Due to small samples in some areas – particularly among the oldest groups – all percentage figures are expressed in unweighted terms. We also removed 'don't know' and 'not applicable' responses where appropriate.

Our analysis uncovered several high-level insights into how different factors influence retirees' behaviour and attitudes:

- Spending patterns – both essential and discretionary spending - are primarily driven by a combination of age and income level. However, even some lower-income retirees are a critical source of financial support for their families, gifting significant amounts and contributing to education costs.
- Concerns about standard of living – older retirees are generally less worried about their ability to maintain their living standards over time than their younger counterparts. This may be an acknowledgement of their shorter remaining life expectancy, and therefore the shorter amount of time they need to make their income last for, but it also likely reflects the far greater reliance on state provision among older retirees.
- Financial planning – higher income retirees are far more likely to seek financial advice, a trend that is inversely correlated with age. Those who seek financial advice tend to be more engaged in tax planning, more likely to have transferred out of a defined benefit pension, and more likely to be concerned about factors such as second homes and care costs.

Composition of the UK's retirement population

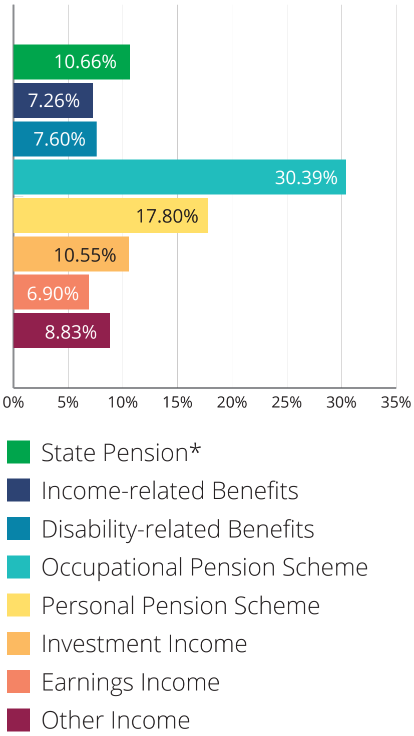


Estimated total number of retirees: 12,267,979

The Early-age Scrimpers

The first of the personas are the **'Early-age Scrimpers'** – retirees who are under 65 who are fully retired with a personal income of £35,000 or less. The majority (59%) of Early-age Scrimpers are married, while 13% are single, 10% are in a relationship outside of marriage and 9% are divorced. The remaining 8% are widowed.

Sources of income



Income satisfaction

- Most (41%) saw their income increase or stay the same (32%) over the past year but some saw significant declines, leading Early-age Scrimpers to be the only persona that reported an average decline in income over the past year, at -0.15%.
- Most (61%) are satisfied with their income, although this is below the average satisfaction level among retirees.
- Around half (52%) expect income to stay the same in the next 12 months, while 38% expect it to increase.

Concerns

- Around half (53%) are concerned about maintaining their current standard of living, with 20% expressing serious concern.
- Although there was no standout reason for concern, the most cited reasons are rising living costs (40%) and potential reductions in pensioner benefits by the Government (31%).
- Approximately one quarter (24%) stated they would cut back on spending to preserve their standard of living.

Financial planning and advice

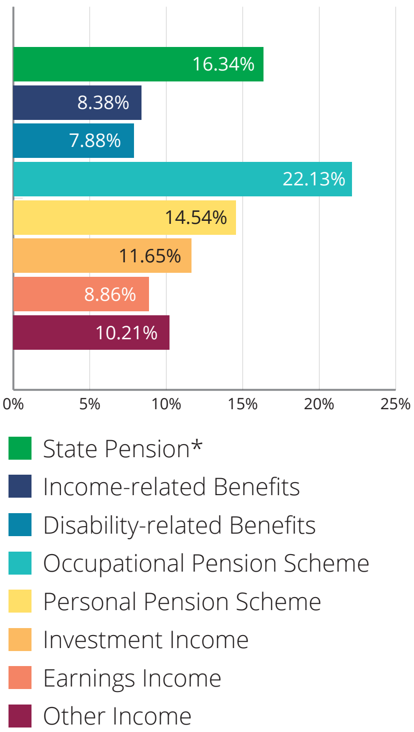
- Nearly half (45%) are currently receiving financial advice, slightly above the 43% average for all retirees.
- Most (52%) expect the current political environment to impact their inheritance tax planning.
- The most common action is to find tax-efficiencies (23%) and gift more to family and friends (18%).
- Most of those for whom it is applicable (56%) have not transferred DB pensions into DC pension schemes.

* The survey collected data on household income sources, which were then modelled to provide breakdowns of personal income. As a result, some retirees under-65 report an income from the State Pension due to older partners

The Early-age Spenders

Next are our ‘**Early-age Spenders**’, retirees who are under 65, fully retired and earn above the £35,000 median income. Compared to Early-age Scrimpers, Early-age Spenders are far more likely to be married, with 79% married overall, while only 6% are single, a further 6% are divorced, 5% are in a relationship outside of marriage and 4% are widowed.

Sources of income



Income satisfaction

- Approximately two-fifths (41%) have seen their income increase over the past year, while 31% said it has stayed the same.
- More than four fifths (85%) are satisfied with their income.
- Most (58%) expect their income to stay the same in the next 12 months, while a third (32%) expect it to go up.

Concerns

- Despite their comparatively strong financial position and relatively young age, most Early-age Spenders (72%) are concerned about maintaining their standard of living, with 29% describing themselves as very concerned.
- Their concerns are varied, with no single factor standing out. All options in the questionnaire were selected by 23-29% of concerned people. Almost a third (29%) expressed concerns about withdrawal of pensioner benefits, while 28% highlighted the potential impact of inflation on their living costs and 27% said the high cost of essentials meant they were spending their money faster each month.
- Just one in ten (12%) of Early-age Spenders plan to take no action to maintain their standard of living. The most common planned actions are applying for benefits (23%) and cutting back on discretionary spending (23%).

Financial planning and advice

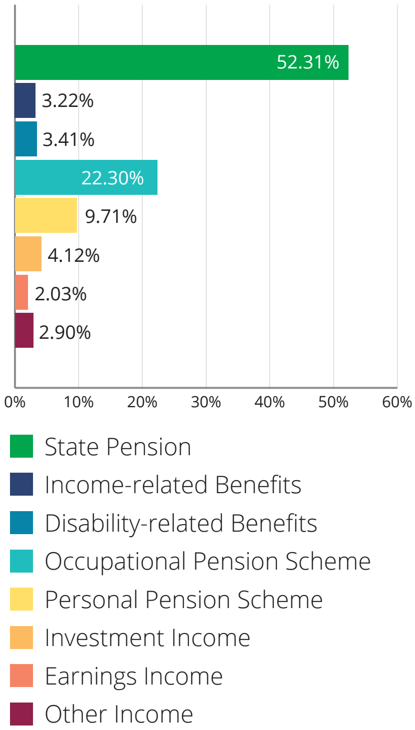
- The majority (78%) are currently receiving financial advice, and a further 16% have done so in the past.
- Most (71%) expect the current political environment to impact their inheritance tax planning.
- Most common action in response to government policy is to use trusts (30%) and find tax efficiencies (30%).
- Most of those for whom it’s applicable (67%) have transferred DB pensions into DC pension schemes.

* The survey collected data on household income sources, which were then modelled to provide breakdowns of personal income. As a result, some retirees under-65 report an income from the State Pension due to older partners

Mid-age Stretched

The '**Mid-age Stretched**' are retirees aged 65-79 with a personal income of £35,000 or less. As their name suggests, these retirees are stretched financially. They derive just over half (52%) of their income from the State Pension, with smaller portions coming from other pensions and investments. Around half (53%) are married, while 19% are divorced, 11% each are divorced or widowed, and the remaining 6% are in a relationship outside of marriage.

Sources of income



Income satisfaction

- Just under half (44%) have seen their income increase over the past year, while 40% report that it has stayed the same.
- Only 42% are satisfied with their income, while 26% express dissatisfaction.
- Just under half (47%) expect income to increase in the next 12 months, while 44% anticipate it will stay the same.

Concerns

- Most (58%) are not concerned about their ability to maintain their standard of living over the next year.
- The primary concerns among those who are worried relate to the rising costs of essentials and inflation (26% and 25% respectively).
- Around half (52%) plan to take action to maintain their standard of living, most commonly by cutting back on discretionary spending (31%).

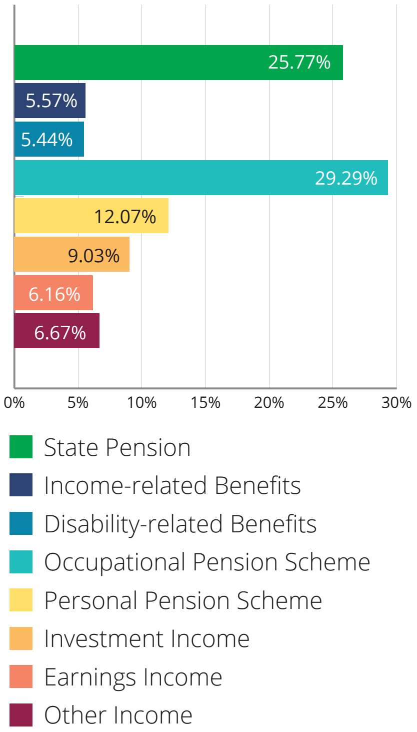
Financial planning and advice

- Only 15% are currently receiving financial advice, while half (52%) never have.
- The majority (68%) believe the current political environment will not impact their inheritance tax planning.
- Most of those for whom it is applicable (18%) have not transferred DB pensions into DC pension schemes.

Mid-age Comfortables

The '**Mid-age Comfortables**' are retirees aged 65-79 with a personal income exceeding £35,000. They have above-average spending rates and higher levels of income satisfaction, with 84% satisfied overall and 30% reporting they are very satisfied. Four-fifths (80%) of Mid-age Comfortables are married, while 6% each are divorced or widowed, and 4% each are single or in a relationship outside of marriage.

Sources of income



Income satisfaction

- More than two thirds (69%) have seen an increase in income over the past year, while 22% say it has stayed the same.
- The majority (84%) are satisfied with their income, with 30% very satisfied.
- Half (52%) expect their income to stay the same in the next 12 months, while 41% expect it to increase.

Concerns

- Despite their financial stability, just over half (52%) are concerned about maintaining their standard of living for the next year, with 20% very concerned.
- Almost two thirds (64%) plan to take action to safeguard their financial position, with cutting back on discretionary spending (20%) being the most common strategy.

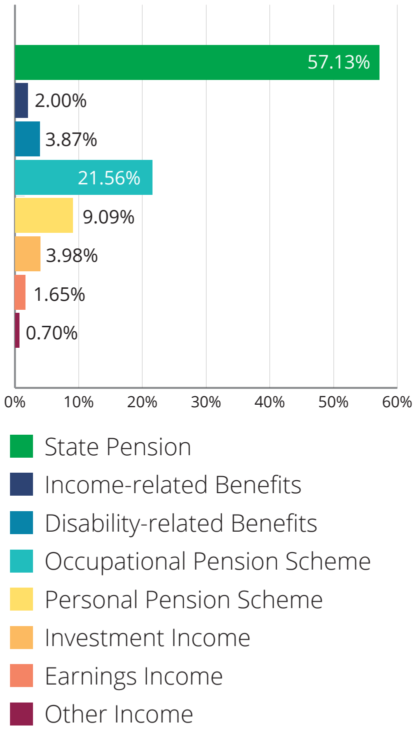
Financial planning and advice

- Over half (57%) are currently receiving financial advice, with a further 25% having done so in the past.
- Only a quarter (25%) are doing nothing to plan inheritance within the current political climate.
- Around half of those for whom it is applicable (49%) have transferred DB pensions into DC pension schemes.

Late-age State Dependants

'**Late-age State Dependants**' are retirees aged over 80 with a personal income of £35,000 or less. This group is the most reliant on the State Pension and spends the least on groceries, dining out and holidays compared to other retiree groups. This demographic is split almost evenly between those who are married (40%) and those who are widowed (38%). A further 14% are divorced, 6% are single and just 2% are in a relationship outside of marriage.

Sources of income



Income satisfaction

- Half of this demographic (50%) saw their income increase over the past 12 months.
- Nearly half of respondents are satisfied with their current income (48%).
- Most (55%) expect income to go up in the next 12 months, 37% expect it to stay the same.

Concerns

- Most (72%) are not concerned about their ability to maintain their standard of living.
- Of those concerned, the most common reasons were rising living costs (70%) and worries that the Government will reduce pensioner benefits (65%).
- Two-thirds (66%) are not planning any action to maintain their standard of living, while 23% intend to cut back on discretionary spending.

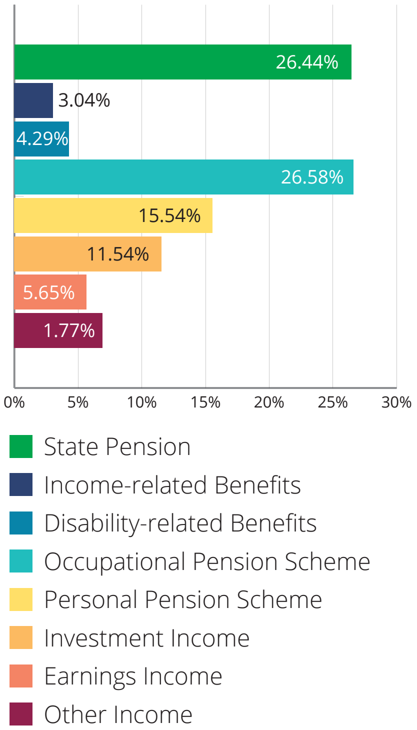
Financial planning and advice

- Only 16% are currently receiving financial advice, while most (57%) never have.
- Most (72%) do not expect the current political environment to impact their inheritance tax planning.
- For those who do, the most common plan of action is to look for ways to be more tax efficient with their savings (13%).

Late-age Independents

Our final group, the '**Late-age Independents**' are retirees over the age of 80 with a personal income exceeding £35,000. Their name reflects their approach to retirement – making the most of their later years by spending significantly more than average on holidays, dining out, and groceries. Almost four-fifths (78%) of Late-Age Independents are married, while 12% are widowed. A little over one-in-twenty (6%) are in a relationship outside of marriage, while 2% are divorced and a further 2% are single.

Sources of income



Income satisfaction

- Most (67%) experienced an increase in income over the past year.
- The majority (70%) are satisfied with their current income.
- Most (52%) expect their income to stay the same in the next 12 months, while 36% expect it to increase.

Concerns

- Most (72%) are not concerned about their ability to maintain their living standards.
- The majority (53%) do not plan to take any actions to maintain their current standard of living.

Financial planning and advice

- A third (32%) are currently receiving financial advice, while 32% never have.
- Most (63%) expect the current political environment to impact their inheritance tax planning.
- The most common plan of action is to look for ways to be more tax efficient with their savings (34%) or gift more to relatives and friends (28%).

Chapter 2: The Retirement Spending Index: how retirees are spending their money

Key findings

- The average retiree spends £22,140 per year, but the figure varies widely across different groups
- Discretionary spending patterns are largely dictated by income levels, but do not always decline with age
- Retirees' financial support for younger generations is significant

Using the responses gathered by our survey, the Cebr conducted an econometric analysis, adjusting the data to calculate average spending per retiree across a wide range of categories. This provides a baseline for analysing retiree spending habits and a benchmark for comparing different retirement personas.

Key findings of the Retirement Spending Index

	Average spend per retiree	
Goods	**Monthly**	**Annual**
Housing (rent, mortgage, property maintenance)	£188.20	£2,258.34
Food and non-alcoholic drink (groceries)	£185.18	£2,222.17
Holidays	£178.11	£2,137.34
Renovations / Home improvements	£165.44	£1,985.26
Energy	£150.52	£1,806.19
Loan / debt repayments	£131.57	£1,578.88
Transportation (bus, car including petrol, train travel)	£119.65	£1,435.82
Phone, TV, and broadband	£117.76	£1,413.08
Healthcare (pharmaceuticals and any costs associated with healthcare)	£114.48	£1,373.80
Clothing and footwear	£113.43	£1,361.18
Gifting to relatives	£110.24	£1,322.83
Assistance in funding education of grandchildren/relatives	£97.93	£1,175.19
Gifting to charities	£87.38	£1,048.56
Dining out (food and drink away from home)	£19.61	£235.38
Electronics/gadgets	£15.30	£183.56
Hobbies (excluding sports)	£13.27	£159.24
Entertainment (theatre, cinema, live sports)	£13.24	£158.93
Sports (membership of clubs, equipment spending etc.)	£12.23	£146.81
Subscriptions	£11.53	£138.30
Total	**£1,845.07**	**£22,140.88**

Retirement Spending Index

The Index reveals that the average retiree in the UK spends approximately £22,000 a year. This sits below the £31,700 expenditure level suggested by Pensions UK, formerly the Pensions and Lifetime Savings Association (PLSA), to achieve a moderate lifestyle for a single person, but higher than its minimum estimate of £13,400.[1]

Patterns in discretionary spending

The Index shows that holidays and home renovations are the areas of highest discretionary spending for retirees.

Despite being retired, the average retiree still spends over £1,500 annually to pay down debt, though this amount declines with age.

Healthcare related spending averages £1,374 per year, despite free NHS provisions. Our analysis of spending among our different personas reveals this differs considerably between high and low-income retirees, indicating that spending may be driven by the desire to use private healthcare offerings to access more personalised treatment - or to avoid lengthy waiting lists.

Gifting to relatives is a major expense for retirees

The Index also illustrates how important retiree income is not just to the retirees themselves, but to the wider UK population. The average retiree gifts £1,323 to relatives each year, and provides a further £1,175 in assistance to fund education for their grandchildren or other relatives. Among some groups, this number is considerably higher.

This indicates a level of reliance among the non-retired population well in excess of previous expectations. Pensions UK's retirement living standards forecasts that £1,360-£1,600 annually to gift to family is adequate for those with a 'moderate' or 'comfortable' level of spending, but our research indicates that the average retiree already gives more than £1,300 per year to relatives, with an additional £1,175 going towards funding the education of their children or grandchildren.

Of course, the figures in our Retirement Spending Index are skewed by the wide variance in income levels and the comparatively larger population of younger retirees. Breaking down spending levels according to our different retirement personas allows us to gain an understanding of how spending behaviour differs across ages and income levels, and provides an insight into how these behaviours may change over time.

Spending patterns across our personas (Monthly)

	Early-age Scrimpers	Early-age Spenders	Mid-age Stretched	Mid-age Comfortables	Late-age State Dependants	Late-age Independents
Food and non-alcoholic drink (groceries)	£295	£399	£233	£372	£191	£402
Housing (rent, mortgage, property maintenance)	£293	£389	£202	£296	£149	£246
Energy	£247	£383	£162	£294	£150	£293
Transportation (bus, car including petrol, train travel)	£208	£365	£100	£263	£71	£223
Phone, TV, and broadband	£207	£363	£99	£257	£78	£246
Clothing and footwear	£204	£363	£90	£250	£66	£184
Healthcare (pharmaceuticals and any costs associated with healthcare)	£221	£361	£89	£250	£59	£203
Loan / debt repayments	£239	£371	£117	£263	£61	£169

1 Pensions and Lifetime Savings Association

Spending patterns across our personas (Annual)

	Early-age Scrimpers	Early-age Spenders	Mid-age Stretched	Mid-age Comfortables	Late-age State Dependants	Late-age Independents
Sports (membership of clubs, equipment spending etc.)	£249	£419	£124	£331	£61	£361
Entertainment (theatre, cinema, live sports)	£266	£429	£150	£345	£82	£309
Dining out (food and drink away from home)	£344	£508	£258	£502	£200	£558
Hobbies (excluding sports)	£262	£434	£139	£335	£73	£403
Electronics/ gadgets	£270	£437	£176	£379	£116	£304
Subscriptions	£242	£415	£128	£308	£89	£290
Holidays	£3,458	£5,875	£2,294	£4,766	£1,387	£6,723
Gifting to relatives	£2,587	£4,836	£949	£3,442	£861	£4,323
Gifting to charities	£2,162	£4,791	£593	£2,960	£187	£2,024
Renovations / Home improvements	£3,294	£5,875	£1,714	£4,599	£816	£3,909
Assistance in funding education of grandchildren/ relatives	£2,403	£5,280	£550	£3,038	£327	£3,815
Total (monthly and annual spending combined)	**£38,501**	**£65,235**	**£20,171**	**£47,937**	**£14,095**	**£46,614**

Spending levels vary between our different retirement personas. However, we can observe some relatively consistent spending patterns across income groups in a range of areas.

Spending falls with age, but falls are inconsistent across groups

In almost half of the areas of spending we asked retirees about, spending declines as they age. However, the decreases fall along different lines for low and high-income retirees. For example, Early-age Scrimpers spend an average of £266 per year on entertainment such as tickets to the theatre, cinema and live sporting events. For older, low-income retirees, the Late-age State Dependants, this drops to £82 per year.

For higher income retirees such as Early-age Spenders the figure is £429 per year, falling to £309 for Late-age Independents.

A similar pattern is observed across many areas of spending such as housing costs, spending on electronics and gifting to charities. Spending on healthcare also declines, perhaps surprisingly given the increased likelihood that retirees will require medical care as they age.

Spending in areas such as transportation, phone, TV and broadband, and clothing is far lower for low-income retirees than for those on higher incomes. Late-age State Dependants spend around £66 per month on clothing and footwear, around a third of what Early-age Scrimpers spend. Higher income retirees also decrease their spending here as they age, but Late-age Independents spend £184 on average, a little over half the spending of Early-age Spenders.

However, while spending for lower income retirees falls across all categories as they age, it remains relatively flat or even increases among higher-income groups. Spending on groceries is one example, falling from £295 per month for Early-age Scrimpers to £191 for Late-age State Dependants, while rising incrementally from £399 for Early-age Spenders to £402 for Late-age Independents.

The largest spending difference among retirees is in holiday expenditure, which falls from £3,458 annually for Early-age Scrimpers to £1,387 for Late-age State Dependants and rises from £5,875 for Early-age Spenders to £6,723 for Late-age Independents. This demonstrates the importance of holidays to this age cohort and where higher income retirees are deploying their higher spending power.

Some areas of spending are likely due to differences in lifestyle – retirees accustomed to shopping at more expensive supermarkets, for example, are unlikely to make a change unless forced to by circumstance. Other areas, however, may point to diverging outcomes between higher and lower-income retirees.

One such example is spending on sports, which falls from £249 annually for Early-age Scrimpers to just £61 for Late-age State Dependants. For Late-age Independents, by contrast, annual spending is £361, a comparatively small decline from the £419 spent by Early-age Spenders. This may be an indication of poorer health among lower-income retirees leading to decreased spending on leisure activities they no longer feel able to enjoy – a pattern highlighted by the Institute of Fiscal Studies in its *How does spending change through retirement report*.[2]

One area in particular that remains high as retirees age is gifting to relatives, declining only slightly from £4,836 annually for Early-age Spenders to £4,323 for Late-age Independents. This is before considering the amount spent on educational assistance for relatives at £5,280 and £3,815, respectively. These substantial sums are not only a significant proportion of these cohorts' annual spend – and risk incurring inheritance tax implications given the £3,000 gifting allowance - but are clearly an important contribution to younger generations' financial wellbeing.

The Index illustrates a highly varied picture of financial priorities in retirement. Consequently, any discussion of UK retirement policy must recognise that there is no 'average' retiree - only a diverse range of groups, each with unique spending habits, concerns and financial behaviours.

Quilter's take on the retiree spending findings

"Retirement spending changes over time, but it doesn't always fall across the board. Our Index shows the average retiree still parts with about £22,000 a year, with holidays, home improvements and groceries absorbing most of the budget.

"However, while this is a relatively modest budget, over £2,500 – which equates to more than a tenth of overall expenditure – is earmarked for gifts and educational help for younger generations. Clearly, reliance on the 'Bank of Mum and Dad', or for some the 'Bank of Gran and Grandad', is prevalent.

"For now, many retirees have the relative luxury of discretionary spending, including gifting to their loved ones, but as the age of defined benefit pensions draws to an end we are likely to see this diminish. If those currently nearing retirement are unable to build retirement pots that provide a suitable level of income, this intergenerational financial support may lessen. This could have a considerable knock-on effect on the financial mobility of the younger generations and, subsequently, the economy."

Jon Greer, Head of Retirement Policy, Quilter

2 IFS

Chapter 3: Retirement income

Key findings

- The State Pension is the backbone of retirement income for older and lower-income retirees
- Median household income is £35,000, but differences between high and low income groups are stark
- Despite rising incomes, real spending power is falling

Our third chapter explores UK retirees' income, examining annual household income, where their money comes from, how they feel about their finances and broader trends shaping retirement security.

The other side of the spending coin is income. It would be impossible to build a comprehensive understanding of retirement spending without understanding where retirees' income comes from, and how it changes over time.

To explore this, we asked a series of questions aimed at understanding the average retirement income, both across the retiree population as a whole and among people of different ages. We asked about the different sources of retirement income to understand reliance on the State Pension and other forms of retirement benefits, as well as how the income sources of the wealthiest retirees differ from others.

We also asked questions to better understand how satisfied retirees are with their income, how their spending power has changed, and the factors that have driven those changes.

We found that the median retirement household income sits at around £35,000, broadly in line with the £34-£37,000 average gross annual individual income implied by the latest average weekly earnings figures from the Office for National Statistics.[3]

However, as the persona data demonstrates, this single number hides a wide range of incomes across our retirement personas. Some retirees make do with a lower income, while others enjoy spending power far in excess of the average.

We found that many retirees are feeling their spending power drop as incomes largely failed to keep pace with inflation over the past year. What's more, even among those who enjoy above average incomes, concerns over their ability to maintain spending into the future are rife.

The State Pension is critical to retirement wellbeing.

Our research underscores how integral the State Pension is in sustaining retirees, comprising up to half of household income for those in their seventies, eighties and older. Additionally, State Pension increases were the primary driver of income growth over the past year, reinforcing the importance of the triple lock in maintaining retirees' living standards.

Additionally, while most retirees express satisfaction with their household income, satisfaction levels decline steadily with age – highlighting the need for careful financial planning and adequate provision to support retirees as they grow older.

Average UK retiree's household income is £35,000, but individual household incomes vary widely

Our research finds that the median gross annual household income for retirees in the UK is £35,000. However, analysis of the income data for our retirement personas reveals a varied picture.

Across our entire retirement population, the presence of a small but significant number of higher income retirees skews the overall income data, resulting in an average mean income figure of £52,780, well in excess of the median.

However, when analysing income distribution among our specific retirement personas, we observe greater alignment between mean and median figures, providing a more reliable picture of retirement incomes.

3 Office for National Statistics

The picture is starkly divided, with our three lower-income personas enjoying an annual income that is a fraction of their higher income counterparts. Early-age Scrimpers have an annual income of £25,449, for example, compared with £85,171 for Early-age Spenders.

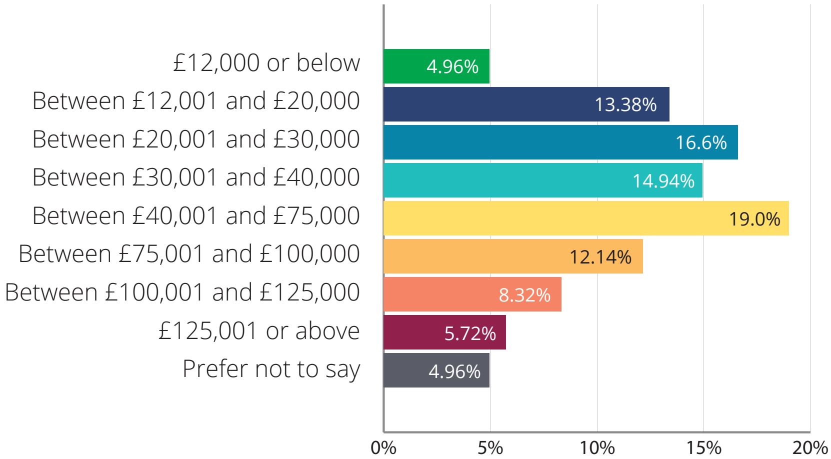
A similar picture plays out among Mid-age Stretched and Mid-age Comfortables, at £24,070 and £82,647 respectively. Late-age State Dependants have an average annual income of £22,780, while Late-age Independents enjoy an average of £76,401.

Retirees in London had the highest annual household income at an average of £58,133, followed closely by the East of England at £57,796 per year. By contrast, Wales had the highest proportion of retirees reporting an income below £30,000 per year, at 42%. Of these almost half – 20% overall – report an income below £20,000 per year.

In terms of income, factors such as living arrangements and whether a person has taken financial advice play a larger role than where in the country a retiree lives. Married retirees have a median household income of between £40,001 and £75,000 per year, compared with between £20,001 and £30,000 for single retirees.

Retirees with higher household incomes are also much more likely to be receiving financial advice. Retirees that are currently receiving financial advice have the highest average annual household income of any group, at £70,358. By contrast, retirees who have never taken financial advice report an average income between £20,000 and £30,000.

What is your household's annual gross retirement income, including private income and state benefits?



State and occupational pensions are main sources of retirement income, particularly for less wealthy retirees

Our research emphasises the importance of the State Pension to retirees in the UK. Responses indicate that it makes up an average of 47% of household income among those aged 70-74, rising to 50% for those aged 80-84. While there are a proportion of retirees who enjoy annual incomes considerably above the median, the average retiree in the UK demonstrates a considerable reliance on state provision.

Income sources differ greatly between those retirees who are taking financial advice versus those who are not. Advised retirees are considerably less reliant on the State Pension. While this is not entirely surprising given those receiving financial advice often have higher incomes, the more diverse make-up of their retirement income demonstrates the benefits professional advice can bring when structuring your retirement income.

Advised retirees rely far less on the State Pension – on average, it comprises only 20% of their overall household income, compared to 29% for retirees overall.

Similarly, and unsurprisingly, those with retirement funds worth £1 million or more show a far lower reliance on the state and occupational pensions, accounting for 16% and 20% of their household income respectively. These wealthier retirees rely more on income from investments, accounting for 14% versus 8% on average, and slightly higher earnings, accounting for two percentage points more at 8% overall.

The research also reveals a far greater reliance on the State Pension among women, likely due to gender income, pension, and savings gaps experienced during their lifetimes, which is then compounded by the higher average life expectancy of women. On average, the State Pension accounts for 27% of household income for men, compared with 32% for women. However, this rises to 44% for widows, 10 percentage points higher than for widowers.

Our persona analysis reveals a stark difference between higher and lower-income retirees. Lower-income retirees above the State Pension age – namely the Mid-age Stretched and Late-age State Dependants rely on the State Pension for more than half of their income, with a third or less coming from their workplace or personal pensions.

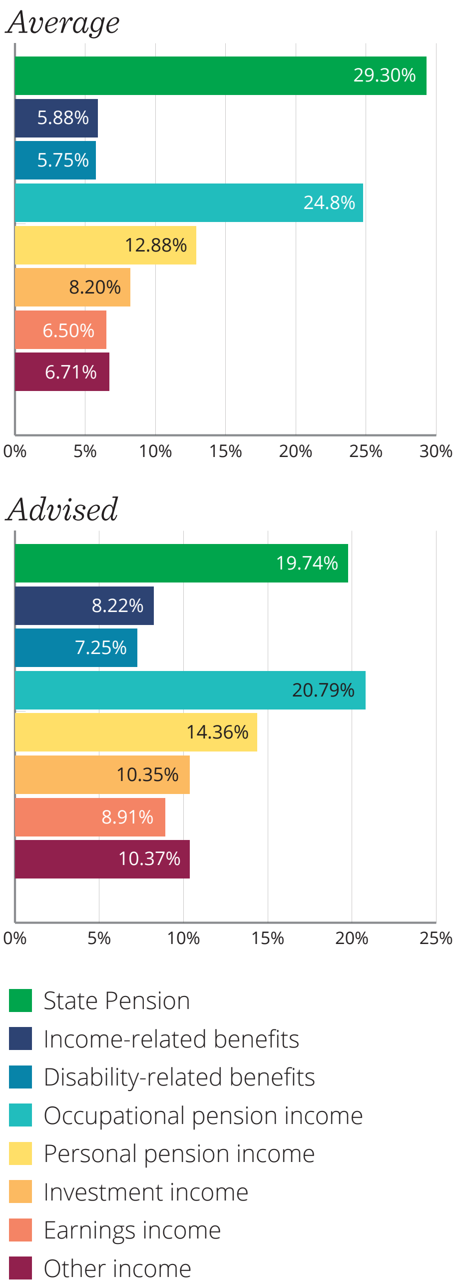
For higher-income retirees, by contrast, the State Pension makes up a considerably smaller part of their income – 26% each - with the Mid-age Comfortables and Late-age Independents relying much more heavily on workplace pensions and investments to provide income for their retirement.

Further, higher-income retirees - such as the Early-age Spenders and Mid-age Comfortables - rely on personal pensions and investments to provide an income and maintain their lifestyle in retirement. Unsurprisingly, the Early-age Spenders and Mid-age Comfortables seek advice at far higher rates than the average, but they are not the only ones who would benefit from it. Expanding advice and guidance at retirement, as well as in the lead up to it, will be crucial in ensuring people are well positioned to support themselves and reduce reliance on the state.

Jon Greer adds: "Our research shows just how valuable the State Pension is for retirees, particularly so for those on lower incomes, with their reliance growing as they age. It is essential that this lifeline remains secure, particularly as the decline in gold-plated defined benefit pensions means future retirees face greater financial uncertainty.

"However, given the rapidly increasing financial burden the State Pension is placing on the Government's coffers, reform may be necessary to place it on a more sustainable footing. The Government should consult on the State Pension, encourage UK political parties to agree an income level relative to mean full time earnings, and commit to a sustainable uprating mechanism."

Sources of retirement income



Retirees see spending power decrease over the past 12 months, despite income growth

Half (49%) of retirees saw their household income rise over the past 12 months. Despite a healthy State Pension increase of 8.5% in April 2024,[4] lack of growth or even drops in other income sources meant the average retiree saw an overall uplift of just 1.34%. This increase lags behind UK inflation of 2.8% in the 12 months to February 2025, when the research was completed.[5]

Higher income retirees were more likely to have seen their income increase, and far less likely to have experienced a drop. Among the Early-age Spenders, 62% saw their income increase in the last year, while 14% experienced a decline. Comparatively, just 40% of the Early-age Scrimpers saw their income rise, while 25% saw a decrease. The mean increase was 2.69% among Early-age Spenders, 3.16% among Mid-age Comfortables and 2.39% for Late-age Independents. Early-age Scrimpers were the only persona group to experience a meagre decline in income on average over the year, with -0.15%.

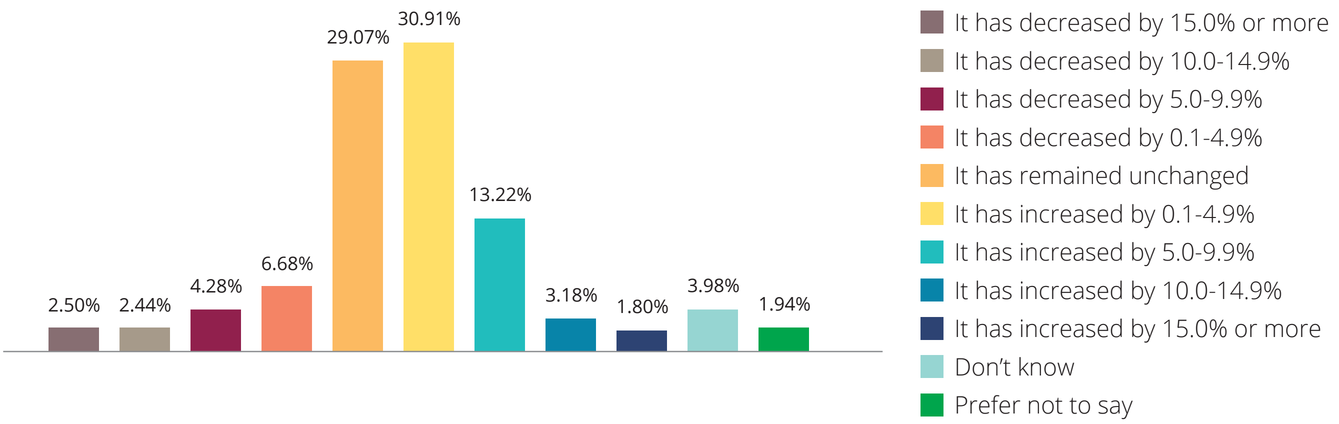
The same story played out across the different age groups. 15% of Mid-age Stretched saw their income fall, compared with just 9% of Mid-age Comfortables. Among Late-age State Dependants, 12% saw a decrease compared with just 8% of Late-age Independents.

This is likely driven by greater levels of financial sophistication and support among the higher-income groups, who have wider assets available to generate income and greater flexibility in how they use them. Notably, the largest increases were enjoyed by those with a pension pot in the £1-5 million range, with retirees in this cohort seeing average increases of 3.5% or more over the year.

Financial advice has played a significant role in whether or not retirees have seen their income rise or fall, and there is also a considerable difference in the increases seen by those who are currently taking financial advice, versus those who aren't. Almost two-thirds (61%) of those currently taking advice saw an increase in their household income over the year, close to double the proportion in the general retirement population.

Advised retirees saw an average increase of 2.3%, considerably above the overall average income uplift. This may be partially linked to announced changes to bring pensions into scope for inheritance tax (IHT), which may have prompted some to reassess their retirement provision and whether they can start to access it sooner in order to mitigate an IHT bill post-2027.

Has your household retirement income changed in a meaningful way over the last 12 months?



Almost two-thirds (61%) of those currently taking advice saw an increase in their household income over the year, close to double the proportion in the general retirement population

4 GOV.UK
5 Office for National Statistics

State Pension also biggest driver of income rises for older retirees, while younger retirees shed assets

The biggest driver of household income growth was an increase to the State Pension, cited as a reason by 45% of retirees who saw a rise over the past year. The second and third-most common reasons were an increase in income-related benefits (18%), and an uptick in the value of an investment portfolio (17%).

Our analysis reveals a wide range of different drivers of income increases among retirees. Early-age Scrimpers most commonly experienced increases in income-related benefits (20%), increases in disability-related benefits (19%) and increases in the value of an investment portfolio (17%).

Early-age Spenders also highlighted an increase in income-related benefits (24%) and increases in the value of their investment portfolios (25%), but were six percentage points more likely to have seen increases due to the sale of a business (15%) and eight percentage points more likely to have benefitted from their partner returning to work part-time (18%).

Mid-age Stretched and Late-age State Dependants show a great deal of reliance on the State Pension, cited as a driver for their increased income by 77% and 88%, respectively. Of course, increases in the State Pension will have benefitted all retirees over 66, but many of those whose income is predominantly derived from other sources chose not to cite it as a factor.

Even beyond the State Pension, both personas show a reliance on state provision for their retirement income. The second most common reason for both groups was increases in income-related benefits, but this was given by just 15% of Late-age State Dependants and 11% of Mid-age Stretched. 13% of Late-age State Dependants also mentioned increases in disability-related benefits as a driver, the third most popular reason.

Even among higher income retirees above State Pension age, the State Pension was a significant driver of increases, mentioned by 46% of Mid-age Comfortables and 66% of Late-age Independents – the most common reason for both groups. However, unlike lower income retirees, over a fifth (22%) of both groups credited increases in the value of investment portfolios as a driver of increases.

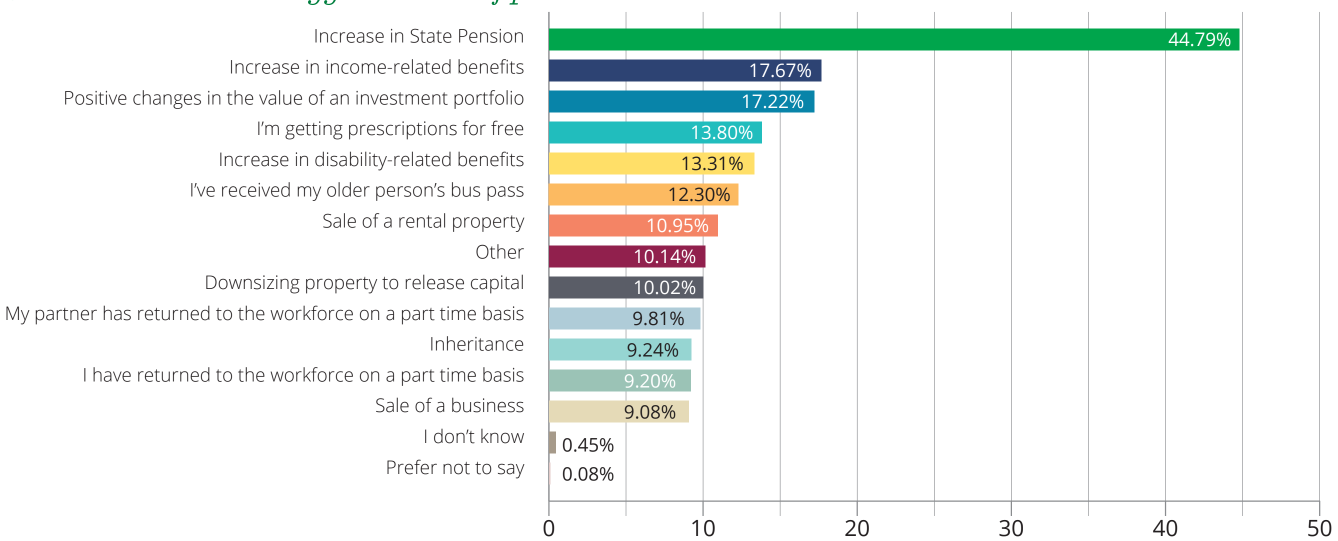
The impact of the State Pension on wider household income increases markedly with age, likely becoming an ever-larger part of overall retirement income, as retirees either spend down their assets or gift them to family. State Pension increases were cited as a driving factor for increases by 81% of 80-84-year-olds whose income grew, and 85% of those aged 85 and older.

Younger retirees were more likely to have seen an increase from the sale of assets. Among those aged under 55, for example, 18% increased their household income following the sale of a business, double the rate across all age groups. Similarly, 17% of under 55s sold a rental property (versus 11% overall) and 19% downsized their property to release capital (versus 10% overall).

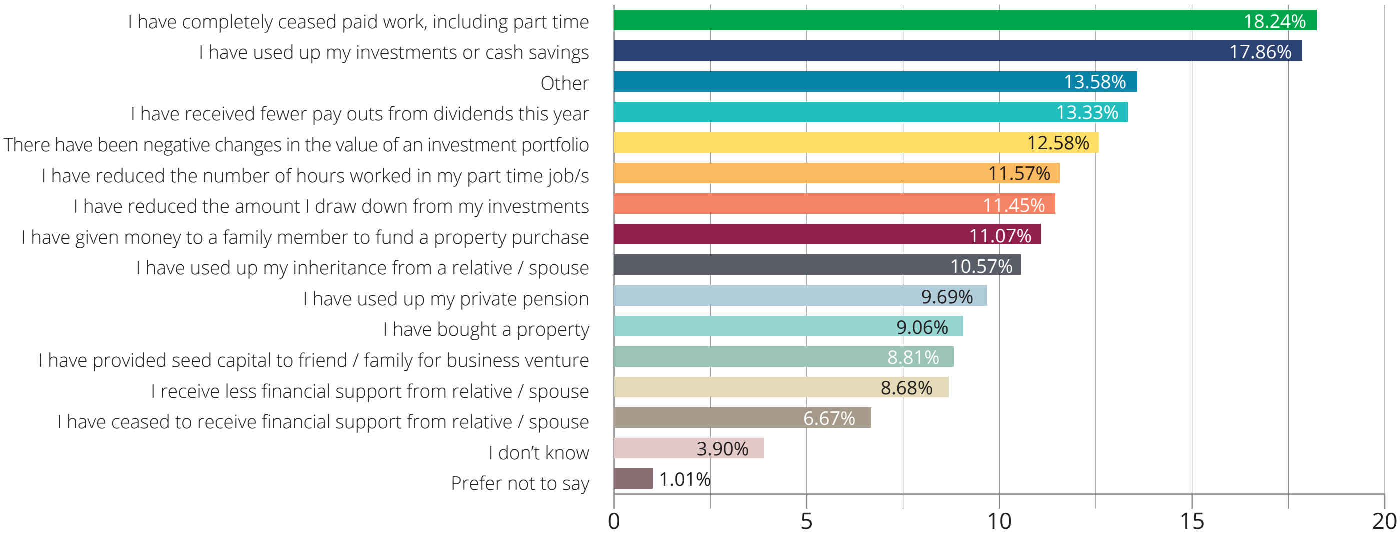
Female retirees were more likely to have seen a rise in household income due to their returning to work, reported by 10% of females compared with 8% of males. They were also marginally more likely to have benefitted from the sale of a rental property, reported by 12% of females who reported a rise in income compared with 11% of males who saw an increase.

Advised retirees were four percentage points more likely to have seen an increase in the value of their investment portfolio (21%), six percentage points more likely to have downsized their property (16%) or sold an investment property (17%), and six percentage points more likely to have sold a business (15%).

State Pension is the biggest driver of pension increases...



...While ceasing work or exhausting savings are the biggest reasons for income drops



Among our retirement personas, more than half of people classed as Mid-age Comfortables and Late-age Independents saw their income increase over the past 12 months, 69% and 67% respectively. Having a strong plan in place for investments and finances has given these groups the ability to continue growing their incomes even after they finish working. Among both groups, more than half (52%) expect their income to continue to rise in the coming year.

Many retirees saw their income drop last year, with many running out of savings

Almost one in six (16%) retirees saw their household income fall in the past 12 months. Among those who experienced a drop, a shocking 18% have used up their investments or cash savings, while 10% said they had used up their private pension. A further 13% saw a drop following a decline in the value of their investments.

Alongside exhausting their private pension, the most common reason for a decline in income was due to stopping work entirely, also cited by 18% of respondents.

However, younger retirees are also much more likely to spend or invest large amounts of their money on family. 16% of under-55s saw a decline in household income due to giving money to a family member to fund a property purchase, compared with 11% across all age groups surveyed. Similarly, 14% of under-55s gave money to family or friends as seed capital to start a business, versus 9% across all age groups.

The reasons given for decreases in income varied considerably across the personas, illustrating the wide differences in their circumstances, though we did observe some unity across age and income lines.

Firstly, the data showed the importance of employment for younger and lower-income retirees, with close to 20% of Early-age Spenders and Mid-age Stretched that saw a decrease in income attributing the drop to stopping part time work. For Early-age Scrimpers this figure was 21%, almost double the proportion of older and higher-income retirees that mentioned stopping work, with 11% for both Mid-age Comfortables and Late-age State Dependants.

This likely indicates the increased need among younger retirees as well as the lower-income elderly to maintain a job to meet their income needs until they reach State Pension age, after which employment drops off significantly.

The data also implies a potential lack of financial planning among some of the higher-income groups. More than a quarter (26%) of Early-age Spenders and 25% of Mid-age Comfortables saw their income drop after having used up all their investments and savings. This may indicate that in some cases, those on higher incomes are simply drawing down their retirement funds faster than they can afford to, leading them to run out of assets at a worryingly young age.

A little over a tenth (11%) of retirees that saw their income decrease said a reason behind the decline was their decision to give money to a family member to fund a property purchase. This rose to 15% among both Early-age Scrimpers and Mid-age Comfortables.

A shocking 18% have used up their investments or cash savings, while 10% said they had used up their private pension

Younger retirees are also more likely to have helped friends or family with seed capital for a business venture. 11% of Early-age Scrimpers and 17% of Early-age Spenders attributed a drop in income to helping to fund a business, compared with 9% across all personas.

This may be an indicator of economic struggles among the pre-retirement population 'trickling up' to affect retirees. Younger people in the UK increasingly rely on older generations to help reach financial milestones such as their first property purchase, with recent research indicating that the "Bank of mum and dad" assisted in 52% of first-time property purchases last year, with the average loan or gift totalling £55,572[6].

Most retirees expect their spending to stay flat or fall in the coming year

Our research found that most retirees expect their spending to remain the same over the coming year. Almost half of retirees (48%) expect their spending to remain the same over the coming year, while 37% expect it to go up and 9% expect it to decline.

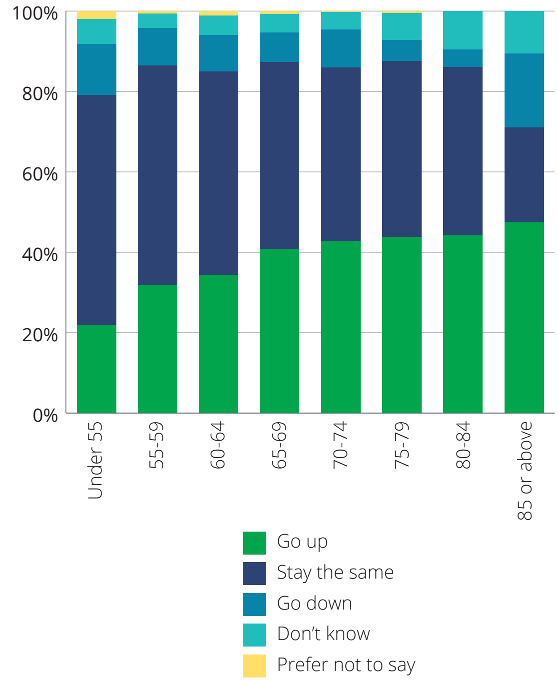
While a relatively small percentage expect their spending to decline, flat spending may indicate an effort to rein in expenses. Following a period of rapid inflation in the UK in the wake of the COVID-19 pandemic, inflation remains above the Bank of England's target at the time of writing. If retirees are not planning to increase their spending in response, they face the risk of seeing spending power fall.

The State Pension is a major driver of income growth among retirees. Indeed, the two persona groups that are most reliant on the State Pension – namely the Mid-age Stretched and Late-age State Dependants, were most confident that their spending would grow in the coming year, at 44% and 50% respectively.

Younger retirees, by contrast, were most likely to expect a decline in spending. Almost a tenth (9%) of both Early-age Scrimpers and Early-age Spenders expect their household spending to fall in the coming year, compared with just 6% for Late-age Independents and 7% of both Mid-age Comfortables and Late-age State Dependants.

Across the age groups, younger retirees are more expectant of declines in spending. Among under-55s, 13% expect to see their spending decrease over the coming year, while 22% expect an increase. However, older retirees are far more likely to expect spending increases. Among the 80-84 age group, just 4% expect to see their spending decrease, while 44% expect it to rise. This is likely due to expectations of increased spending on healthcare in future, for example due to moving into care or bringing additional care provision into the home in the near term.

Do you expect your household's retirement spending to go up, stay the same or go down over the next 12 months?



Two thirds of retirees are satisfied with their income, but satisfaction drops among older retirees

Almost two thirds (63%) of retirees say they are satisfied with their current level of household income, while 14% say they are unsatisfied and 22% are neither satisfied or unsatisfied.

This level of satisfaction broadly declines with age, reaching its lowest level of 49% among the 75-79-year-old age group. Among 60-64-year-olds by comparison, 71% said they are satisfied.

There was a significant difference in satisfaction levels between men and women. More than two thirds (68%) of men reported being satisfied with their household income, compared a little over half (57%) of women. This gender difference also held up across different relationship circumstances, with 72% of married men satisfied versus 63% of married women.

Similarly, and perhaps unsurprisingly, we saw meaningful differences in satisfaction among our higher and lower-income retiree personas. Among the lower-income personas, only the Early-age Scrimpers have satisfaction levels above 50%, and only narrowly at just 52%.

By contrast, satisfaction is significantly higher among higher-income groups, led by the Early-age Spenders at 85%, followed by Mid-age Comfortables at 84% and Late-age Independents at 70%. Relative youth and a high income are the drivers of satisfaction among retirees, and the data appears to show that a comfortable income makes a bigger difference than age.

The biggest predictor of satisfaction in the data was whether or not the retiree was taking financial advice. Among the groups that are currently being advised, satisfaction with household income was 84%. This dropped to 53% among those who had taken advice previously, but were not currently, and 41% for those who had never been advised. As we can see among the Early-age Scrimpers – who are more likely than other low income groups to be advised, and also show higher levels of income satisfaction – advice may help to increase income satisfaction even among retirees with lower overall incomes.

The biggest predictor of satisfaction in the data was whether or not the retiree was taking financial advice. Among the groups that are currently being advised, satisfaction with household income was 84%. This dropped to 53% among those who had taken advice previously, but were not currently, and 41% for those who had never been advised.

	Satisfied (Net)	Unsatisfied (Net)	Neither/Don't know
All	63.05%	14.28%	22.68%
Yes, taking advice currently	83.59%	4.45%	11.97%
Not currently advised but have spoken to adviser in the past	53.07%	18.82%	28.11%
No, never	41.18%	24.98%	33.81%

Quilter's take on the retiree income findings

"Most households appear to bring in roughly £35,000 a year, but the median figure obscures a deeper reality: for people in their seventies and eighties, the State Pension still accounts for up to half of all income and has been the primary driver of this year's pay rise for many retirees.

"Over the years, there has been repeated speculation that the triple lock may be changed or even scrapped altogether. Retirees deserve clarity on their incomes, but there is no doubt that the State Pension is becoming increasingly burdensome on government coffers. We believe that UK political parties should come together to agree what the level of the State Pension should be relative to mean full time earnings. Once this is determined, there should also be an agreement on a change to the uprating mechanism to one based on average earnings.

"Such a change would better align pension increases with the economic prosperity of the country, ensuring that pensioners' incomes rise in tandem with the working population. Under this approach, there would need to be a safeguard for periods of high inflation. For instance, if wage growth lags inflation, the State Pension could temporarily increase in line with prices until real earnings recover. Once they have, the State Pension could then return to its benchmark proportion of average earnings.

"Our data also show that advice is the strongest predictor of financial confidence and satisfaction – four in five advised retirees say they are satisfied with their income versus just two in five who have never sought advice. Fair, predictable rules and easy access to advice and guidance are therefore the twin levers that keep retirement incomes resilient."

Steven Levin, Chief Executive Officer, Quilter

Chapter 4: Living standards

Widespread concern about falling standards of living

Key findings

- More than half of retirees are concerned about their ability to maintain their standard of living
- Rising costs and inflation are the main drivers of financial fear
- Many retirees are cutting back, including on support to family

As we saw in the previous chapter, retirees in the UK on average enjoy a household income that is largely in line with the incomes of individual working adults, and most are satisfied. However, as this chapter will show, they also feel a widespread sense of jeopardy as they anticipate a diminished standard of living in their later years.

Our findings in this chapter highlight the critical need for the Government to provide reassurance to the UK's retired population. Concern about falling living standards are widespread, with many citing the potential for further cuts to retiree benefits as a key driver of their fears.

We believe the Government can work to assuage retirees fears by laying out a clear direction of travel for retirement policy, including transparency on their plans for the various benefits that pensioners rely on, primarily the State Pension.

Our research reveals that just over half (51%) of retirees are concerned about their ability to maintain their current standard of living over the next 12 months. Nearly one in five (18%) report being very concerned.

Retirees feel a widespread sense of jeopardy as they anticipate a diminished standard of living in their later years

Better off retirees feel more under threat

Concern was higher among married retirees, with 53% expressing anxiety versus 46% of those who are single. Those with larger retirement funds were much more likely to express concern, rising to 75% of those with £10 million or more.

Looking across our retirement personas, concerns about living standards are correlated to age, but not to income levels.

Younger retirees, whether Early-age Scrimpers or Early-age Spenders, are concerned about their ability to maintain their standard of living, while the higher income cohort reporting significantly higher rates of concern at 72% compared with the 53% average. Similarly, 52% of Mid-age Comfortables say they are concerned, compared with 41% of Mid-age Stretched.

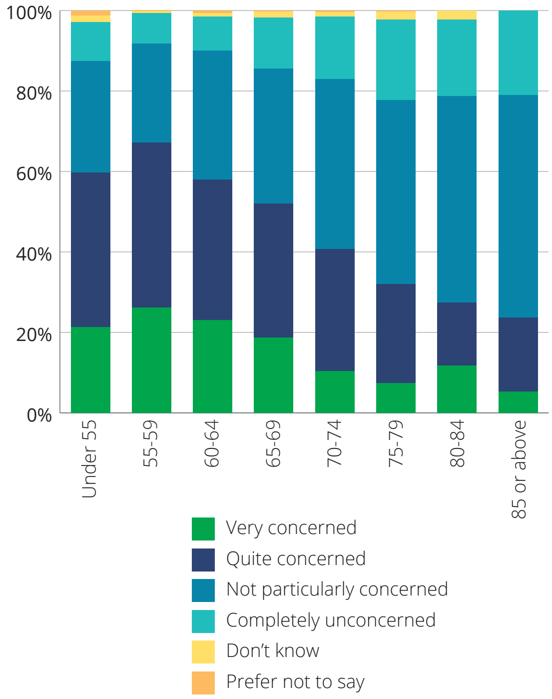
This likely reflects concerns around pension adequacy and among younger retirees seeking to make their savings last throughout retirement. This issue is only likely to grow in importance over time as fewer retirees have access to defined benefit pensions.

On a more positive note, levels of concern drop precipitously among older cohorts. For both Late-age State Dependants and Late-age Independents, 72% reported not being concerned about maintaining their current standard of living.

Retirees that are concerned are turning to financial advice in response. Among those who are currently being advised, 72% said they were concerned versus 38% for those who were not currently being advised and 32% for those who had never been advised.

These findings imply that higher income retirees feel under threat to a degree not shared by their less well-off counterparts. Among younger and better-off retirees, these concerns are due to the impact of inflation and concerns over making their savings last. Less well-off retirees, by contrast, fear the withdrawal of government benefits, such as the triple lock pledge.

Are you concerned about your ability to continue your household's current standard of living over the next 12 months?



Rising costs are primary driver of income fears

UK retirees are concerned about the future for a variety of reasons. Of those that expressed concern about their ability to maintain their household's standard of living, 41% of respondents say that increases in the cost of essential items mean that their money is not going as far as it used to. Roughly as many (40%) say they are concerned about the impact of inflation on their living costs in the coming year.

In both cases, these concerns disproportionately affect older retirees. While almost a third (31%) of those aged 55-59 highlighted the rising cost of essentials, that number rose to 62% of 75-79-year-olds, and 65% of those aged 80-84.

Similarly, females are more likely to be concerned about rising costs and inflation, with 46% saying the high cost of essentials makes them fearful for their ability to maintain current living standards, compared with 37% of males. 44% of females express concern about inflation, compared with 36% of males.

Retirees fear retirement benefits are under threat

But inflation is far from the only concern. More than a third (36%) were concerned about further reductions in pensioner benefits by the Government, while 32% were worried about the removal of the triple lock on the State Pension.

Concerns over the triple lock showed stark differences across age groups. Among those who were not yet at State Pension age, retirees' concerns over removal of the triple lock were much lower, at 22% for 55-59s and 21% of 60-64s. However, this jumps to 56% of 70-74-year-olds and 57% of 75-79-year-olds. The State Pension makes up more than 46% of the household income for these age groups, meaning any change to its provision will likely have a meaningful impact on their finances.

Our persona analysis reveals significant levels of fear among older, lower-income retirees. Among the Mid-age Stretched that expressed concern about maintaining living standards, 63% said the rising cost of essentials was eating away at their spending power, while 60% said they were worried inflation would noticeably increase their cost of living. For Late-age State Dependants, this rose to 70% and 83%, respectively.

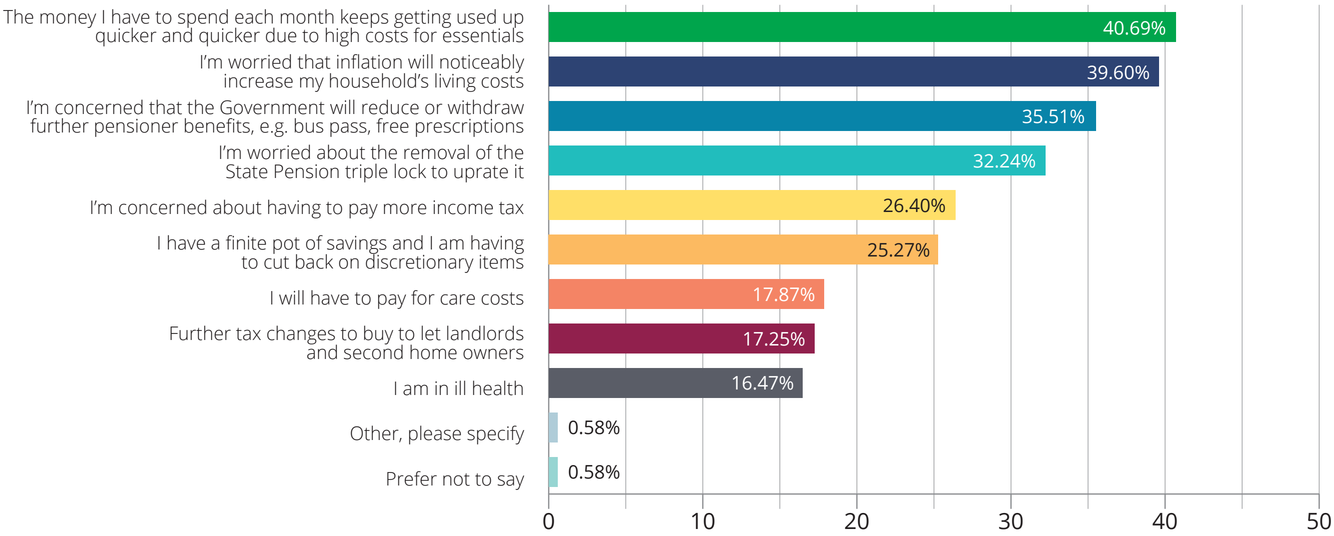
Both groups also showed significant concerns about the withdrawal of government benefits and the impact they might have. 56% of Mid-age Stretched said they were concerned that the Government would reduce or withdraw further pensioner benefits, rising to 65% of Late-age State Dependants. Similarly, more than half (55%) of Mid-age Stretched were worried about the removal of the triple lock, rising to 58% of Late-age State Dependants.

In both cases, retirees' fear seems to stem from concerns that the Government will introduce further cuts to retirement benefits – which both groups rely on heavily – or that they will fail to keep pace with rising costs. This survey was conducted prior to the revision of the Government's winter fuel allowance eligibility announced in June 2025. At the time the survey was conducted, around nine million pensioners had lost out on the payments in 2024 after the Government restricted them to people qualifying for pension credit and other income-related benefits.

Among younger retirees, however, concerns focus more on making their savings pots last. Almost a third (30%) of Early-age Scrimpers and 27% of Early-age Spenders mentioned their finite savings were driving them to cut back on discretionary items, compared with 25% for the group overall.

> *More than a third (36%) were concerned about further reductions in pensioner benefits by the Government, while 32% were worried about the removal of the triple lock on the State Pension*

Why are you concerned about your ability to continue your household's current standard of living over the next 12 months?



Fears over drop in living standards leading retirees to cut costs

The majority of retirees surveyed said that they are planning to take action to maintain their household's current standard of living, including cutting back on discretionary spending (26%), essentials (21%), money given to relatives or children (13%), or other measures. Nearly a third (32%) said they are not planning to take any action.

As we have seen elsewhere, it is the youngest retirees who are most concerned for their financial futures, and consequently are the most likely to be taking action to maintain their household's current standard of living. While 32% of retirees overall say they plan to do nothing, among under-55s this figure falls to just 12%; 13% for 55-59-year-olds.

Indeed, among our retirement personas it is the Early-age Spenders who are most likely to be taking action to maintain their household's current standard of living, with just 12% saying they plan to do nothing, almost half the second lowest level, Early-age Scrimpers, at 23%.

Lower income retirees are considering drastic action to maintain their current standards of living. 31% of Mid-age Stretched are planning to cut discretionary spending, while 24% of both Mid-age Stretched and Early-age Scrimpers are looking to reduce their spending further, with plans to cut back on essentials.

An end to the Bank of Mum and Dad?

Retiree fears about the future could have an impact on the wider population, as many plan to cut back on financial gifts to their relatives and children. 15% of Early-age Scrimpers plan to reduce gifting, along with 16% of Early-age Spenders and 12% of Mid-age Stretched.

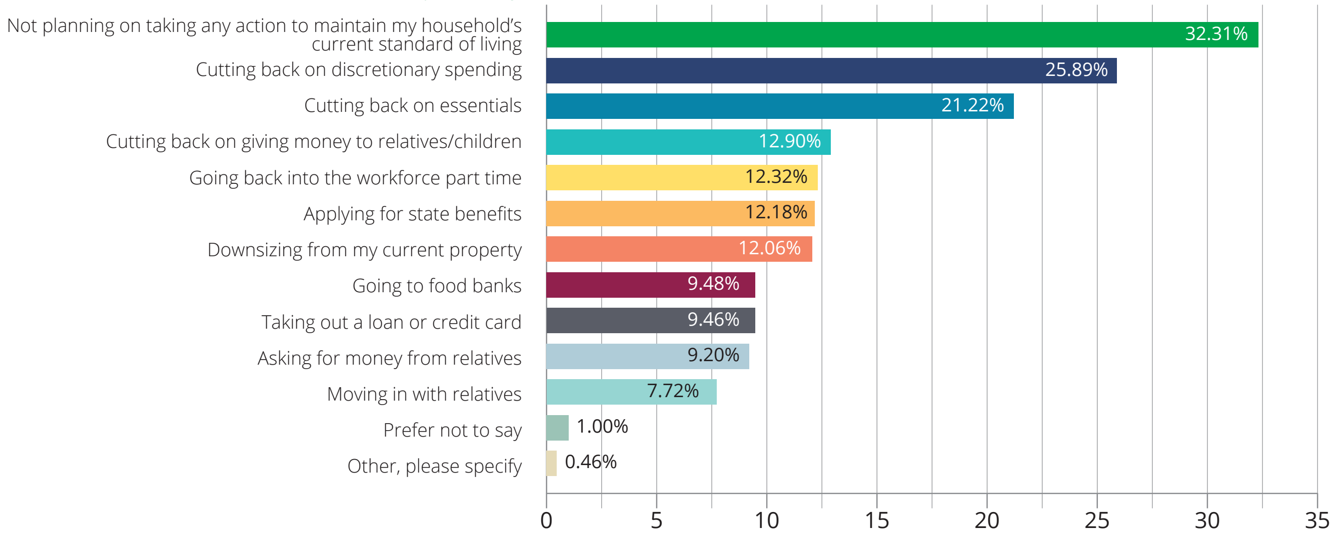
As we referenced earlier, older family members are now a key source of funding for first time property purchases in the UK, which could create knock-on effects if older generations slow down or stop contributing.

Some of the actions being considered by retirees hint at a severe level of concern for their financial futures. Almost one in ten (9%) are considering using food banks – 16% of those aged under 55 - while a further 9% are considering asking relatives for money and 8% are considering moving in with them. Younger retirees are more likely to be weighing all options, with more than a fifth (21%) of those aged under-55 said they were considering going back into the workforce part time to maintain their current standard of living.

Across the board, advised retirees are less likely to need to cut back on household spending to maintain their current standards of living. A little over a fifth (22%) are planning to cut back on discretionary spending, compared with 26% of retirees on average.

Advised retirees are also marginally more likely to be considering cutting back on giving money to their relatives and children. This may be due to the risk of exceeding the gifting allowance permitted under inheritance tax rules, though it is also likely due in part to the fact that advised retirees gift to relatives at a far higher rate to start with – an average of £4,125 per household per year compared with £2,625 for the average retiree household.

Are you considering taking any of the following actions to maintain your household's current standard of living?



Quilter's take on the living standards findings.

"It is alarming to see so many retirees deeply concerned about their financial future. Among younger retirees, it may be that they underestimated the size of the pot required to maintain their pre-retirement standard of living, hence the growing consideration of returning to work.

"There are also broader implications for younger generations, especially those reliant on the 'bank of mum and dad', or the 'bank of granny and granddad', to help them onto the housing ladder or even children looking to their parents to provide seed capital for their fledgling ventures. It is clear that not only are the retired community an important funder of relatives' financial aspirations, but that this support may shrink as retirees contend with rising living costs, impending changes to pensions being drawn into estates from 2027 and the limitations of current gifting allowances.

"While it was encouraging to see the Government reconsider winter fuel allowance thresholds, it is imperative that the Government provides pensioners with clear assurances about their financial future. Certainty on the State Pension – potentially pegging it to average annual earnings growth– and preserving key benefits for the most vulnerable retirees, are essential to ensuring financial security in later life."

Steven Levin, Chief Executive Officer, Quilter

Chapter 5: Future plans

More support needed before, at and during retirement

Key findings

- Government policy changes, in particular to inheritance tax, are prompting widespread action
- Changes to pension taxation are pushing retirees to access and spend their pots earlier
- Older retirees are taking the least action in response to changes, potentially leaving themselves open to significant tax implications

Many retirees report being fearful about their ability to maintain their living standards in the near term, with many pre-emptively cutting costs.

Almost half of retirees believe that government policy has harmed pensioners, and the majority of retirees plan to take action in response.

The longer-term impact of these changes remains uncertain, as actions to unwind inheritance tax advantages of pensions have upended the conventional estate planning wisdom to 'spend the pension last'. Instead, our research has shown a push among retirees to access their pensions sooner, and to spend or gift the money more than they had previously planned to in an effort to mitigate potential inheritance tax bills.

The findings in this chapter underpin our conviction that more action is needed to help people to navigate their retirement. Concerns about the impact of recent policy changes on retirees are widespread, yet time and again, advised retirees are the ones proactively taking steps to protect their savings through retirement and for their families thereafter.

79% of 80-84 year olds believe the UK Government's policies have had a negative impact on pensioners

However, not everyone is able or willing to pay for financial advice. Whatever the barriers, it is clear to us that those who make use of advice typically become better equipped for their financial future.

There is a clear need to expand guidance and provider-led targeted support to more people, and this will be addressed by the regime proposed by the Financial Conduct Authority. Targeted support aims to help people make informed decisions around spending, saving and investing to ensure people have the knowledge they need to navigate their retirement successfully.

We believe the provision of targeted support to retirees, as needed, would serve to improve retirement adequacy among the general population by helping them to establish the main planks of their retirement strategy. Further, a free initial guidance session would be likely to drive increased take up of financial advice more generally, helping sceptical retirees to understand the value on offer and ultimately leading to a better-informed retirement population.

In addition to the implementation of targeted support, the current 'stronger nudge to guidance' policy could be reformed to help with this. As current poor take up demonstrates, there is muted impact in engaging with people after they have already decided to access their pension pots. Engagement must come earlier, with a strong, readily available support offered to prospective retirees as part of their wake up packs.

45% of retirees believe government policy has harmed pensioners

Almost half (45%) of those surveyed think the UK Government's financial policies have had a negative impact on pensioners, while 38% think they have been positive. Reaction to the Government's policies diverges across age and income lines, with older and lower income retirees more likely to view them negatively. Just 22% of those aged 55-59 saw government policies as negative, compared with 79% of those aged 80-84.

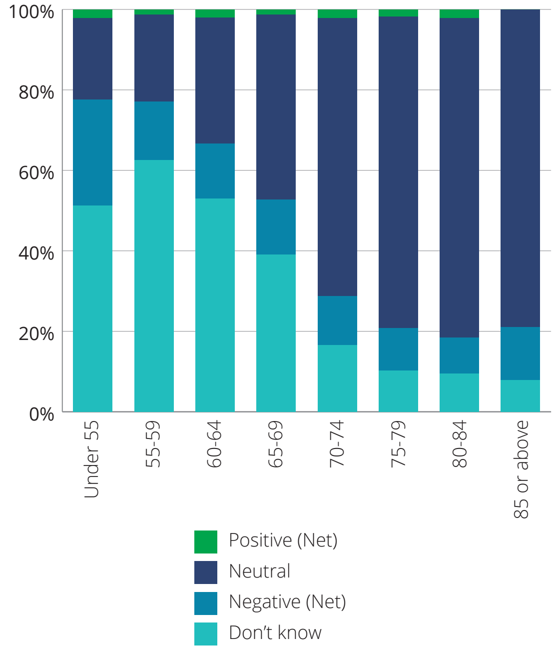
Despite actions likely to concern wealthier retirees such as the changing of inheritance tax rules to include pension pots in retirees' overall estates, Early-age Spenders were the most likely to view government action positively, at 72% overall. They were followed by Mid-age Comfortables, 52% of whom view government policy positively.

At the other end of the spectrum, just 3% of Late-age State Dependants viewed government policy positively, while 84% viewed it negatively.

Responses seem to indicate that government actions to cut pensioner benefits are viewed much more harshly than increases or expansions of tax policy. Their negative view may change following the changes the Government has announced to its Winter Fuel Allowance reforms. Those with a smaller retirement fund were much more likely to see the impact of government policy as negative, indicating that changes to benefits may be felt more keenly than changes to inheritance tax – or that retirees feel confident that they will be able to adapt their estate planning to shield assets.

Responses seem to indicate that government actions to cut pensioner benefits are viewed much more harshly than increases or expansions of tax policy

Do you think the Government's financial policies have had a disproportionately positive, negative, or neutral impact on pensioners?



Retirees report widespread impact of government policy changes

More than two-fifths (41%) of those surveyed said the current political environment had impacted their inheritance tax planning. The Government's changes to include pension pots in the value of an overall estate from 2027 are prompting retirees to revisit their arrangements, potentially considering spending or gifting earlier in life, and forgoing the traditional wisdom that governed inheritance tax planning: "spend the pension last."

As might be expected, those with larger retirement funds were considerably more likely to say their planning had been impacted. More than two-thirds (68%) of those with £1-£1.99 million in assets have been affected, rising to 76% of those with £2-£4.99 million and 87% of those with £5-£9.99 million.

Our higher income personas were similarly far more likely to plan to take action in response to the changes. Among the Early-age Spenders, 68% said their planning had been impacted, followed by 52% of Mid-age Comfortables and 50% of Late-age Independents.

Lower income retirees were less likely to say their planning had been impacted, but 41% of Early-age Scrimpers said their planning had been affected, compared with just 18% of Mid-age Stretched and 14% of Late-age State Dependants.

Married retirees are also much more likely to be impacted. Married men are 17 percentage points more likely than single men to say their inheritance tax planning has been impacted, while married women are 12 percentage points more likely than single women.

The political environment has also impacted those currently taking financial advice. Of this group, 69% say their inheritance tax planning has been impacted.

One underappreciated aspect of the change to inheritance tax is the extent to which it has rendered previous financial plans redundant. Our research found that a little over a third (35%) of retirees chose to transfer out their defined benefit pension into a defined contribution pot in retirement. Of this group, 40% did so because they wanted to pass it on to family in a tax efficient way. Many of these people will now find they have to radically alter their plans to ensure their families are not in line for large tax bills when they die.

Retirees seek advice on protecting assets

Our research shows retirees are taking action to mitigate the impact of changes in government policy. In line with those who reported an impact to their inheritance tax planning, 43% of retirees said they had consulted a financial adviser on the best ways to protect and pass on their assets.

Our research shows a clear preference for advice among both younger and higher-income retirees. Take-up of advice is strongest among Early-age Spenders, with 78% reporting they are currently being advised and a further 16% having received it in the past. Among this group, almost a third (30%) report seeking to use trusts to shield their assets from inheritance tax.

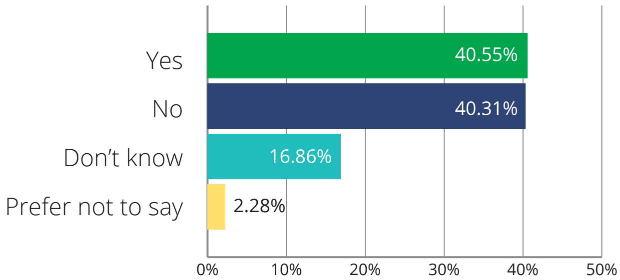
More than half (57%) of Mid-age Comfortables report receiving financial advice, while for Late-age Independents this drops to just below a third (32%). While this is a significant drop, it still represents take-up that is proportionately double that of low-income retirees of the same age.

Similarly to Early-age Spenders, the lower-income Early-age Scrimpers are receiving advice at above average rates, at 45%. The appetite for advice among older lower-income retirees drops precipitously, however, with just 15% and 16% of Mid-age Stretched and Late-age State Dependants receiving financial advice, respectively.

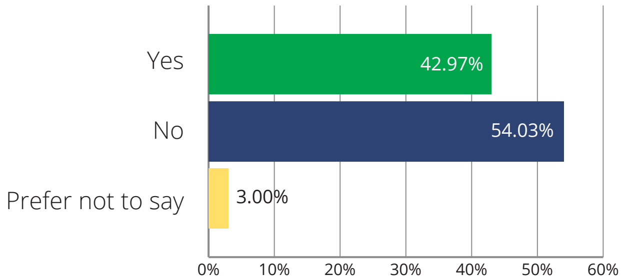
Our research also found that retirees who are more positive about the impact of government policy are paradoxically, or perhaps causally, more likely to have sought advice on how to circumvent it. Retirees in London and the East of England – which had the highest levels of retirees reporting the belief that the Government was having a positive impact on pensioners - are the most likely to have sought advice, with 54% and 56% respectively speaking to an adviser. There are also signs of a potential gender advice gap, with males six percentage points more likely on average to have sought advice.

> *Our research shows retirees are taking action to mitigate the impact of changes in government policy*

Is the current political environment impacting your inheritance tax planning?



Have you sought advice from a financial adviser to see how best to protect and pass on assets?



More than six in ten retirees taking action in response to policy changes

Our research reveals key contrasts and commonalities in the ways different retirees are responding to the policy changes, with some actions popular across all groups, while others are specific to particular subsets of the retired population.

Changes in government policy have spurred action among retirees, with more than 60% of retirees planning to act to pass on their assets in the most tax-efficient way. Financial advisers are playing a major role in facilitating these changes.

Advised retirees are the most active group overall, with less than 10% saying they do not plan to take action yet. By contrast, this number rises to 75% of those who have never taken advice.

Advised retirees are also taking the widest range of actions of any group, with at least 20% of the sample utilising all of the options listed in our survey, from looking at ways to be more tax efficient (30%), to using trusts to shelter assets (26%), to putting assets into relatives' names and gifting more to charities (21% each).

On average, just 38% of retirees plan not to take any action at present. This is strongly correlated with age. Just 13% of those under-55 plan to do nothing, rising to 63% of those aged 75-84. This is potentially a cause for significant concern, as older retirees are likely to be impacted by the changes in inheritance tax policy sooner than their younger counterparts.

Our analysis of retirement personas reveals that younger and higher-income retirees are receiving advice at far higher rates. Three quarters (75%) of Early-age Spenders have sought advice, followed by 56% of Mid-age Comfortables and 46% of Late-age Independents. Among Late-age State Dependants, this falls to just 15%, likely due to their falling below the inheritance tax threshold.

Accordingly, higher income groups are acting in response to the changes. More than nine in ten (92%) retirees in the Early-age Spenders category reported taking some kind of action in response to the change. The most popular actions mentioned were the use of trusts to shelter money from inheritance tax, and exploring ways to save more tax efficiently, being taken by 30% of respondents each.

Early-age Spenders are also taking a wide range of additional actions at a much higher rate. 28% are investing in tax efficient investment schemes such as EIS and SEIS – eight percentage points more than Mid-age Comfortables, the next most active group.

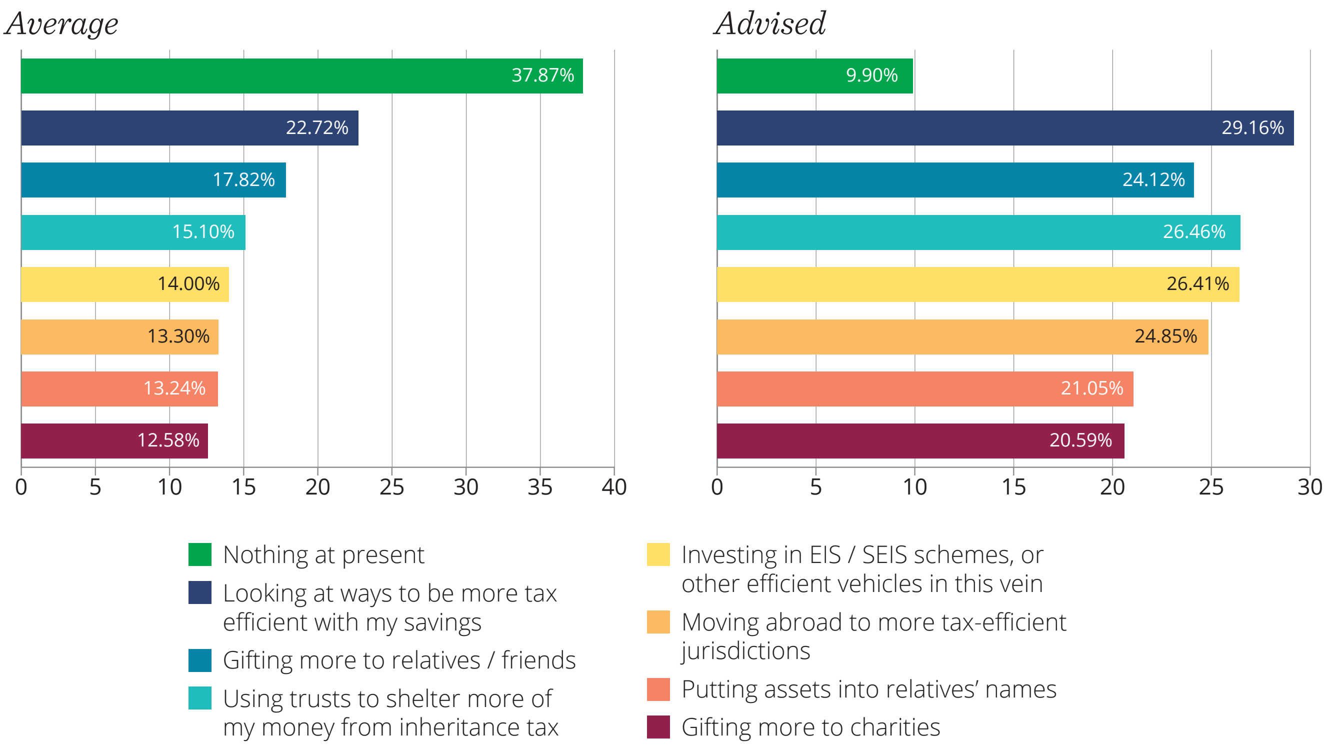
In addition, almost a quarter (24%) of Early-age Spenders are putting assets into relatives' names, nine percentage points more than Mid-age Comfortables. Perhaps most striking, 28% of Early-age Spenders are considering moving abroad to more tax-efficient jurisdictions, 11 percentage points more than Mid-age Comfortables.

Changes in government policy have spurred action among retirees, with more than 60% of retirees planning to act to pass on their assets in the most tax-efficient way. Financial advisers are playing a major role in facilitating these changes

In general, younger retirees are more likely to be taking a wide range of actions in response to the changes, from investing in tax-efficient vehicles such as EIS / SEIS schemes, and moving abroad to more tax-efficient jurisdictions, all seem to be solely the preserve of younger retirees. Among the under-55s, 25% of retirees are considering or have taken each option, but this drops considerably among the older age groups, falling to 4%, 3% and 2% respectively among the 80-84 age group.

However, some actions remain popular across the sample group. For example, 18% of retirees are gifting more to relatives. This rises to as high as 27% for under-55s, but even among older age groups the rates remain strong. Even for the cohort with the lowest rates – those aged 85 and older – 13% say they are gifting more.

What are you now doing in response to the current political environment potentially impacting your inheritance tax planning?



Changes spur retirees to access, spend and give away their pension savings

The vast majority of retirees are planning to change the way they use their pension pot in response to the Government's inheritance tax changes announced at the 2024 Autumn Budget.

The net effect of the change appears to be spurring people to access and use their pension pots more freely, to prevent them falling into the inheritance tax net. Nowhere is this clearer than among retirees currently taking financial advice. Among this group, plans to access pension pots earlier, spend them more freely, and give away more of their money are each mentioned by 31% of retirees.

More than a fifth (22%) of retirees say they plan to spend more of their pension savings before they die, while 19% plan to give more of their pension savings away. These options are more popular among younger retirees, with 29% of those aged 55-59 planning to spend more of their pension savings before they die, and 29% of those aged under-55 planning to give away more of their savings.

Almost a fifth (18%) of retirees say they plan to access their pension savings earlier than previously planned, including 27% of those aged 59 or under, and 26% of those aged 60-64.

There are also signs that the changes have sparked uncertainty among older retirees, with 32% of those aged 80-84 saying they do not know what they are planning to do to address the changes, compared with 18% of retirees overall.

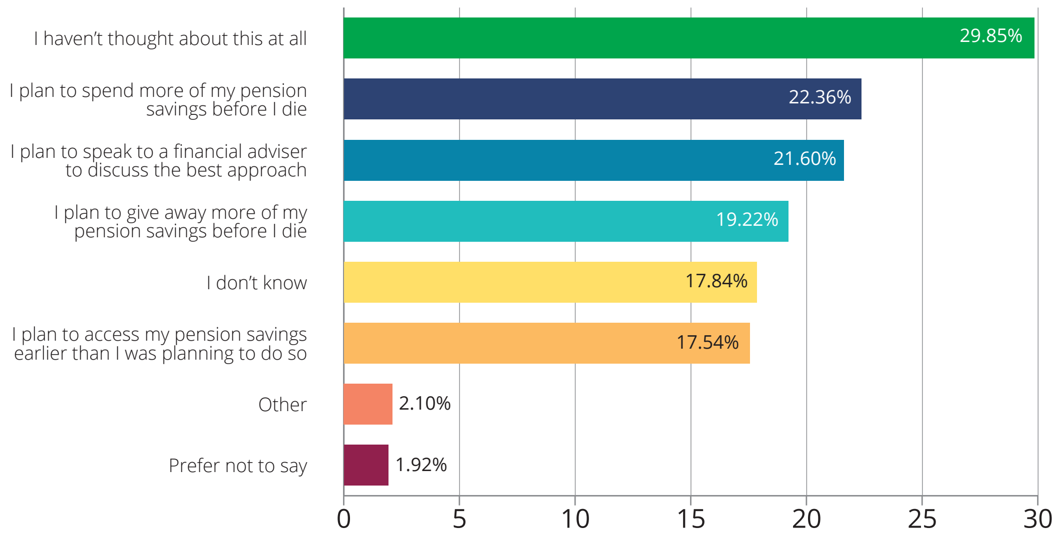
The Early-age Scrimpers, Early-age Spenders and Mid-age Comfortables are most engaged with the Government's changes to the inheritance tax regime. More than three quarters (77%) of Early-age Spenders are considering acting, with more than a third each planning to seek financial advice (36%), give away more of their pension savings before they die (35%) and access their savings earlier than previously planned (34%).

Early-age Spenders report planning each of these actions at a far higher rate than other groups, although both Early-age Scrimpers and Mid-age Comfortables reported planning to speak to a financial adviser – at 25% and 26%, respectively – and to spend more of their pension savings – 26% and 24% respectively.

Perhaps understandably, older and lower income retirees are less likely to be considering action to address the inheritance tax change – 43% of Late-age State Dependants and 38% of Mid-age Stretched say they have not thought about the changes at all.

More concerning, however, is that 40% of Late-age Independents also said they have not thought about the changes – the second highest rate overall. This is arguably the group that stands to be most affected by the changes once they come in in 2027. One possible explanation is that they are unaware of the options available to them and may fear that efforts to reduce their estate's tax burden through gifting, for example, will not work due to the seven-year gifting window.

Planned responses to changes in pension tax treatment



Quilter's take on retirement planning and the impact of government policy changes on the tax treatment of pensions

"Policy shifts are already prompting retirees to rethink the order and rate at which they tap into their savings. Nearly one in five now plan to dip into their pension pot earlier, while around a quarter of younger retirees intend to gift or spend more so their assets remain below the inheritance-tax threshold. Half of all respondents think recent government decisions have hurt pensioners, and many are trimming everyday costs pre-emptively—some even weighing return to part-time work.

"Advised households, however, react differently. They are more likely to be exploring different tax-efficient strategies or structured gifting. That tells us the real risk is not the rule book itself, but the confusion it creates. Clear, timely guidance and advice would turn fear-driven moves into planned strategies and help retirees keep both their lifestyle and their legacy on course. We would urge anyone likely to be impacted by the IHT changes to seek advice as a point of priority."

Jon Greer, Head of Retirement Policy, Quilter

Chapter 6: Conclusion and recommendations

The findings of Quilter's inaugural Retirement Lifestyle Report reveal a mixed picture of the financial health of the UK's retirement population.

On the surface, the average income and spending behaviour of Britain's retirees appears to be generally robust. However, other findings are more disquieting. Below-inflation increases to people's income are making a proportion of them materially poorer, and some are struggling to maintain their standard of living as a result.

Many also fear that the current Government may make further changes to tax policy or retirement benefits such as the triple lock, negatively impacting their spending power.

Further, changes to the tax treatment of pensions have disrupted many pensioners' plans for their estate, prompting a concerningly high number of people to look at accessing their pension early and potentially exhausting it entirely before death. We are concerned that this could be leading to spending and gifting levels which may result in impoverishment in later life.

It is great to see such a large proportion of those in retirement taking financial advice. However, with the changes that the Government has brought in, it will be vital that more people across all retirement age groups seek counsel from a professional financial adviser, where it makes sense to do so.

As retirement policy changes, it will be necessary for millions of retirees across the UK to alter their retirement plans in response. As the scope of inheritance tax widens, we would urge all those concerned about their income and estate to strongly consider seeking advice – inheritance tax planning is just one of many things people need to consider in retirement, especially those on Defined Contribution or Self Invested Pension Plans (SIPPs), who may have to consider their retirement spending and saving in relation to the higher cost of living, rising energy costs and taxes.

Our personas, like all people, have financial challenges, but these vary significantly depending on age and income levels.

The research illustrates that the middle aged and older retirees on below median incomes – our Mid-age Stretched and Late-age State Dependants - rely heavily on their State Pension, and a below average share of income comes from a personal or work pension.

Furthermore, over half of each of these cohorts have never received financial advice, while few are seeking it now, despite concerns around the impact of tax being applied to pensions.

The State Pension looms large amongst many of our personas. Even our Mid-age Comfortables and Late-age Independents enjoying above median incomes rely on the State Pension to fund a quarter of their retirement income.

Despite this reliance, retirees are still generous in gifting to their loved ones. The research shows 10% of the average retiree's expenditure goes on gifting to their loved ones and supporting education costs, or £1,323 and £1,175. For those with above average incomes, this rises considerably, For Early-age Spenders, for example, an average of £4,836 is gifted and a further £5,280 foes towards education costs for their loved ones – putting them above the current £3,000 gifting allowance.

We are also concerned that 52% of middle-aged above median income retirees – the Mid-age Comfortables - are concerned about maintaining their current standard of living, and that around half of those for whom it's applicable (49%) have transferred DB pensions into DC pension schemes, presumably to unlock capital to deploy. This is a very significant step, and while 57% of this cohort are taking financial advice, a large minority are not, which may lead to detrimental long-term outcomes.

The wealthier retirees – the Early-age Spenders, Mid-age Comfortables and Late-age Independents - are concerned about the current political environment impacting their inheritance tax planning. They are right to be concerned, as the plan for pensions to fall into taxable estates from 2027 will affect them dramatically. However, our research shows that financial advice can help to address these impacts, helping retirees to be better prepared for the future and even raising the satisfaction rates for those on lower incomes.

Having assessed our research findings from multiple different angles, we believe there are some clear policy recommendations that should inform the way the Government thinks about the UK's retirement population, its ability to spend on basic and discretionary items and ensure that the next generation of retirees is planning properly for an adequate income in retirement:

1

Consult on the most appropriate State Pension uprating and initiate a cross-party commitment to consistency

It is evident that many retirees heavily depend on their State Pension to get by, especially to maintain their standard of living in the face of rising inflation and high interest rates. However, we are equally cognisant of the fact that the triple lock pledge will become a material burden on the public purse, and is without a target for the level of the State Pension, putting a strain on both the UK's finances and its taxpayers. This was noted by the IFS in its recent Pensions Review, and highlighted by the Adam Smith Institute which said the State Pension could become fiscally unsustainable by as early as 2036. The Office for Budget Responsibility has also estimated that due to inflation and earnings volatility which has seen the non-earnings elements of the triple lock triggered in eight of the 13 years to date, the triple lock is expected to cost three times more annually by 2030 compared with if it had been earnings-linked. Therefore, acknowledging the importance of both components, we advocate that the Government brings forward a consultation to determine the most appropriate uprating mechanism, and a full appraisal of State Pension income levels should be conducted in order to set it at an appropriate level.

As part of this, UK political parties should come together to agree what the level of the State Pension should be relative to mean full time earnings. Once this is determined, there should also be an agreement on a change to the uprating mechanism to one based on average earnings which is acceptable to provide a minimum standard of living in retirement. This review could be conducted alongside the next review of the state pension age, required in each parliament or as part of the next stage of the Pension Review.

A renewed uprating mechanism would help align pension increases with the economic prosperity of the country, ensuring that pensioners' incomes grow appropriately alongside uplifts received by the working population. In such a mechanism, there may need to be an allowance for circumstances where inflation is relatively high. For example, this could mean that if wage growth lags behind inflation, the State Pension will increase in line with prices until real earnings recover. Once they have, the State Pension could then revert back to its benchmark proportion of average earnings. This would ensure pensioners share in the proceeds of economic growth, while protecting their income against inflation and ensuring intergenerational fairness by making the State Pension more sustainable.

2

Support a system of targeted support for those unable or unwilling to seek full financial advice.

Our research shows that people enjoy better financial outcomes if they receive financial advice, ideally on an ongoing basis. We recognise that it is not realistic to expect everyone retiring, or in retirement, to receive financial advice, however beneficial, due to financial and other barriers. However, we maintain that receiving some sort of guidance at or during retirement is extremely important and should be available for all. We endorse the Financial Conduct Authority's proposals for a targeted support regime and think that having been comprehensively tested and accompanied by appropriate regulatory guardrails, this should help people to make informed decisions around spending, saving, investing and allocating their capital. This would ensure more retirees have adequate, sustainable retirement incomes. Having been introduced to the world of financial planning via targeted support, we think that many may then opt for full financial advice thereafter, bringing additional long term financial benefits to those individuals.

3

Modernise the gifting allowance to reflect today's economic realities and support intergenerational financial resilience.

Retirees play a far greater role in the economy than is often acknowledged. Intergenerational wealth transfer contributes meaningfully to the financial mobility of younger generations – and, by extension, to broader economic activity.

Our research shows that the average retiree gifts £1,323 annually to family and contributes £1,175 to education support. While these figures combined fall within the current £3,000 annual gifting allowance, those with higher levels of wealth often exceed it through gifts alone. This is borne out by our research. Our three higher wealth Retirement Personas all gifted more than £3,000 over the last 12 months, with a mean average gifting sum of £4,200 per year across the three personas. Although breaching the allowance does not automatically trigger a tax liability – unless the donor dies within seven years – it introduces complexity and uncertainty that may discourage more purposeful financial support.

The gifting allowance has remained frozen for over 40 years. If it had kept pace with inflation, it would now be £12,000. While a full uprating might be unrealistic in the current fiscal climate, a modest increase to, for example, £9,000 – would better reflect modern financial realities and align with existing savings vehicles such as the Junior ISA.

This is not about removing safeguards, but about enabling families to transfer wealth more flexibly and with greater confidence. A modernised allowance would support financial planning, reduce reliance on the state and help unlock economic potential – particularly among younger generations navigating housing, education and childcare costs.

With pensions soon coming into scope for IHT, generating a considerable uplift in revenue, this reform would represent a modest concession with meaningful economic and social returns.

If the Government's goal is to foster a high-growth, investment-led economy, then reducing friction around intergenerational wealth transfer is not just aligned with that vision, it is essential to it.

Quilter

www.quilter.com
pressoffice@quilter.com