Quilter

Retirement Lifestyle Report 2026

Executive Summary

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The second edition of the Quilter Retirement Lifestyle Report examines how retirees' spending, income and financial plans are changing, based on research among more than 5,000 UK retirees and analysis by the Centre for Economics and Business Research.

The findings reveal a retirement population making a substantial contribution to the wider economy through their spending, especially to the financial wellbeing of younger generations. However, retirees are also navigating overall below-inflation income growth, rising living costs and uncertainty around pensions and tax policy.

Retirees are increasingly supporting their families

Retirees continue to play an important economic role, not only through their own consumption but through the support they provide to children, grandchildren and other relatives.

The average retiree now spends £2,272 a year gifting money to relatives and a further £2,250 supporting education costs, producing a combined family-support figure of £4,522. This represents 17% of the average retiree's spending basket and an indicative increase of approximately 81% from last year, and totals approximately £6.1 billion across the UK's estimated 13.57 million retirees.

When charitable giving is included, which has risen by 100% year on year, retirees direct an average of £6,619 a year, or almost a quarter of total spending, towards family members, younger generations and good causes. Alongside spending on holidays and home improvements, which has increased by 39% and 40% respectively compared to last year, these are the top five drivers of the increase in the average retiree spending. Together, these categories account for around 94% of the total increase in annual spending for the average retiree. This shows the rise in retirement spending is not primarily a cost-of-living issue – at least not for retirees themselves. This financial support from retirees may help younger households meet education, housing and other financial costs.

This decision to support family is not something only for high income retirees. The groups that provide the lowest support proportionally of their annual spending to family, the low-income mid and late age retirees, still use 18% and 17% of their discretionary spending on family.

With cost-of-living concerns prominent across the UK, not just retirees, it is unlikely that they will step back from familial support in the coming years. The upcoming reforms to inheritance tax on pension wealth also motivates people to gift their wealth away rather than potentially leave it as part of their estate. However, supporting family must remain sustainable. Retirees who give away assets too quickly risk reducing their ability to meet future income, healthcare and other needs.

The findings strengthen the case for modernising the annual gifting allowance, which has been frozen at £3,000 since it was first introduced in 1981 and is no longer fit for purpose given the economic and policy landscape has changed beyond recognition, life expectancy has increased dramatically, and the shape of the modern family is markedly different.

Income increases have failed to preserve spending power

Average retirement income increased by just 1.2%, compared with inflation of 2.8%. This means that, for the second year running, retirees experienced a decline in real spending power.

Almost half, 47%, reported an increase in income, while 28% saw no meaningful change and 22% experienced a fall.

State Pension uprating was the most commonly cited driver of income growth, particularly among older and lower-income retirees. It was cited by 41% of all retirees whose incomes increased and by more than 90% of both late-age personas reporting an increase.

Key findings

£27,159

The average retiree now spends £27,159 annually, £5,000 more than last year, totalling £368.7bn across the UK's estimated 13.57 million retirees.

£4,522

Retirees now provide an average of £4,522 a year in direct family support through gifts to relatives and assistance with education costs, up by 81% compared to £2,498 last year.

60%

Six in ten retirees, 60%, are concerned about maintaining their standard of living, up from 51% last year.

69%

More than two thirds, 69%, changed their financial plans in response to government policies or proposals.

39%

Almost two in five, 39%, say the political environment is affecting their inheritance tax planning.

However, retirees who take financial advice were less reliant on the State Pension for income, and markedly less likely to attribute increases in income to the State Pension as a result. A little over a quarter (26%) of advised individuals and 28% of households cited it as a driver. By contrast, they were more likely to have benefitted from increases in the value of their investment portfolio than non-advised retirees, (21% for individuals, 24% for households).

The findings underline the vital role the State Pension plays as the foundation of retirement income. On average, it accounts for 24% of the average retirees' income, rising to 57% among lower-income retirees in mid-retirement. The research also highlights the need to help more people access income sources beyond the State Pension. Addressing the advice gap and expanding access to targeted support will be important in helping retirees make informed decisions and build greater financial resilience throughout retirement.

Quilter therefore recommends the government consults on a sustainable and predictable State Pension uprating framework, and secures a cross-party commitment on the level of State Pension income relative to mean full-time earnings to ensure its long-term sustainability.

Policy upheaval is changing financial behaviour

Government policy is having a direct effect on retirement decisions. More than two thirds of retirees made changes to their financial plans in response to policies or proposals during the past year.

The biggest drivers were the income tax threshold freeze, cited by 25%; changes to the Winter Fuel Payment, cited by 22%; and the inclusion of pensions within estates for inheritance tax purposes, cited by 21%.

Almost two in five retirees say the political environment is affecting their inheritance tax planning. Among those affected, the most common response is to seek more tax-efficient savings, while others are considering gifting, trusts, investment schemes and moving abroad.

The forthcoming pension inheritance tax changes are also altering established retirement-planning strategies. Of those surveyed, 29% plan to spend more pension savings before death, 26% plan to give more away and 24% plan to access their pensions earlier. The evidence of this shows through the increased spending by retirees on family and charities as well as on their own wants of holidays and home improvements.

Retirees need stability and earlier policy clarity

The research demonstrates that uncertainty can cause harm even where anticipated policy changes do not materialise.

More than half of respondents said they withdrew pension tax-free cash before the Budget. Among those who did so, almost three quarters acted in anticipation of possible rule changes, and 62% subsequently regretted their decision.

This reinforces the need for a more stable retirement-policy environment. Retirees should not be forced to make long-term and potentially irreversible decisions in response to rumours or delayed government communication.

Retirement planning depends on confidence in rules that may shape decisions over several decades. Greater clarity and consistency would allow retirees to act according to their long-term financial needs, rather than reacting to short-term political uncertainty.

The government should therefore make a clear commitment to preserving pension tax-free cash well ahead of the next Budget. Doing so would send a strong signal that long term saving is rewarded, not penalised, and would avoid another prolonged period of speculation that risks damaging outcomes.

> "Retirees should not be forced to make long-term and potentially irreversible decisions in response to rumours or delayed government communication."

Quilter's recommendations:

- **Establish a long-term framework for State Pension adequacy and uprating:** The government should use the work of the Pensions Commission as an opportunity to establish a long-term settlement for the State Pension, including agreement on the role the State Pension is intended to play within the wider retirement system, the level of income it should provide relative to earnings, and a sustainable uprating framework. A durable framework supported across political parties would provide greater certainty for savers, improve confidence in long-term retirement planning and reduce the risk of repeated debate over fundamental elements of the State Pension system.
- **Modernise the gifting allowance to support intergenerational financial resilience:** The government should modernise the annual gifting allowance, recognising its value in helping families support housing, education and other major life events. Had it risen in line with inflation since it was set at £3,000 in 1981 it would now sit at £12,000. The government should increase and automatically index the annual gifting exemption to better reflect the economic realities and support earlier intergenerational wealth transfers.
- **Provide long-term certainty over pension tax-free cash and core pension tax incentives:** Our research demonstrates the consequence of uncertainty and shows how speculation alone can drive behaviour that may ultimately be detrimental to retirement outcomes. The government should provide a clear commitment on the future of pension tax-free cash and avoid repeated speculation over reforms to one of the pension system's most established features. Where changes are considered necessary, they should be subject to proper consultation and implementation with sufficient notice to allow savers to adjust their plans.

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Important information

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