Quilter

Retirement Lifestyle Report 2026

Foreword by Steven Levin, Chief Executive Officer, Quilter plc

Retirement planning is no longer just about retirement.

People are living longer, family finances are becoming more interconnected and major financial milestones are often happening later in life than they did for previous generations. As a result, retirement planning has become about far more than ensuring an individual's financial security. It is increasingly about balancing the needs of multiple generations.

One of the clearest findings from this second iteration of Quilter's Retirement Lifestyle Report is that people are increasingly thinking beyond their own needs and planning for the wider family. Many retirees are using their savings not only to support their own lifestyle, but also to help children and grandchildren through important life events, from education and home ownership to navigating periods of financial pressure.

This shift comes at a time of significant change in the pensions landscape. Over the past year we have seen major policy developments, including pension reforms, the ongoing work of the Pensions Commission and the forthcoming introduction of inheritance tax on pension wealth. Together, these changes are encouraging many people to reassess how they save, spend and ultimately pass on their wealth.

Our research shows that while retirees continue to value the flexibility that pension freedoms provide, many remain heavily reliant on the State Pension and have concerns about maintaining their desired lifestyle throughout retirement. At the same time, many are making important financial decisions with the next generation in mind, seeking now more than ever before to pass on wealth during their lifetime rather than through their estate.

These are significant decisions with long-term consequences. Whether considering pension withdrawals, gifting strategies or estate planning, people need the confidence to make choices that are right for their circumstances and their families. That is why a stable and predictable policy environment matters. Frequent changes, or uncertainty about what may come next, can encourage people to act before they are ready or to make decisions based on short-term concerns rather than long-term objectives.

The findings also reinforce the value of financial advice and targeted support. Advice can play a vital role in helping people navigate increasingly complex decisions, understand the options available to them and balance competing priorities across different stages of life. At the same time, we must continue to improve access to guidance and support so more people can make informed decisions when it matters most.

At Quilter, our purpose is to help create brighter financial futures. Understanding how people are experiencing retirement today, and how those experiences continue to evolve, is central to that mission. We know that retirement planning works best when people have the clarity and confidence to make considered decisions as part of a coherent financial plan, which is why we are calling on the government to:

- **Establish a long-term framework for State Pension adequacy and uprating**
- **Modernise the gifting allowance to support intergenerational financial resilience**
- **Provide long-term certainty over pension tax-free cash and core pension tax incentives**

I hope this year's report provides valuable insight for customers, advisers, policymakers and the wider industry as we work together to improve retirement outcomes for current and future generations.

Steven Levin

Chief Executive Officer,
Quilter plc

Contents

Executive summary

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.

Methodology

The findings of this report are derived from a survey commissioned by Quilter and conducted by Censuswide which polled a sample of 5,002 retirees between 23rd March – 7th April 2026, with follow-up polling conducted between 28th May – 11th June 2026.

The survey asked retirees about their gross household and individual 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, the Centre for Economics and Business Research (Cebr) performed an econometric analysis of the survey data. This allowed for a detailed breakdown of both household and individual-level spending habits across a predefined basket of goods on a monthly or annual basis.

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

Improving the accuracy of our spending estimates

This year, we have refined our methodology to improve the accuracy of our estimates of retiree spending. Last year's research provided a baseline for the Retirement Spending Index, drawing on responses from retirees and Cebr's econometric modelling to convert survey responses into individual-level estimates across a wide basket of spending categories.

This year, the questionnaire and modelling approach have been updated to better distinguish between individual and household-level circumstances, particularly where retirees live alone, with a spouse or partner, or in a wider household with family members or otherwise. This provides a more granular picture of how retirees are spending their money and allows us to better understand the way shared, essential and discretionary spending differ across living arrangements.

However, this means some care is needed when comparing the 2026 results with last year.

Average Income

This change has also been reflected in our income findings. Our income and spending screening was changed to account for both household and individual-level figures, and a more nuanced income picture has emerged. Where last year's report asked retirees for their household income, which was analysed to determine individual income and spending figures, this year we screened retirees according to their living situation, asking them about individual or household-level income to improve the accuracy of our results.

This process revealed that individual-level retirement incomes were lower than the population on average, with a median closer to £25,000. This figure is corroborated by the Office for National Statistics' Average Earnings (ASHE) data. As a result, the median income for the personas has been reduced to £25,000 per person to better reflect the average individual retiree's income.

£25,000

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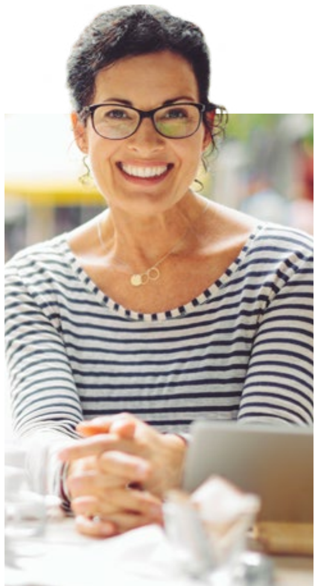
The Retirement Personas

The Retirement Lifestyle Report uses six personas to illustrate differences in spending habits, income sources, key concerns and more among retirees of differing ages and income brackets.

Together with Cebr, we created these personas through an exploratory review of the raw data, based on the key demographic splits that lead to differing results.

Early-age Strivers

Early-age Strivers are balancing support for loved ones with concerns about their own financial resilience, making them one of the most financially anxious groups in retirement.



Early-age Spenders

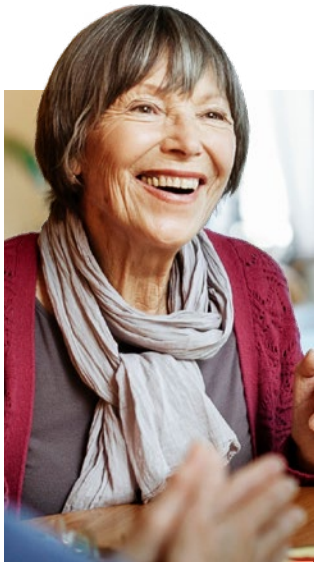
Retirement isn't slowing them down. Early-age Spenders have the highest spending levels of any group and are the most likely to provide financial support to loved ones.

Mid-age Stretched

Despite being among the lowest spenders in retirement, Mid-age Stretched continue to prioritise family, with gifting accounting for 18% of discretionary spending.

Mid-age Comfortables

Despite lower overall spending, Mid-age Comfortables prioritise supporting family, with gifting and education costs representing their largest discretionary expense.



Late-age State Dependants

Reliant on the State Pension and spending less than any other retirement group, Late-age State Dependants still set aside a notable share of discretionary income for family support.

Late-age Independents

Stronger pension income helps Late-age Independents maintain high levels of spending, particularly on supporting relatives, home improvements and holidays.

Early-age Strivers

The **'Early-age Strivers'** are fully retired under 65 year olds with a below median personal income. Their age means the State Pension is not part of their personal income but may be a factor in their household income. This creates a diverse source of income.

Despite their lower relative incomes, this group records spending close to the all-retiree average, suggesting that some may rely on accumulated savings, assets or other forms of support. Supporting relatives accounts for a significant proportion of their annual spending. However, they are the second most worried persona group on maintaining their current standard of living over the next year.

Income satisfaction

- Half (49%) of Early-age Strivers have seen their retirement income increase over the past year. Positive investment performance is a key driver for that growth. For the 17% reporting a decline, leaving paid work entirely, exhausting cash savings or receiving less government financial support were cited as reasons.
- Despite these income gains, satisfaction remains below the retiree average with nearly two thirds (64%) saying they are satisfied with their current retirement income, while more than one in ten (13%) are dissatisfied.

Concerns

- Maintaining their current standard of living over the next 12 months was a concern for 61% of Early-age Strivers. Many (44%) are worried about rising household costs eroding their spending power, with the most common expected action to be cutting down on discretionary spending.

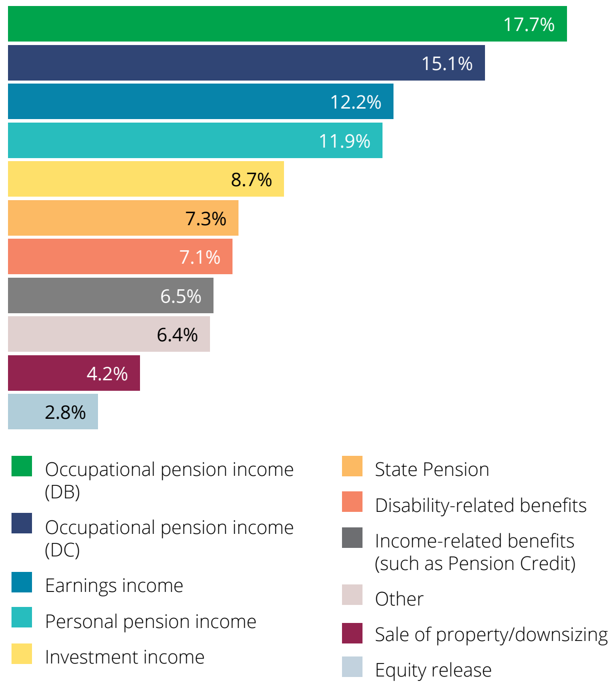
Financial planning and advice

- Just under half (44%) of Early-age Strivers have sought professional financial advice on protecting and passing on their assets. They are divided on whether the current political environment is affecting their inheritance tax planning, with 47% thinking it is not but 38% saying it is.
- Where they are taking action, the most common responses include using trusts, seeking more tax-efficient savings and transferring assets to relatives.

44%

Many (44%) are worried about rising household costs eroding their spending power

Sources of income



Early-age Spenders

The second group is the **'Early-age Spenders'**, retirees who are under 65, fully retired and have an income higher than the median. Like the Early-age Strivers, the Spenders' income is not reliant on the State Pension but may come through in household income, contributing to a diverse income stream.

This group records the highest total spending of any retirement persona. Their spending is particularly concentrated in discretionary categories, but not just for themselves, with supporting relatives accounting for 18% of their total annual spend – the highest of any persona.

Income satisfaction

- Early-age Spenders continue to report the strongest financial position of any retirement persona. Over the past year, 60% have seen their retirement income increase, while fewer than one in five (19%) report a decline.
- Income growth for this group has been driven primarily by positive investment performance, with almost a third (31%) citing gains in the value of their investment portfolio.
- These income trends are reflected in exceptionally high levels of satisfaction, with 91% satisfied with their current retirement income, the highest of any retirement persona.

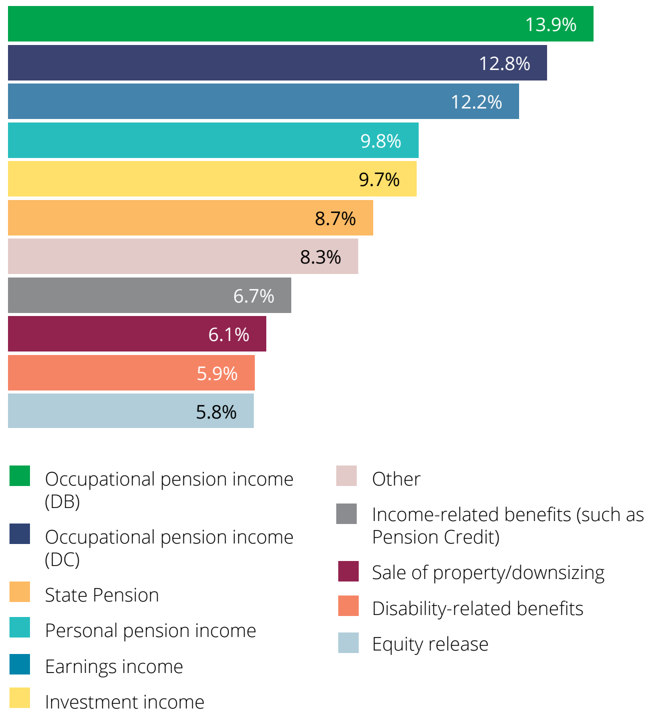
Concerns

- Despite enjoying the highest income satisfaction of any group, 79% of Early-age Spenders are concerned about maintaining their current standard of living over the next 12 months – the highest level of concern across any of the personas.
- The most common worries are that high everyday costs will gradually erode their available savings, or that government support for pensioners could be reduced, showing a concern for long-term financial resilience.
- This forward-looking mindset is reflected in the breadth of actions they are considering. Alongside cutting discretionary spending, many are contemplating returning to part-time work, downsizing, reducing financial support to family members or even using equity release.

Financial planning and advice

- The Early-age Spenders are by far the most financially engaged retirement persona with 70% having sought professional financial advice. More than half (58%) say the current political environment has already affected their inheritance tax planning.
- A wide range of tax-planning strategies are being considered with moving to a more tax-efficient jurisdiction and making savings more tax efficient among the most common responses. Many are also using trusts, gifting assets earlier and transferring wealth to family members.

Sources of income



79%

79% of Early-age Spenders are concerned about maintaining their current standard of living

Mid-age Stretched

The **'Mid-age Stretched'** are retirees aged 65-79 with a below median personal income. More than half of retirement income in this group comes from the State Pension, the highest share of all personas. While satisfaction with income among this group is just under half, concern about future living standards is more muted.

The Mid-age Stretched are the second lowest overall spenders (after the Late-age Dependent) but, even so, gifting to family accounts for 18% of their discretionary spending.

Income satisfaction

- With the cohort more heavily relying on the State Pension than any other persona, this was the primary driver for the increase in their retirement income. Just over half (51%) have seen their retirement income increase over the past year and only 8% have seen it fall. For those whose income declined, the most common explanations were leaving paid work, reduced government support and running down cash savings.

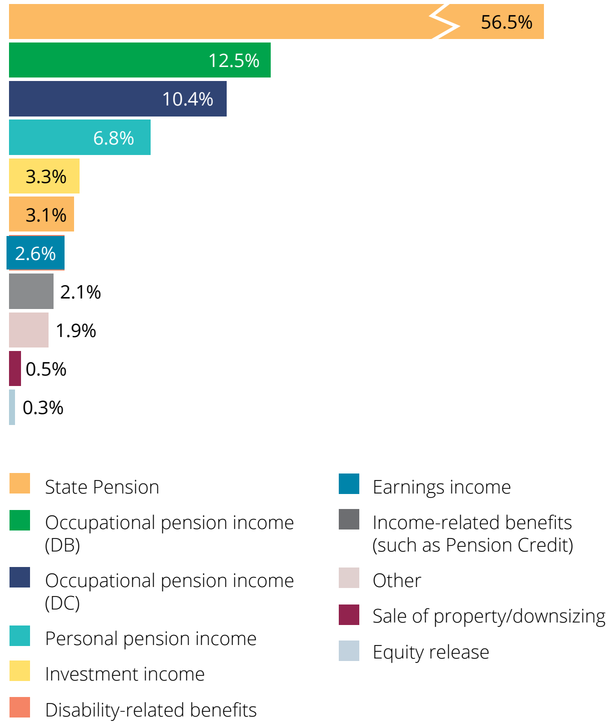
Concerns

- Compared with younger retirees, the Mid-age Stretched are relatively less concerned about their ability to maintain their current standard of living, with just over a third (36%) expressing concern.
- However, among those who are worried, the reasons are highly concentrated around the cost of living. Inflation and the rising cost of essential goods are by far the dominant concerns, while more than a third also worry about the future of the State Pension triple lock and the prospect of paying more income tax.
- Their response to these concerns is generally cautious rather than proactive. Around half say they do not currently plan to take any action to maintain their living standards.

Financial planning and advice

- The Mid-age Stretched are among the least financially engaged of the retirement personas. Just 15% have sought professional financial advice on protecting and passing on their assets, while the overwhelming majority have not. Similarly, most (60%) do not believe the current political environment is affecting their inheritance tax planning, reflecting both lower levels of wealth and the fact that inheritance tax is less immediately relevant for many in this group.
- Where policy changes have prompted action, the income tax threshold freeze and changes to the Winter Fuel Payment have had the greatest impact on financial planning over the past year.
- Among the relatively small proportion whose inheritance tax planning has been affected, the most common response has been to look for more tax-efficient ways to save, while gifting to family is the next most common action.

Sources of income



Mid-age Comfortables

The **'Mid-age Comfortables'** are retirees aged 65-79 with a personal income exceeding the median. Their income stream is more diverse than their lower-income peers, with the State Pension accounting for under a quarter of their income.

Total spending for this group sits below the all-retiree average and also comes in below their younger and late-age higher-income counterparts.

Despite their low overall spending, gifting to relatives and funding family education is their largest discretionary outgoing.

Income satisfaction

- Mid-age Comfortables enjoy relatively strong financial security in retirement. More than half (55%) have seen their retirement income increase over the past year, while around 30% say it has remained unchanged and only 15% have experienced a decline.
- For those whose income has increased, the State Pension uprating remains the single biggest driver, although positive investment performance also plays a significant role, reflecting this group's more diversified income sources than the Mid-age Stretched.
- These relatively positive income trends translate into high levels of confidence, with 80% satisfied with their retirement income and only 5% reporting dissatisfaction.

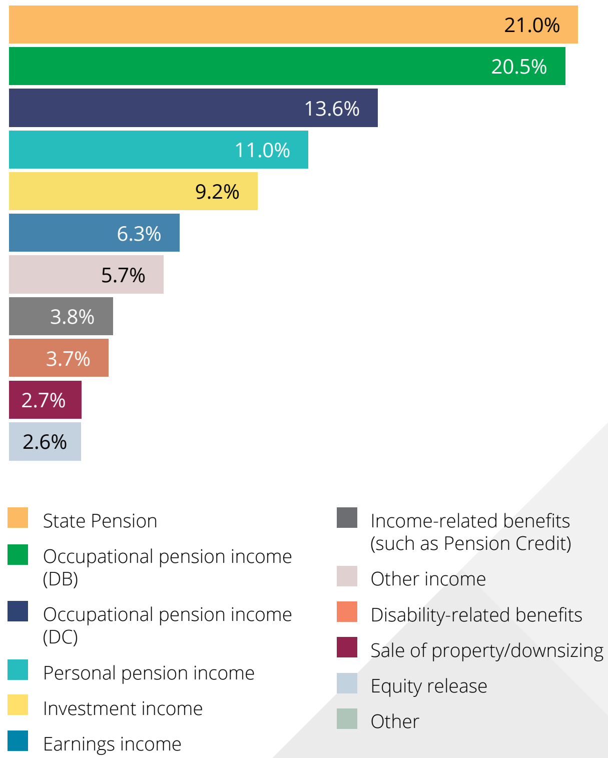
Concerns

- Mid-age Comfortables are much less worried about maintaining their current standard of living over the next 12 months compared with lower-age retirees. Almost two thirds (64%) are not concerned, although inflation and the rising cost of essentials remain the primary drivers for those who are concerned. Fears around the future of the State Pension triple lock also feature prominently.
- Unlike the younger Early-age Spenders, relatively few are considering more significant lifestyle changes such as returning to work or downsizing to protect their standard of living, and 43% say they do not currently plan to make any changes.

Financial planning and advice

- Mid-age Comfortables are among the more financially engaged retirement personas, with around 40% having sought professional advice on protecting and passing on their assets. Most (58%) do not believe the current political environment is affecting their inheritance tax planning.
- For those actively reviewing their inheritance tax planning, gifting to family members and making savings more tax-efficient are the most common responses, alongside increasing charitable donations. Looking ahead, the inclusion of pensions within inheritance tax calculations, continued income tax threshold freezes and proposed Cash ISA reforms are the policies most likely to prompt further changes to their financial planning, although 40% currently expect to make no changes over the next year.

Sources of income



Late-age State Dependants

'Late-age State Dependants' are retirees aged over 80 with a personal income below the median. They are largely dependent on the State Pension as a major source of their income. Spending among older, lower-income retirees is the lowest of all personas, across both essential and discretionary

In terms of family support, they give the lowest amount to relatives of all personas but this still accounts for 17% of their discretionary spending.

Income satisfaction

- Late-age State Dependants remain the most financially constrained of the retirement personas.
- Unlike higher-income retirees, income growth for this group has been driven almost entirely by State Pension uprating, with 92% citing it as the reason for income increases. Among those whose income fell, the most common explanation was exhausting cash savings, followed by leaving paid work altogether and reductions in government financial support.
- Just 41% of Late-age State Dependants are satisfied with their retirement income, the lowest level of any retirement persona, while one in five (20%) report dissatisfaction. For many, incomes have remained broadly stable but continue to provide little flexibility beyond meeting essential day-to-day costs.

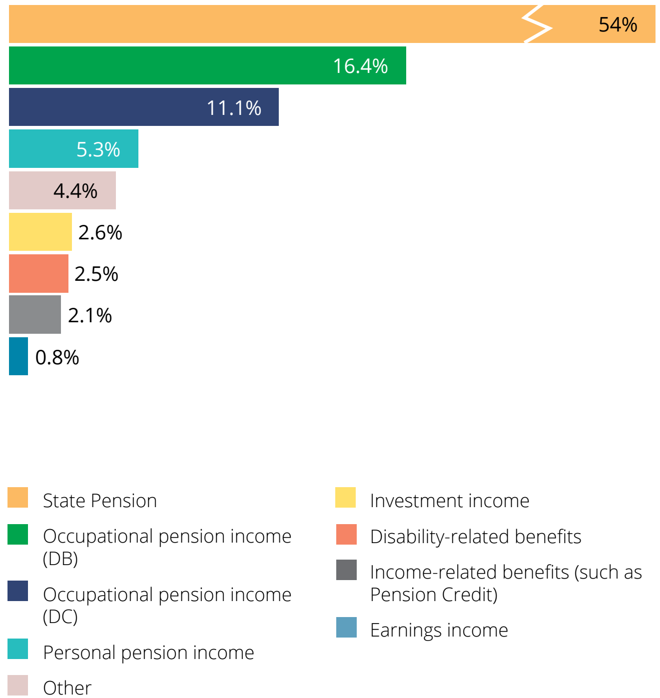
Concerns

- Although only a third (33%) of Late-age State Dependants say they are concerned about maintaining their standard of living over the next 12 months, those who are concerned express some of the strongest views of any retirement group. Rising inflation and the increasing cost of essential goods dominate their concerns, while many are also worried about paying more income tax and the future of the State Pension triple lock.
- Despite these pressures, relatively few are planning significant changes with 66% not currently intending to take any action to protect their standard of living.

Financial planning and advice

- Engagement with financial planning remains low within this group. Just 13% have sought professional advice on protecting and passing on their assets. Similarly, 71% say the current political environment is not affecting their inheritance tax planning, likely reflecting lower levels of accumulated wealth.
- Few policy changes have prompted significant financial action over the past year. More than eight-in-ten (81%) say they have made no changes to their financial plans, with Winter Fuel Payment reforms and the continued income tax threshold freeze the policies most likely to have influenced those who did act.

Sources of income



41%

41% of Late-age State Dependants are satisfied with their retirement income, the lowest level of any retirement persona

Late-age Independents

Our final group, the **'Late-age Independents'** are retirees over the age of 80 with a personal income exceeding the median.

The key difference with their lower-income age counterparts is drawing more income from workplace pensions (both DB and DC). Their stronger income position means they continue to record high levels of spending, as the second highest-spending persona overall. Their spending remains especially significant in areas such as supporting relatives, home improvements and holidays.

Income satisfaction

- Late-age Independents remain one of the most financially secure retirement personas. Over the past year 61% have seen their retirement income increase, while around a quarter (24%) report no change and only 13% have experienced a decline.
- Although most income growth has come from State Pension uprating, this group also benefits from more diversified sources of income than their lower-income peers, including defined benefit pensions and investment income. Those whose income has fallen were most likely to cite reduced dividend payments, drawing less from their investments or running down cash savings, highlighting their greater exposure to investment markets than other retirement groups.
- As a result, more than three quarters (77%) are satisfied with their current retirement income, while only 3% are dissatisfied.

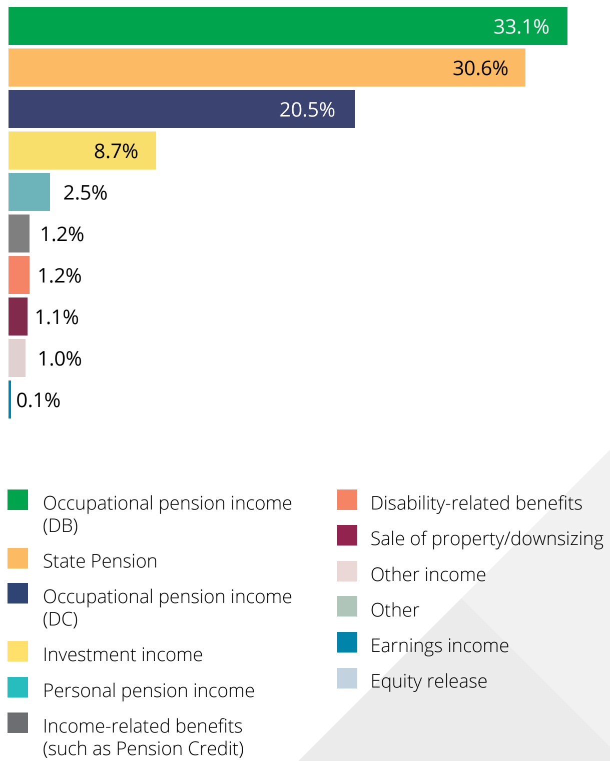
Concerns

- Late-age Independents are the least concerned of all the retirement personas about maintaining their current standard of living. Just 17% express concern, and none of those surveyed describe themselves as very concerned.
- Unlike younger retirees, whose concerns are dominated by the challenge of making retirement savings last, Late-age Independents appear to be focused on more immediate issues associated with later life.
- Among those who are concerned, ill health is the most commonly cited worry, followed closely by inflation. Paying for care also features prominently, alongside concerns about the future of the State Pension triple lock. Consistent with these relatively low levels of concern, 70% are not planning to make any changes to maintain their living standards.

Financial planning and advice

- Engagement with financial advice is relatively modest compared with younger, higher-income retirees, with 24% having sought professional advice on protecting and passing on their assets. Just over half (54%) say the current political environment is not affecting their inheritance tax planning, although around a third report that it is.
- Among those whose inheritance tax planning has been affected, gifting has become a particularly important strategy. Three quarters (76%) say they are gifting more to relatives or friends, while many are also seeking more tax-efficient savings, increasing charitable donations and using trusts to reduce potential inheritance tax liabilities.

Sources of income



The Retirement Spending Index

Key findings

£27,159

The 2026 Retirement Spending Index shows average spending of £27,159 a year per retiree, or £2,263 a month, across our defined basket of goods and services, up from £22,141 last year.

94%

Holidays, home improvements, gifting to relatives, educational support and charitable giving account for around 94% of the headline increase in annual spending.

£4,522

Retirees are playing an increasingly important financial role for younger generations. The average retiree now provides £4,522 a year in direct family-related support, split between gifting to relatives and funding education costs, up from £2,498 last year.

Average individual spending per retiree

Spending category	Average spend per retiree: Monthly	Average spend per retiree: Annual
Holidays	£247.75	**£2,973.03**
Renovations / Home improvements	£231.34	**£2,776.11**
Gifting to relatives	£189.36	**£2,272.36**
Assistance in funding education of grandchildren / relatives	£187.49	**£2,249.88**
Food and non-alcoholic drink / groceries	£175.85	**£2,110.19**
Gifting to charities	£174.69	**£2,096.28**
Housing, including rent, mortgage and property tax	£170.49	**£2,045.89**
Energy	£145.34	**£1,744.10**
Loan / debt repayments	£130.62	**£1,567.40**
Transportation, including bus, car, petrol and train travel	£130.32	**£1,563.82**
Clothing and footwear	£129.88	**£1,558.57**
Healthcare, including pharmaceuticals and healthcare costs	£128.44	**£1,541.31**
Phone, TV and broadband	£128.17	**£1,538.05**
Dining out	£19.93	**£239.11**
Electronics / gadgets	£15.86	**£190.31**
Entertainment, including theatre, cinema and live sports	£15.40	**£184.84**
Hobbies, excluding sports	£14.45	**£173.41**
Subscriptions	£14.27	**£171.19**
Sports, including club memberships and equipment	£13.64	**£163.63**
Total	**£2,263.29**	**£27,159.47**

Due to our methodology changes this chapter presents year-on-year comparisons at the all-retiree level, while the persona figures should be read as a 2026 snapshot of spending behaviour.

Average per-retiree spending rises by 23%

The 2026 Retirement Spending Index shows that the average retiree spends £27,159.47 a year, or £2,263.29 a month, across our defined basket of goods and services.

This is a sizeable increase on last year's Index figure of £22,141 – a rise of 23%. Even allowing for changes to the research methodology, the direction of travel is clear: retirees remain a significant source of consumer spending, and their outgoings extend well beyond the essentials often associated with later life.

A major driver of this increase is a dramatic shift in gifting and expenditure habits among retirees. With the inclusion of pension pots in estate calculations for inheritance tax purposes from April 2027, retirees have a new incentive to give away and enjoy more of their wealth now.

When scaled across the estimated 13.57 million retirees in the UK, annual spending on this defined basket reaches approximately £368.7 billion. This illustrates the scale of retirees' contribution to the wider economy, not just through day-to-day consumption, but also financial support for younger generations, as well as spending on holidays, home improvements, and charitable donations.

This year's Index points to a notable change in the way retirees are spending their money. In last year's report, housing and groceries were the two largest areas of expenditure, followed by holidays and home improvements. This year, holidays are the largest single category, at £2,973 a year, followed by home improvements at £2,776. Charitable giving has also moved up the ranking, reaching £2,096 a year.

However, when taken together, overall familial financial support comprised of gifting to relatives (£2,272) and assistance with family education costs (£2,250) represents the largest expenditure at a combined £4,522 and totals approximately £6.1 billion across the UK's estimated 13.57 million retirees.

> "Retirees have a new incentive to give away and enjoy more of their wealth now."

Top spending areas in 2026	Top spending areas in 2025
▲ Holidays	Housing
▲ Renovations / Home improvements	Groceries
▲ Gifting to relatives	Holidays
▲ Education support for grandchildren / relatives	Renovations / Home improvements
▼ Groceries	Energy
▲ Gifting to charities	Loan / debt repayments
▼ Housing	Transportation
▼ Energy	Phone, TV and broadband
▼ Loan / debt repayments	Healthcare
▼ Transportation	Clothing and footwear

The top five drivers of the increase in the Index are education support, charitable giving, gifting to relatives, holidays and home improvements. Together, these categories account for around 94% of the total increase in annual spending recorded by the Index.

Category	2026 annual spend	Change vs 2025	Indicative YoY change
Assistance with education of grandchildren / relatives	£2,250	+£1,075	**+91%**
Gifting to charities	£2,096	+£1,048	**+100%**
Gifting to relatives	£2,272	+£950	**+72%**
Holidays	£2,973	+£836	**+39%**
Renovations / Home improvements	£2,776	+£791	**+40%**
Clothing and footwear	£1,559	+£197	**+15%**
Healthcare	£1,541	+£168	**+12%**

This shows the rise in retirement spending is not primarily a cost-of-living issue – at least not for retirees themselves. While essentials remain a significant part of retiree Budgets, the largest increases are concentrated in family support and intergenerational and charitable wealth transfers, as well as larger discretionary expenses.

Retirees are providing substantial support to younger generations

The Index clearly outlines the continuing importance of retirees as a source of financial support for their families.

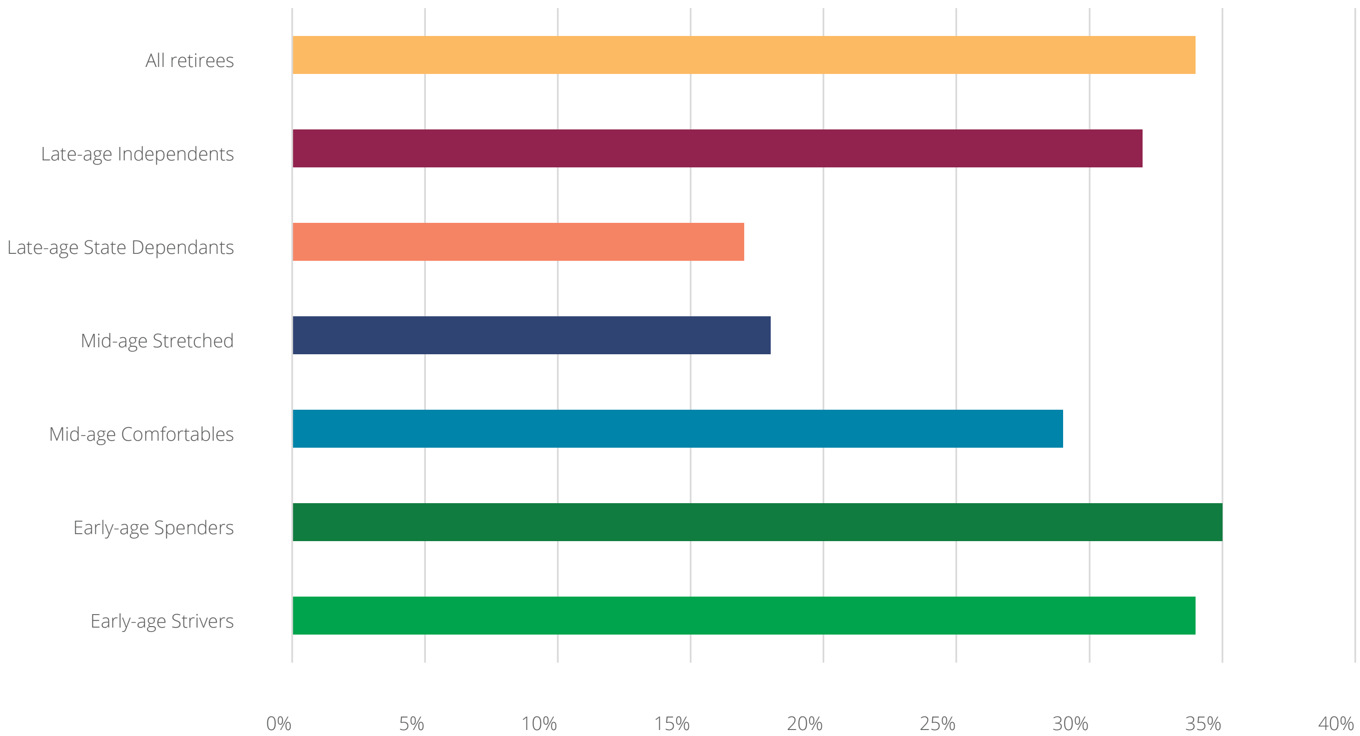
The average retiree now provides £4,522 a year in direct family-related support, split between £2,272 gifted to relatives and £2,250 towards education costs for grandchildren or other relatives. Last year, the equivalent combined figure was £2,498, meaning family-related support has increased by £2,024, or around 81%, on an indicative basis. Family support now accounts for 16.7% of the average retiree's annual spending.

This provision for supporting family continues across the persona groups. Even the lowest giving personas, Mid-age Stretched and Late-Age State Dependants, still allocate significant amounts of discretionary spending to relatives, at 18% and 17% respectively, while the Early-age spenders gift the most at 35% of their discretionary spending.

If charitable giving is included, outward transfers rise to £6,619 a year, equivalent to 24.4% of total spending. Retirees are not only funding their own lifestyles but are also increasingly supporting younger generations. Whether helping with education, gifts, housing-related support or charitable giving, retirees continue to play a critical economic and social role.

However, this also raises questions about sustainability. As later chapters show, many retirees remain concerned about maintaining their own living standards, and overall income growth has again failed to keep pace with inflation. For some, the ability to continue providing this level of support may depend on the strength of their pension provision, savings, investment returns and access to advice.

Percentage of discretionary spending allocated to supporting younger generations



Spending peaks in early retirement, falls, then rises again in later life

Stepping away from the personas, the index reveals that spending is highest among retirees aged 55-59, at £39,072 a year. It then falls through the sixties and seventies, reaching £13,430 among those aged 75-79, before rising again among retirees aged 80 and above.

Age group	Total annual spend
Under 55	**£31,408**
55-59	**£39,072**
60-64	**£29,208**
65-69	**£16,883**
70-74	**£15,249**
75-79	**£13,430**
80-84	**£17,269**
85+	**£19,237**

This pattern suggests that retirement spending has different phases. In early retirement, spending may be elevated by travel, home improvements, support for family members and the desire to make the most of newly available time.

The 55-59 group is particularly high-spending, with annual expenditure of £4,297 on holidays, £3,683 gifting to relatives, £3,811 on education support and £3,650 on charitable giving.

Spending then falls through the seventies before rising again after age 80. The clearest driver in the data is healthcare spending, which increases markedly among retirees aged 80 and over.

Annualised healthcare spending sits at £694 among 75-79-year-olds, before rising to £925 among those aged 80-84 and £1,368 among those aged 85 and over. This underlines the importance of building later-life costs into retirement planning, particularly for those using drawdown or relying on finite savings

Quilter's view on the retiree spending findings

"Retirement spending is often assumed to move downwards as people grow older, but the reality is far more nuanced. Retirees are increasing their spending, and the vast majority is driven by gifting to family.

"What stands out most is the scale of support retirees continue to provide to others. The average retiree now spends more than £4,500 a year on gifting to relatives and supporting education costs. Add charitable giving, and almost a quarter of the average retiree's spending is being directed to family, younger generations and good causes. This likely reflects both concerns about the cost of living for family and the desire to mitigate inheritance tax, particularly with pensions wealth coming into scope from April 2027.

"That generosity is positive, but it must be sustainable. As defined benefit pensions become less common and more retirees rely on defined contribution pots, drawdown and investment income, there is a risk that some people give away or spend money without fully understanding the long-term impact on their own retirement resilience.

"This underlines the importance of careful financial planning. Retirees need to balance enjoying their money, supporting loved ones and preserving flexibility for later-life costs. Advice can play a vital role in helping people make those decisions with confidence."

Jon Greer

Head of Retirement Policy at Quilter

Retirement Income

Key findings

1.2%

Average income increase of 1.2% - compared with 1.3% last year - failed to keep pace with inflation, meaning retirees saw their spending power fall again this year.

Government benefits are a critical lifeline of retirement income, with State Pension increases driving the majority of income increases and withdrawal of benefits a significant factor in income decreases, especially among lower-income retirees.

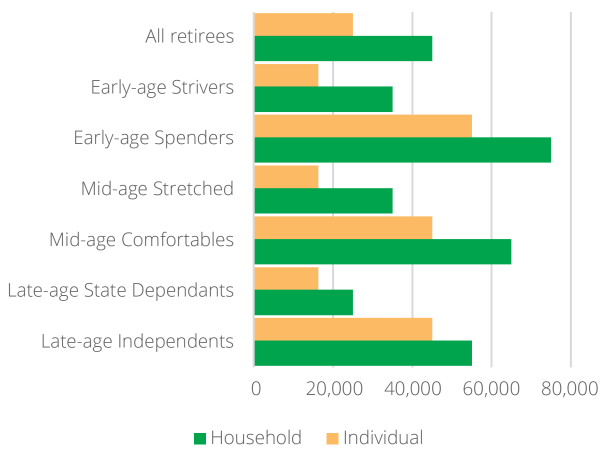
92%

Satisfaction with retirement income has increased with 74% of households reporting satisfaction and advised households the most satisfied at 92%.

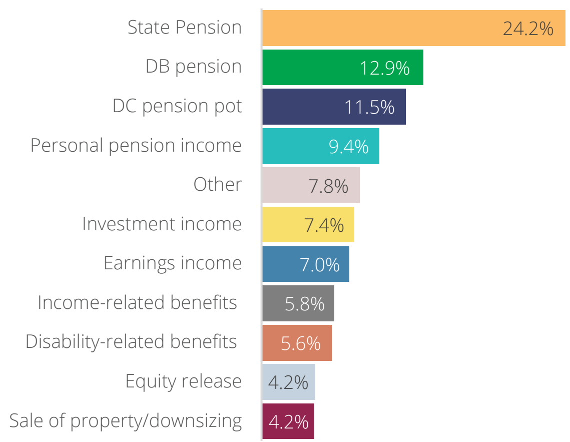
Our third chapter explores retirement income in the UK, looking at the sources of retirees' income, what has driven income changes over the last year and levels of income satisfaction across different retirement groups.

Across all groups, retirees that reported household, versus individual, income – meaning that they were part of a couple, whether married or not – reported higher levels of income than individuals.

Income levels, individual vs household



Sources of Income: Average Retiree



Retirees less reliant on the State Pension, but it remains critical

Our research shows that the State Pension continues to be a critical source of income for retirees in the UK, but reliance on it has fallen slightly since last year. This year, the State Pension accounted for 24% of income for retirees in the UK, on average, down from 29% last year.

However, the data shows a rising reliance on the State Pension among those in the Mid-age Stretched cohort, growing from 52% of income last year to 57% this year. This increase, paired with a modest decline in State Pension reliance among the Late-Age State Dependant cohort, means the Mid-age Stretched cohort has this year become the group most reliant on the State Pension.

Advised retirees show a markedly lower reliance on the State Pension as a source of income. Across the entire sample, the State Pension accounts for a little under a quarter (24%) of retirement income. However, among advised retirees this drops to 15%, indicating a greater diversity of income sources. By contrast, the State Pension accounts for 48% of income for those who have never taken financial advice.

15% 48%

Advised retirees are more than three times less reliant on the State Pension than non-advised retirees (15% vs. 48%).

Defined benefit schemes core to older retirees

This year, occupational pensions were separated into two categories – defined contribution (DC) and defined benefit (DB) workplace pension schemes. Together, these two income sources account for 25% of income for the average retiree, broadly in line with the 25% provided by occupational pensions in last year's research.

The data reveals the extent to which DB schemes are a driver of income among older retirees. Unsurprisingly, Late-Age Independents derive the highest proportion of income from DB pensions – 33%, followed by Mid-age Comfortables at 21%. Among Early-age Spenders the number is just 14%, likely reflecting the gradual withdrawal of DB benefits in favour of DC over time.

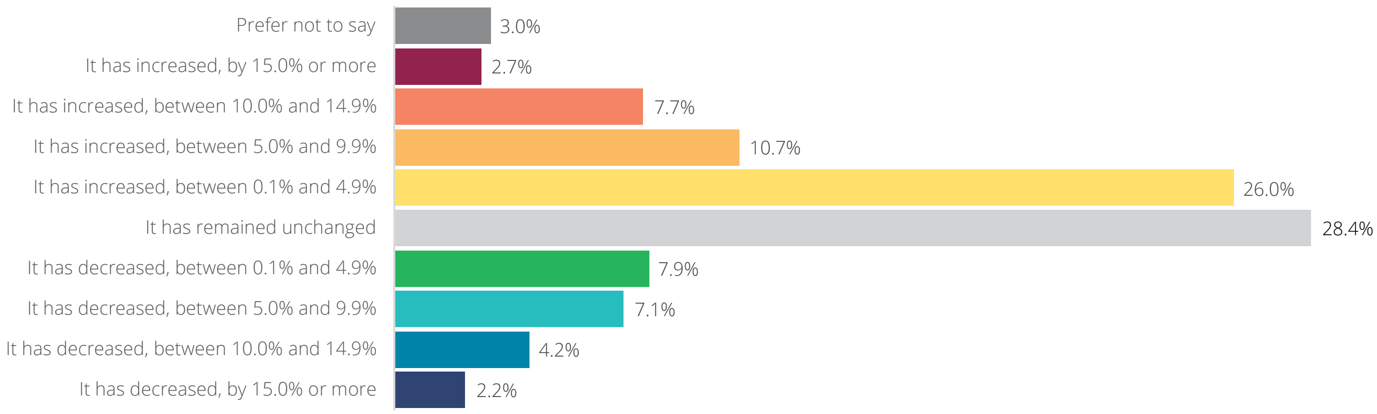
The findings also underpin the importance of building up non-pension savings and investments as a source of income in retirement. Among the younger retiree groups, investment income accounts for the same proportion of income – 9% for both the Early-age Strivers and Early-age Spenders. However, this divides markedly among older retirees, at 9% for Mid-age Comfortables versus just 3% for the Mid-age Stretched, and at 9% for Late-age Independents compared with just 3% for Late-age State Dependants.

Retirement income continues to lag inflation

As with last year, retirees saw their spending power fall this year, as increases failed to keep pace with inflation despite an above inflation State Pension uplift. Annual income growth fell to just 1.2% - compared with 1.3% last year, and considerably behind the 2.8% CPI seen in the 12 months to April 2026 – when the income data was collected.

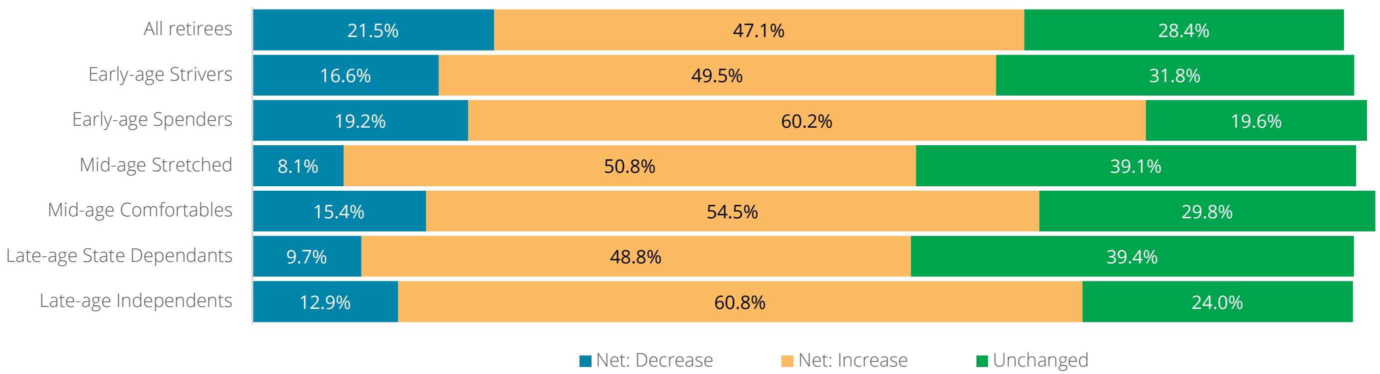
Advised retirees saw an average increase of 3% with 56% seeing an increase, compared with a 0.9% uplift among those who have never used an adviser, with just 44% seeing an increase.

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



The retirement personas each saw different levels of income growth in the year – though counter to last year, none saw a decrease. Notably, none reported overall pay increases that matched inflation over the period.

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



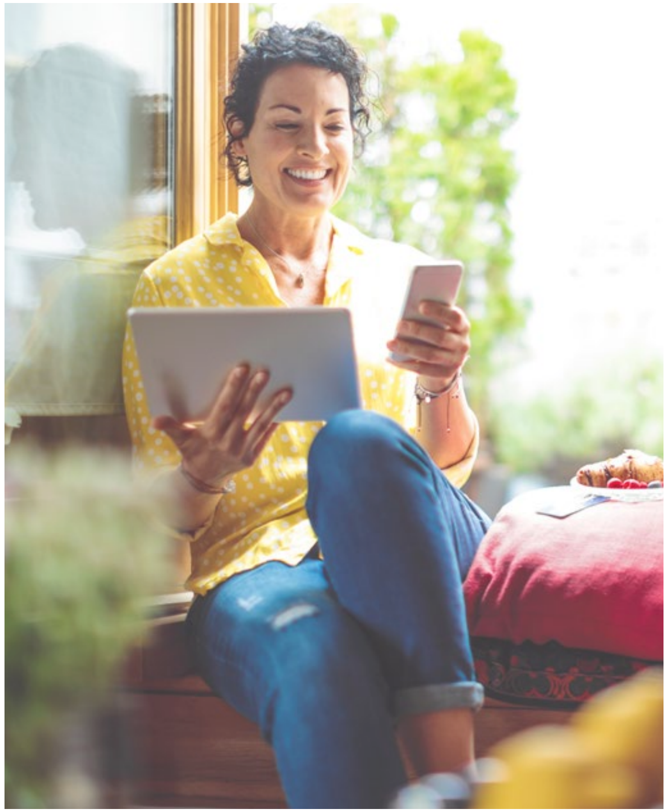
Note: some respondents declined to answer, hence percentages totalling less than 100

Drivers of income growth

Increases in the State Pension were the most widely cited driver of household income growth, cited by 41% of retirees. This was followed by positive changes in the value of an investment portfolio, cited by 16%, and an increase in income-related benefits, mentioned by 14%.

Among retirees who have never received advice, the overwhelming majority (77%) who saw their income increase attributed it to the State Pension, compared with 27% of current advice users.

Retirees currently receiving advice, by contrast, are much more likely to cite investment growth (23% versus 6%), a partner returning to work (18% versus 0.7%), downsizing (15% versus 0.4%) or selling a rental property (15% versus 0.2%).



Top reasons for an increase in retirement income: All retirees

1. Increase in State Pension
2. Positive changes in the value of an investment portfolio
3. Increase in income-related benefits

Early-age Strivers

1. Increase in State Pension
2. Positive changes in the value of an investment portfolio
3. Premium bond winnings

Early-age Spenders

1. Positive changes in the value of an investment portfolio
2. Increase in State Pension
3. My partner has returned to the workforce on a part time basis

Mid-age Stretched

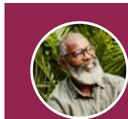
1. Increase in State Pension
2. Increase in disability-related benefits
3. Increase in income-related benefits

Mid-age Comfortables

1. Increase in State Pension
2. Positive changes in the value of an investment portfolio
3. Increase in income-related benefits

Late-age State Dependants

1. Increase in State Pension
2. Increase in disability-related benefits
3. Increase in income-related benefits



Late-age Independents

1. Increase in State Pension
2. Increase in disability-related benefits
3. Increase in income-related benefits

State Pension remains critical driver of income growth for eligible retirees

Across the Mid-age Stretched, Mid-age Comfortables, Late-age State Dependants and Late-age Independents, the State Pension was overwhelmingly cited as the driving reason for income growth. Among the Mid-age Stretched cohort, 84% of those who saw their income increase cited the State Pension, along with 62% of the Mid-age Comfortables and 92% and 92% of the Late-age State Dependants and Independents, respectively.

Even among those retirees who are not yet eligible for the State Pension, it can have a notable impact on their household income through living with an eligible recipient – 23% of Early-age Spenders and 16% of Early-age Strivers who saw their income increase cited it as a reason.

Among these groups, higher income personas were more likely to have seen an overall increase in income. 55% of Mid-age Comfortables saw growth, averaging out to a 1.6% increase, while 61% of Late-age Independents saw growth, albeit reaching an average of just 0.9%.

Fewer of the lower-income retirees saw their incomes rise, and those that did saw less on average. A little over half (51%) of the Mid-age Stretched saw income growth, averaging out to a 1.3% increase over the year, while 49% of Late-age State Dependants reported income growth, averaging out to a mere 0.6% uplift over the year.

Advised retirees see greater investment returns

Advised retirees 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 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 (21% for individuals, 24% for households) or income-related benefits (17% for both) than those not receiving financial advice.

More than a fifth of retirees saw their income fall

Across the retirees that we surveyed, 22% saw their income fall over the previous year. Of this group, the largest proportion (8%) saw a modest drop of 0.1-4.9%, but 4% saw a decrease of 10-14.9% and 2% saw a drop of 15% or more.

The primary driver of falling income was the cessation of paid work, cited by 14% of retirees, while 13% each highlighted running out of cash savings and receiving less financial support from the government.

High income retirees see more volatility in income

Despite higher-than-average growth overall, higher income retirees saw greater dispersion in their income growth. On average, they saw greater increases but a larger proportion of them reported having seen their income fall over the year compared to their lower income counterparts. This is likely due in part to a greater reliance on income from investment portfolios, which are sensitive to market movements.

Among Early-age Spenders, 19% reported a drop in income, compared with 17% of Early-age Strivers. Similarly, 15% of Mid-age Comfortables saw a decrease, compared with just 8% of Mid-age Stretched – the lowest of any group. Late-age Independents, meanwhile, saw a decline among 13% of their population, compared with 10% of Late-age State Dependants.

While around 13% of total retirees who saw a drop attributed it to running out of cash savings, this number rose to 17% of Early-age Strivers. For those so early on in retirement, having already exhausted this income source presents a worry. Among Mid-age Stretched, this proportion was 16%, while among Late-age State Dependants and Late-age Independents it rose to 20% and 23%, respectively.

Advised retirees 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.

Top reasons for a decrease in retirement income: All retirees

1

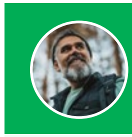
I have completely ceased paid work, including part time

2

I have used up my cash savings/I receive less financial support from the government (e.g. no longer receive Winter Fuel Payment)

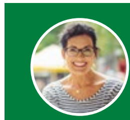
3

There have been negative changes in the value of an investment portfolio



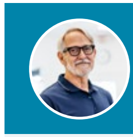
Early-age Strivers

1. I have completely ceased paid work, including part time
2. I have used up my cash savings
3. I receive less financial support from the government (e.g. no longer receive Winter Fuel Payment)



Early-age Spenders

1. There have been negative changes in the value of an investment portfolio
2. I have reduced the number of hours worked in my part time job(s)
3. I have reduced the amount I draw down from my investments basis

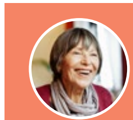


Mid-age Stretched

1. I have completely ceased paid work, including part time
2. I receive less financial support from the government (e.g. no longer receive Winter Fuel Payment)
3. I have used up my cash savings

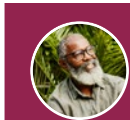
Mid-age Comfortables

1. I receive less financial support from the government (e.g. no longer receive Winter Fuel Payment)
2. I have given money to a family member to fund a property purchase
3. I have used up my inheritance from a relative / spouse



Late-age State Dependants

1. I have used up my cash savings
2. I have completely ceased paid work, including part time
3. I receive less financial support from the government (e.g. no longer receive Winter Fuel Payment)



Late-age Independents

1. I have received fewer payouts from dividends this year
2. I have reduced the amount I draw down from my investments
3. I have used up my investments/I have used up my cash savings

Falling state financial support is a key driver of declining income

Across all retirees who have seen incomes fall, 13% report receiving less financial support from the government – such as the Winter Fuel Payment – as a reason for a decrease in their income. This is more prevalent among lower-income retirees, cited by 17% of Early-age Strivers and 18% of Mid-age Stretched.

Among high income, younger retirees however, a decline in the value of investments is a more pressing concern, with 23% of Early-age Spenders reporting a negative change in the value of their investment portfolio as a reason, the most cited among this cohort.

Investment markets were especially volatile during the period. Although broad global and UK large-company equity markets finished the full year higher, there was a sharp fall in February and March 2026. Rising oil prices increased fears of persistent inflation, causing investors to expect higher interest rates. This affected both shares and bonds, so diversified or cautious portfolios did not receive their usual protection from government bonds.

Despite this, income satisfaction is up – especially among the advised

Despite below-inflation income growth, retirees are overall more satisfied with their retirement income than last year. Almost seven-in-ten (69%) individuals and 74% of households report being satisfied overall. By contrast, 11% report being unsatisfied with their individual income, while just 8% are unsatisfied with their household income.

Those with the highest levels of satisfaction are advised retirees with 92% of advised households reporting being satisfied with their retirement income. Similarly, 88% of advised individuals report being satisfied.

This is likely due to greater levels of understanding of their retirement planning and needs, and by extension a greater feeling of control if adaptations are needed. By comparison, among retirees who have never received financial advice 43% are satisfied with individual income and 47% are satisfied with household income.

Quilter's view on the retiree income findings

"This year's findings underline a difficult truth: retirement income may be rising in nominal terms, but for many retirees it is still failing to keep pace with the cost of living. Despite the State Pension rising by an above inflation 4.8%, an overall average income increase of 1.2% against inflation of 2.8% means that, for the second year running, many retirees have seen their spending power eroded.

"The State Pension remains central to retirement security, particularly for lower-income retirees. While overall reliance on it has fallen, the Mid-age Stretched cohort now derives more than half of its income from the State Pension, showing just how important state provision remains for those with limited private savings. This reinforces the need for a secure and predictable State Pension framework, as people need greater certainty about the role it will play in future retirement provision.

"While the triple lock has helped improve pensioner living standards, the wider debate should focus on what level of State Pension future generations can sustainably expect and how that should evolve over time. Providing clarity on this would help support long-term retirement planning while balancing adequacy, affordability and intergenerational fairness.

"The data also show the value of diversified income and good planning. Retirees taking advice report significantly stronger income growth and markedly higher satisfaction with their retirement income. This is unlikely to be solely about having more money; it is also about having a clearer plan, understanding available options and feeling more in control when circumstances change.

"Retirement income is becoming more complex. Defined benefit pensions are becoming less common among younger retirees, investment income can be volatile, and changes to benefits or tax policy can quickly alter people's plans, so access to financial advice and targeted support is vital.

"The key lesson is that retirement resilience depends on more than income alone. It requires a blend of sustainable state support, diversified private provision, and accessible professional financial advice and support throughout retirement to maximise it."

Jon Greer

Head of Retirement Policy at Quilter

Living Standards

Key findings

60%

Retirees are more concerned than last year about their ability to maintain their current standard of living - those expressing concern has risen from 51% last year to 60% this year, while the share who are very concerned has risen from 18% to 27% with young retirees the most concerned.

34%

Inflation and essentials remain the biggest worries. The rising cost of essentials is the top concern among worried retirees, cited by 34%, followed by inflation at 32%.

22%

Fears over falling living standards are leading retirees to consider a range of actions to protect themselves. More than a fifth (22%) are considering cutting back on discretionary spending, while 17% are considering cuts to spending on essentials.

As we saw in the previous chapter, UK retirees' levels of income satisfaction have risen despite average overall income increases lagging behind inflation. In this chapter, our research explores how retirees expect their standard of living to change in the near term, digging into the driving forces behind their rising fears despite current satisfaction.

We asked retirees how they felt about their ability to maintain their standard of living – distinct from spending – over the coming 12 months. For those who expressed fear over the future, we explored the reasons for their concerns.

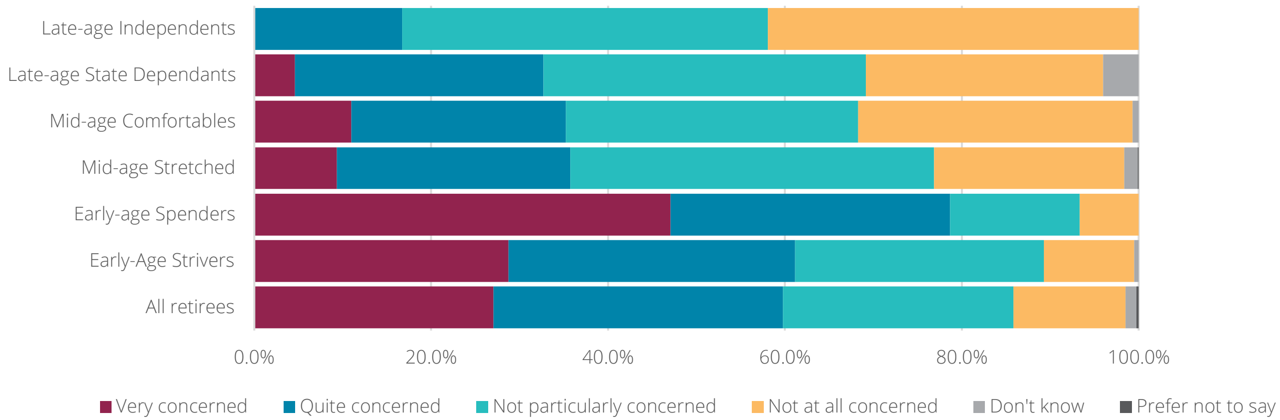
Finally, we asked about the actions they are considering taking in response, once again highlighting a broad swathe of the retired population who were cutting back on spending – including on essential items – in an attempt to minimise the impact of inflation and the cost of living on their quality of life.

Fears over standards of living have risen sharply

Our research shows the majority of UK retirees are now concerned about their ability to maintain their current standard of living.

Last year 51% of retirees said they were concerned, with 18% very concerned. This year 60% of retirees are concerned about their ability to maintain their current standard of living over the next 12 months, while 27% are very concerned, a significant increase.

To what extent, if at all, are you concerned about your ability to continue your current standard of living over the next 12 months?



Among our retirement personas, there is a stark contrast in the levels of concern between older and younger retirees. Age appears to be the primary driving factor of retirees' levels of fear – with the highest levels of concern among the youngest, high-income group (79% are concerned and almost half, or 47%, are very concerned) and the lowest among the oldest, high-income group - 17% are quite concerned and none are very concerned.

A similar pattern plays out when looking at the dataset on a purely age adjusted basis – 75% of under-55s report being concerned, falling to just 18% of those aged 85+. This may indicate fears are tied to making retirement provision last throughout what they hope to be a lengthy retirement and concern around the withdrawal or reduction of benefits currently available to retirees.

Inflation and the cost of living continue to drive fears

While retirees' fears over declining living standards have risen over the past year, the reasons they give for these fears have stayed broadly consistent. The top four most common reasons, centred around the cost of living and fear of government withdrawal of benefits, remain the same. However, among the different persona groups, we see significant variation in the top three fears.

The rising cost of essential items, for example, continues to be the main source of fear for the concerned, cited by 34% overall. This was among the top fears of all persona groups, with the exception of the Late-age Independents.

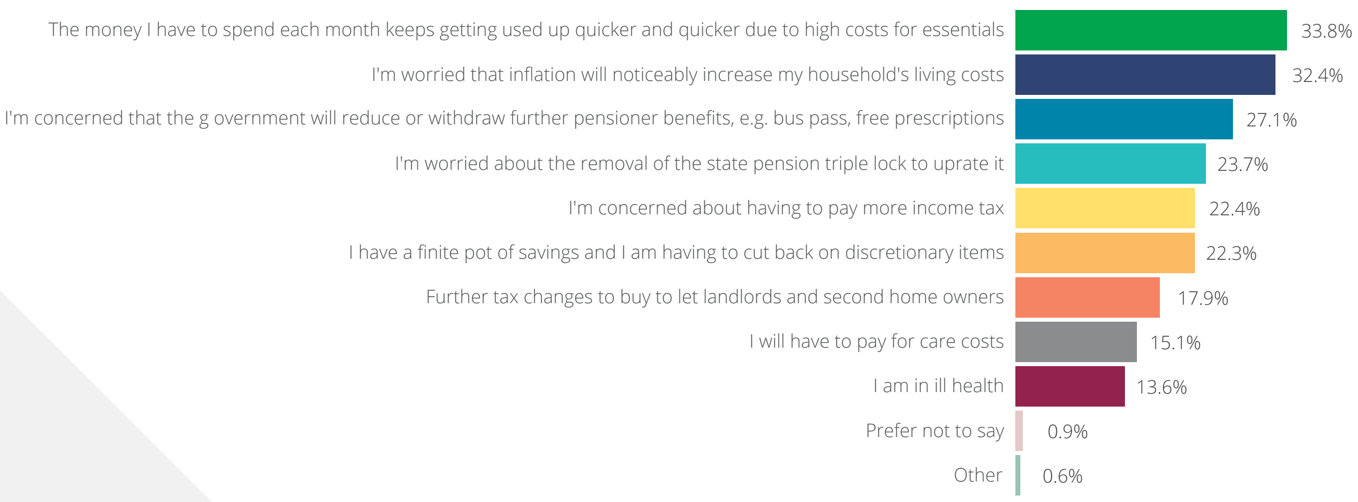
Concerns over inflation followed a similar pattern, cited by 32% of retirees overall, and mentioned in the top three fears for all persona groups with the exception of the Early-age Spenders. As with the rising cost of essentials, we see a clear divide between the income levels, with lower income retirees citing concern at a far higher level.

In both cases, the timing of the survey questions may have played a role. Our survey was conducted during late March and early April 2026, roughly a month after the outbreak of the Iran conflict, when the closure of the Strait of Hormuz was driving concerns about rising costs for fuel and energy.

This was also before the above inflation increase to the State Pension took effect, meaning retirees would have seen cost increases before benefitting from income increases.

The research implied significant differences in the areas of concern for advised and unadvised retirees: 60% cite essential costs and 59% inflation, versus 29% and 27% of current advice users. Those receiving advice are much more likely than the non-advised to cite tax changes affecting landlords or second homes, at 22% versus 2%, and care costs at 19% versus 1%.

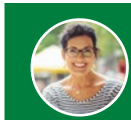
Why are you concerned about your ability to continue your current standard of living over the next 12 months?



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

Early-age Strivers

1. I'm worried that inflation will noticeably increase my household's living costs
2. The money I have to spend each month keeps getting used up quicker and quicker due to high costs for essentials
3. I have a finite pot of savings and I am having to cut back on discretionary items.



Early-age Spenders

1. The money I have to spend each month keeps getting used up quicker and quicker due to high costs for essentials
2. I'm concerned that the government will reduce or withdraw further pensioner benefits, e.g. bus pass, free prescriptions
3. I have a finite pot of savings and I am having to cut back on discretionary item.

Mid-age Stretched

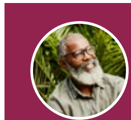
1. I'm worried that inflation will noticeably increase my household's living costs
2. The money I have to spend each month keeps getting used up quicker and quicker due to high costs for essentials
3. I'm worried about the removal of the State Pension triple lock to uprate it.

Mid-age Comfortables

1. I'm worried that inflation will noticeably increase my household's living costs
2. The money I have to spend each month keeps getting used up quicker and quicker due to high costs for essentials
3. I'm worried about the removal of the State Pension triple lock to uprate it.

Late-age State Dependants

1. I'm worried that inflation will noticeably increase my household's living costs
2. The money I have to spend each month keeps getting used up quicker and quicker due to high costs for essentials
3. I'm concerned about having to pay more income tax.



Late-age Independents

1. I am in ill health
2. I'm worried that inflation will noticeably increase my household's living costs
3. I'm worried about the removal of the State Pension triple lock to uprate it / I will have to pay for care costs.

However, it is worth noting that while fears over inflation and the cost of living continues to top retiree concerns, neither featured as prominently as last year, where 41% highlighted the high cost of essentials and 40% the impact of inflation on living costs. In fact, all options showed a drop in the number of retirees highlighting them compared with last year, showing retirees appear to have grown more concerned about a smaller range of fears.

Outside of the rising cost of essentials and fears that inflation would noticeably increase the cost of living, lower income retirees' most commonly cited fears were reflective of their stage of retirement. Early-age Strivers, for example, highlighted fears that their finite savings would necessitate cutting back on discretionary spending, cited by 28% of retirees in this group.

Among the Mid-age Stretched, meanwhile, fears over the removal of the triple lock featured prominently, mentioned by 37% of retirees. For Late-age State Dependants, fears over paying more income tax was a primary concern, mentioned by 37%.

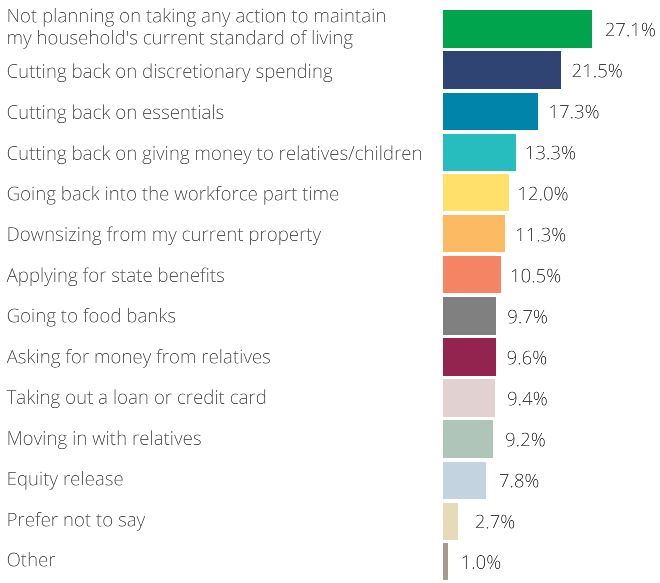
Almost a quarter (24%) of Early-age Spenders highlighted fears of further tax changes for buy-to-let landlords or second homeowners, compared with 16% of Early-age Strivers. Among Mid-age Comfortables, 16% fear further changes, while just 2% of their low-income counterparts, the Mid-age Stretched, cite this as a fear.

Higher income groups also show significantly higher levels of concern around the need to pay for care. This is cited as a fear by a little over a fifth (21%) of Early-age Spenders, 6 percentage points above Early-age Strivers, their lower-income counterparts. Similarly, paying for care is a concern for 12% of the Mid-age Comfortables, 10 percentage points above the Mid-age Stretched. None of the Late-age State Dependants highlighted paying for care as a concern, while at 37% it was joint third in highest concern among the Late-age Independents.

Fears are driving further cuts in spending

While 27% of retirees plan to take no action to maintain their living standards, fears are leading many retirees to consider a range of actions to protect themselves. More than a fifth (22%) are considering cutting back on discretionary spending, while 17% are considering cuts to spending on essentials.

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



As with last year, the largest group of respondents said they did not plan to take action. However, it has fallen this year to 27% of retirees from 32% demonstrating a perception shift. Retirees are considering a wider range of responses, from cutting spending and reducing family support to returning to work, downsizing or exploring equity release.

Across all retirement personas – with the exception of Early-age Spenders – the three most common responses are consistent. The largest proportion of all mid and late-age retirement groups are considering taking no action to maintain their standard of living, followed by cutting discretionary spend and cutting back on essentials. Even among Early-age Strivers, the top three responses are the same, although cutting discretionary spend is the most commonly cited option at 30%.

Among the Early-age Spenders, however, a far wider range of options are under consideration. Taking advantage of their youth, 22% of this group are considering returning to the workforce part time in order to bolster their spending power. A further 20% are considering cutting back on giving money to their relatives or children.

They are also considering options such as downsizing from their current property (20%), moving in with relatives (16%) or equity release (13%) as an option, while some are even considering applying for state benefits (17%) or going to food banks (16%).

This renewed snapshot of retiree living standards paints a picture of a UK retirement population that is still facing many of the same fears as last year, but they feel these fears more intensely.

However, despite concerns around the rising cost of essentials and the potential for further inflation, our spending research indicates that the largest jumps in spending came in family support, rather than due to increased cost for essentials.

Nevertheless, as the next chapter will show, more retirees are resolved to do something in response to their perceived challenges, with many making changes to their financial plans.

Quilter's view on the living standards findings

"This year's findings show that retirement confidence is under increasing strain. Even though income satisfaction has improved, many retirees remain worried that their current standard of living may not be sustainable. The rise in those who are very concerned is particularly striking, and points to a deeper sense of uncertainty about what retirement may cost in the years ahead in light of persistent geopolitical instability and an uncertain retirement policy outlook from the government.

"The most anxious group is not the oldest or the lowest-income retirees, but younger retirees, especially Early-age Spenders. This reflects one of the hardest challenges in retirement planning: making a finite pot last for an uncertain and often volatile period of time. A person retiring in their late fifties or early sixties may need their savings to support them for several decades, while also navigating inflation, market volatility, policy change, care costs and family support.

"For lower-income retirees, the picture is different but no less important. Their concerns remain closely tied to essentials, inflation and the future of state support. This underlines the importance of a predictable long-term State Pension framework that provides confidence to today's retirees while remaining sustainable for future generations, alongside targeted protection for the most vulnerable pensioners.

"The data also show that retirees are not simply responding by cutting back more aggressively. While there are fewer that say they will do nothing, less people are also planning cuts to discretionary or essential spending than last year. Instead, responses appear to be broadening, from returning to work and downsizing to reducing family support or considering equity release.

"That makes planning crucial. Retirees need to understand not only what they can afford today, but how their choices could affect later-life resilience. Advice and targeted support can help turn anxiety into practical action, ensuring retirees can protect their own living standards while continuing to support loved ones where it is sustainable to do so."

Jon Greer

Head of Retirement Policy at Quilter

Responding to Policy

Key findings

63%

The current political environment has affected the inheritance tax plans of 39% of retirees, similar to the 41% seen last year. The impact is much higher among advised retirees, at 63%.

5%

Inheritance tax planning has moved decisively from concern to action for those affected by the political environment, with only 5% doing nothing compared to 38% last year.

62%

Uncertainty around policy has proven a big cost to retirees, with 62% of those who withdrew tax free cash from pensions ahead of the Budget regretting the decision. 42% say they withdrew it in anticipation of changes.

In the previous chapter, we heard about the fears retirees feel about the future, what is driving their concerns and the actions they are considering taking in response. In this chapter, we explore how this is impacted by government policy.

We asked retirees how they view government policies , and what they were going to do in response. We also asked about what potential future policies would be most likely to motivate them to take action.

Inheritance tax planning continues to be impacted by policy

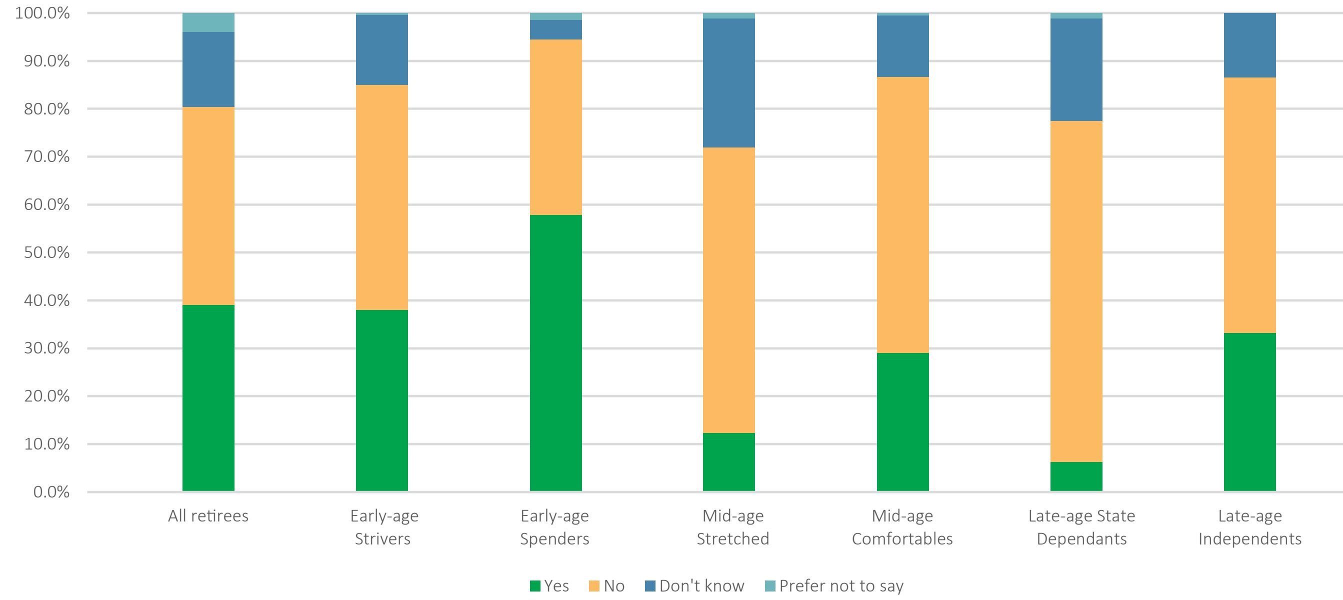
The current political environment is shaping the inheritance tax planning of 39% of retirees, compared with 41% who say it is not. This is broadly in line with last year, when 41% said it was affecting their planning while 40% said it was not.

The effect is far more pronounced among those who are receiving financial advice, with 63% saying the political environment is having an impact on their inheritance tax planning, compared with just 8% of those who have never sought advice.

Across the six retirement personas, the impact is most evident among the Early-age Spenders, who are the only cohort more likely than not to say the political environment is influencing their tax planning, at 58%. This is significantly above Early-age Strivers at 38%, the second most likely cohort to be considering action.

This suggests that retirees are most willing to make changes to their financial arrangements while in the earlier stages of their retirements, with older retirees far less likely to be considering action.

Is the current political environment (recent or proposed tax/policy changes) impacting your inheritance tax planning?



More retirees looking for ways to minimise tax impact

Significantly more retirees are considering ways to mitigate their inheritance tax liability this year than last. Among those who are impacted by the current policy environment, being more tax efficient with savings is the most common approach.

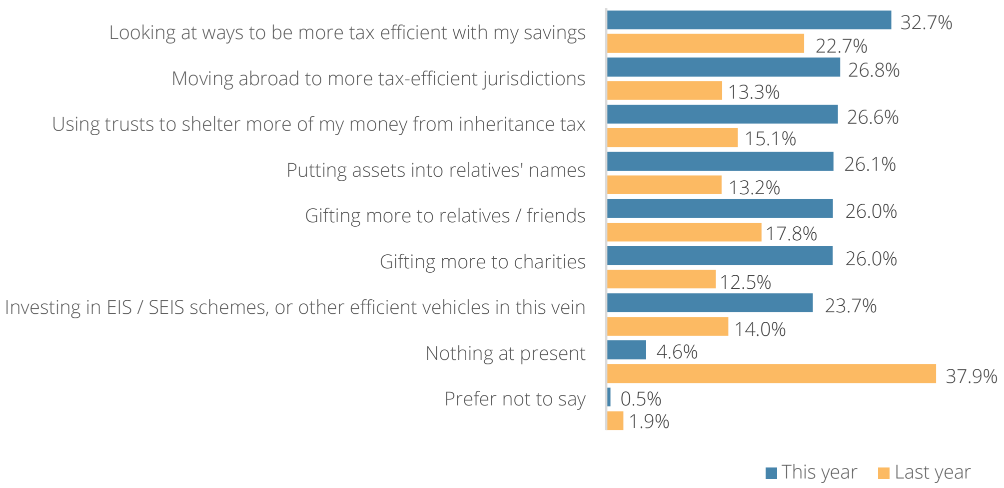
Last year 38% of retirees told us they planned to do nothing in response to changes to the inheritance tax regime, but this year that number has dropped to just 5% of retirees. In fact, across all of the potential measures that could be taken to manage inheritance tax, there has been an increase in the number of people opting to do so.

A third (33%) of affected retirees said they are looking at ways to be more tax efficient with their savings, a considerable jump up from 23% last year.

The research also indicates that inheritance tax changes could prompt retirees to leave the country, with 27% of affected retirees considering moving abroad to more tax-efficient jurisdictions. Emigration is particularly popular among Early-age Spenders, with 37% reportedly considering it.

Similarly, 31% of advised retirees are considering a move abroad, as well as a range of other options to minimise their tax liability. Close to a third (30%) report considering using trusts to shelter assets from inheritance tax, compared with 27% of the overall retiree population. Almost as many (29%) are considering investing in Enterprise Investment Schemes (EIS) or Seed Enterprise Investment Schemes (SEIS), compared with 24% of the overall retiree population.

Retirees have been spurred to action to manage their inheritance tax exposure



Gifting is seen as a major route for reducing inheritance tax liability, with just over a quarter (26%) of retirees reporting that they are gifting more to relatives and friends, and almost all persona groups likely to be considering it. Among the Late-age Independents, 76% said they were now gifting more to relatives or friends, while 34% of Mid-age Comfortables and 26% of Early-age Spenders said similar. Gifting rates were high even among the lower-income cohorts. 28% of Mid-age Stretched retirees said they were giving more, along with 22% of Early-age Strivers.

In a similar vein, many are putting assets under relatives' names. This is particularly popular among Early-age Spenders, of whom a third (33%) report doing so, but across all cohorts a significant proportion report transferring assets in this way. Even among Late-age Independents – who report the lowest rates – one in ten (10%) report doing it.

Alongside relatives and friends, charities are also benefitting from the changes to inheritance tax. More than half (52%) of Late-age State Dependants report increasing their donations in response to the political environment, along with 37% of Late-age Independents. For Early-age Strivers, Early-age Spenders and Mid-age Comfortables, around a quarter each report higher rates of charitable giving in response.

Almost half (46%) of all retirees surveyed told us they have sought advice from a financial adviser on how best to protect and pass on their assets, up from 43% last year. Younger and higher-income retirees have sought advice at the highest levels, with 70% of Early-age Spenders and 44% of Early-age Strivers reporting the highest rates of any cohort. However, even among older, lower income retirees a significant proportion have spoken to experts – 15% of Mid-age Stretched retirees and 13% of Late-age State Dependants.

Income tax threshold freeze is the biggest driver of action

A raft of policy changes, as well as proposed reforms, at the start of the Labour government prompted many retirees to revisit the plans they had made for their retirement and beyond. In order to understand the relative impact of the various government actions, we asked retirees about which policies led them to make changes to their financial plans.

A large majority of retirees were pushed into making changes to their financial plans by one or other of the government's policies or propositions. Among the group surveyed, 69% took some sort of action over the last 12 months as a result of government policy.

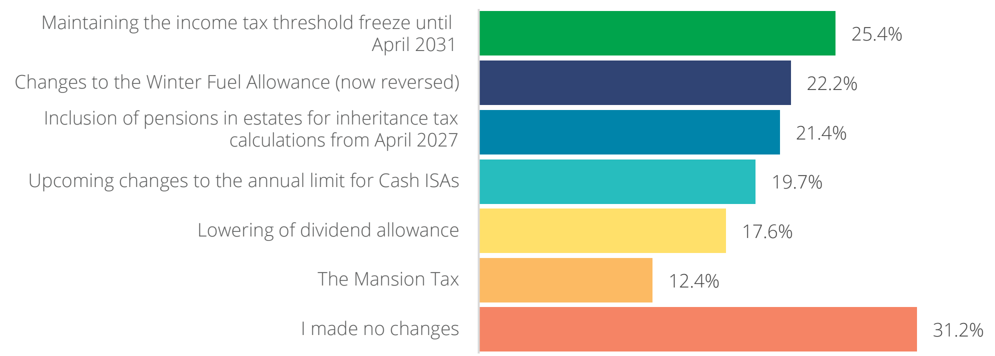
Over this time, the most impactful policy has been the decision to maintain the income tax threshold freeze, which will stay in place until April 2031. A quarter of retirees took action in response, with the highest rates among the Late-age Independents (39%) and Early-age Spenders (34%).

Changes to the Winter Fuel Payment were also a significant catalyst for action. More than a fifth (22%) of retirees changed their financial plans in response, with the highest rates seen among the Early-age Spenders (27%) and Late-age Independents (23%).

The inclusion of pensions in estates for inheritance tax purposes was also cited as a driver of changes to retirees' financial plans, mentioned by 21% of retirees overall. The changes were most likely to have prompted action among younger retirees, with 36% of Early-age Spenders making changes in response, along with 25% of Early-age Strivers.

Across the cohorts, younger retirees were far more likely to alter their financial plans in response to government policy changes, indicating less willingness – or perhaps less need – to change plans among older, lower-income retirees. For Late-age State Dependants, 81% said they made no changes over the last 12 months, as did 66% of the Mid-age Stretched.

Which, if any, policies (or proposed policies) led you to make changes to your financial plans in the last 12 months?



The high cost of uncertainty: fears over tax changes led many to withdraw cash, which they now regret

Changes to retirement policy create wide-ranging impacts, even if those changes are rumoured but never subsequently materialise. Speculation around the potential for changes to pension taxation, specifically on tax-free cash, led to a spike in withdrawals ahead of the last two UK Budgets.

In order to understand the scale of these withdrawals, along with the financial and emotional impacts caused, we asked retirees a series of questions to understand whether they withdrew tax-free cash from their pension ahead of the last Budget, what drove their decision and whether they regretted it.

Of the more than 5,000 retirees in our survey, 57% reported that they withdrew tax-free cash ahead of the Budget. Of those who withdrew tax-free cash, almost three quarters said they did so in anticipation of possible rule changes, equivalent to 42% of all respondents.

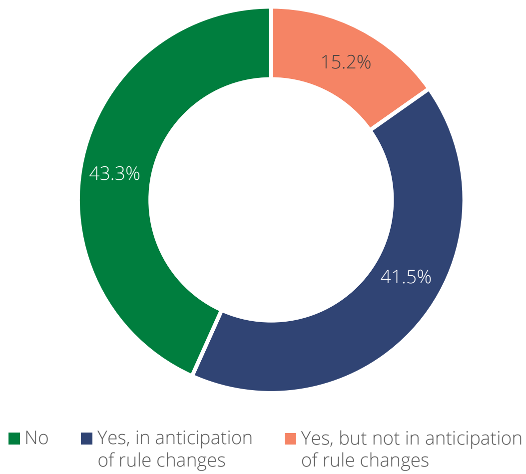
Among those who withdrew tax-free cash, more than three-in-five (62%) said they regretted doing so.

Those who withdrew cash reported using it for a wide range of purposes. The largest proportion – 15% – used it to fund renovations or home improvements, while almost as many (15%) used it to cover healthcare or other care costs.

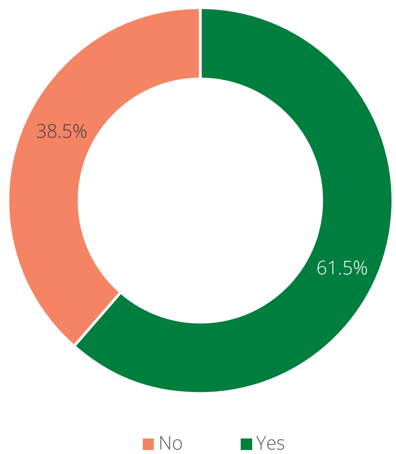
Our research also found that family members were major beneficiaries of the decision to withdraw. Funding education was a major use of the money, cited by 14% of those who took tax-free cash, while gifting some or all of it to children (13%) or grandchildren/great grandchildren (14%) were also commonly cited. Almost as many – 12% - reported donating at least some of the money to charity.

Debt reduction was another common usage, with 13% using it to pay down or clear their mortgage entirely, while 13% used it to pay off other debts.

Did you withdraw tax-free cash from your pension in the run up to the Budget?



Do you regret withdrawing tax-free cash?

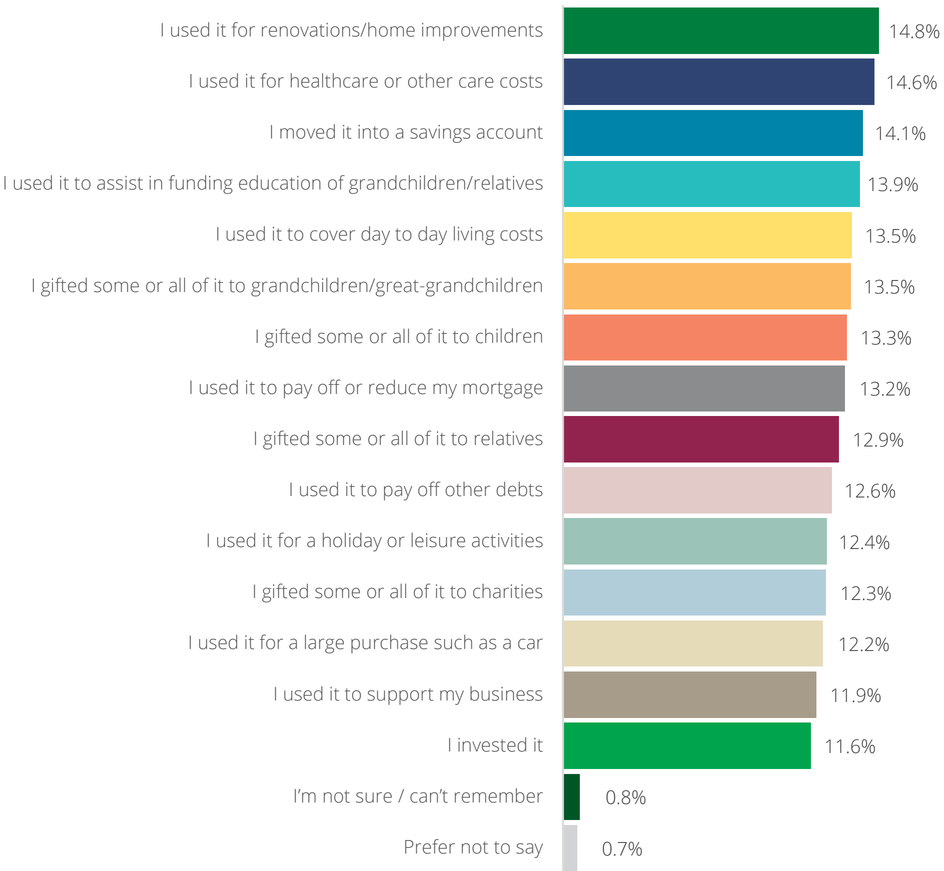


> “Changes to retirement policy create wide-ranging impacts, even if those changes are rumoured but never subsequently materialise.”

Others used it for large personal or leisure purposes – 12% spent the money on a holiday or other leisure activities, and12% used it on a large purchase such as a car. Others used it to fund their own ventures, with 12% using the money withdrawn to support their business.

However, it seems a large proportion withdrew without any intended use for it. Among those who took out cash, 14% report simply having moved it into a savings account

What did you do with the tax-free cash you withdrew?



Looking forward

When asked what proposed changes would lead them to make changes to their financial plans over the next 12 months, 32% of retirees said they plan to make no changes. However, a range of policies are likely to spur changes to retirees' financial arrangements.

More than a quarter (26%) selected the extension of the income tax threshold freeze. Income tax thresholds are likely to become a more salient issue for retirees across all income bands in the coming year, as in April 2027 rises in the State Pension will see the full new State Pension surpass the £12,570 personal allowance.

The inclusion of pensions in estates for inheritance tax calculations would spur 24% of all retirees to make changes to their financial plans in the coming year, while 21% said changes to the annual limit for cash ISAs would impact their plans. A fifth (20%) of retirees said the proposed High Value Council Tax Surcharge (HVCTS), often referred to as the Mansion Tax, would result in changes, while 19% highlighted changes to inheritance tax reliefs for farms.

Advised retirees are much more likely to take action in response to policy change than their unadvised counterparts. Only 11% of those current receiving advice plan to make no changes, compared with 79% of respondents who have never received financial advice.

For the currently advised, the main triggers are the inclusion of pension wealth in the estate for IHT purposes (34%), the income-tax threshold freeze (33%), the Mansion Tax (32%) and Cash ISA changes (30%).

Retirees under-65 boost saving ahead of Cash ISA saving limit changes

From April 2027, the government is set to reduce the Cash ISA savings limit for those under 65 to £12,000, with the remainder of the £20,000 total ISA allowance needing to be placed into investment ISAs. Asked whether the changes had affected their financial planning, 41% of retirees aged 64 or younger said they had increased their cash savings rates ahead of the change in order to maximise their tax-free cash savings before the limit lowers.

By contrast, 8% have reduced their savings rate ahead of the change, while 33% said they are actively exploring new savings vehicles.

> "The income tax threshold freeze and proposed inheritance tax changes are the biggest policy triggers likely to prompt retirees to review their financial plans over the next 12 months."

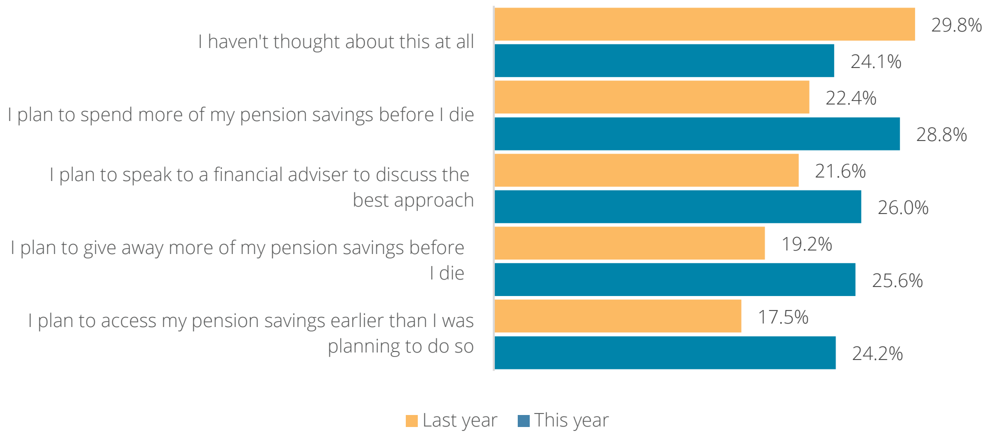
Pension tax treatment changes put paid to old wisdom to "spend the pension last"

One of the most profound changes in retirement policy in the past year was the change to the treatment of pensions under inheritance tax. Where pension pots are currently exempt from the value of a person's estate for the purpose of calculating inheritance tax, under new rules coming into effect in April 2027, they will count towards the value of someone's estate, meaning more retirees will be liable to pay.

Our research shows this year, more retirees are responding to the change. The proportion of retirees who said they hadn't thought about the change dropped by almost six percentage points, to 24%, while those who reported considering all of the actions proposed rose.

The most popular plan among retirees is to spend more of their pension savings before they die, an option chosen by 29% of respondents. A further 26% plan to give away more of their savings, while 24% plan to access their pension earlier, showing a shift away from the previously accepted wisdom to delay accessing pension savings until other forms of saving had been drawn down.

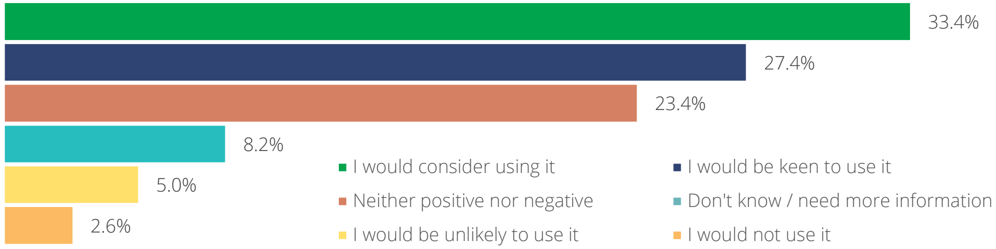
Are you planning to do anything to address the changes to pension taxation? (All retirees)



The changes also appear to be spurring an increase in retirees seeking advice on their finances. While the introduction of the new tax regime is now less than a year away, 26% of retirees reported they are planning to speak to a financial adviser about potential responses. This figure does not include those who have already taken action following consultation with their financial adviser.

Targeted support well received among retirees

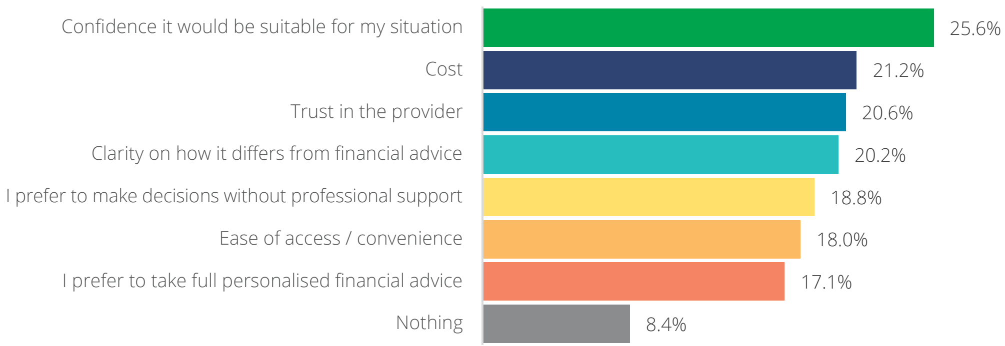
The targeted support regime went live from 6 April 2026, allowing authorised firms to provide suggestions designed for groups of consumers with common characteristics. In last year's report we encouraged the rollout of targeted support to help people make more informed decisions around spending, saving, investing and allocating their capital.



This year's research reveals retirees show strong levels of interest in targeted support with 61% of respondents positive at the prospect of using it.

Younger and higher income retirees showed greater awareness of, and positivity towards, targeted support. Early-age Spenders were most in favour, with 85% viewing it positively and just 2% negatively.

Alongside gauging overall levels of interest, our research asked what factors would influence whether or not retirees would engage with targeted support provision. Here the predominant reason, given by 26% respondents, was confidence that it would be suitable for the retiree's specific situation. Cost is also an important factor. Mentioned by 21% of retirees, it is particularly salient for lower-income retirees, cited by a third (34%) of the Mid-age Stretched, 28% of Early-age Strivers and 27% of Late-age State Dependants.



Higher income cohorts such as Early-age Spenders and Mid-age Comfortables, by contrast, place greater weight on clarity in how targeted support differs from financial advice (cited by 25% and 22% respectively) and their level of trust in the provider (24% and 22% respectively).

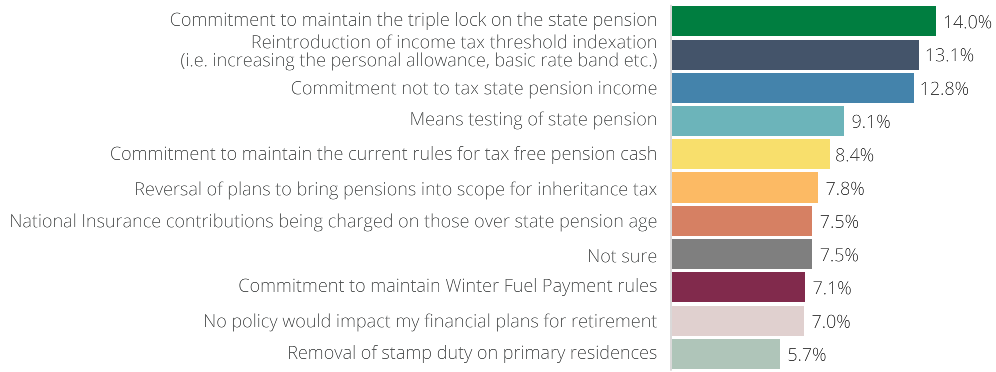
A notable proportion of Early-age Spenders also show a preference for more in-depth support with their financial planning, with 23% saying they would prefer to take full personalised financial advice over targeted support, higher than the general retired population, of whom 17% would prefer full advice.

Retirees divided on which potential financial policies would have biggest impact

Alongside questions around how previously floated or implemented policies have driven changes to the financial plans of UK retirees, we asked what policies would be most likely to drive changes in the future.

We found little consensus among respondents, with few of the policies proposed likely to drive changes among more than 10% of the population. However, there are important lessons to be learned about what retirees in general – and those of different ages and incomes – prioritise in financial policy.

The most impactful policy change would be a commitment to maintain the triple lock on the State Pension, supported by 14% of respondents.



The triple lock is judged least meaningful by Early-age Spenders, of whom just 11% said a commitment would impact their financial plans. Among older retirees – especially those on lower incomes, its importance is seen as much higher, with 19% of Mid-age Stretched retirees saying it would impact their plans, rising to 29% of Late-age State Dependants. Both groups reported the State Pension as accounting for on average more than half of their income in this year's research.

As we highlighted in last year's report, there are significant concerns about the growing burden that the State Pension will impose on the public purse if the current uprating mechanism is not revisited.

Besides the triple lock, retirees judged a reintroduction of income tax threshold indexation and a commitment not to tax the State Pension as the most impactful potential policy interventions, each cited by 13% of retirees.

Higher-income retirees will be more impacted by the restoration of income tax indexation, who are less reliant on benefits and the State Pension than their lower-income counterparts.

Quilter's view on how retirees are responding to policy

"This year's findings show that policy uncertainty can actively change behaviour, and with that can come negative outcomes if action is driven by fear and without appropriate planning. The clearest example is pensions tax-free cash, which is a highly valued pensions benefit that encourages saving and forms a key part of people's retirement plans. The fact that a large proportion of retirees withdrew tax-free cash from their pensions ahead of the Budget out of fear that such a valuable element would be removed, and that many now regret doing so, outlines the significant cost of uncertainty.

"Decisions about pension access, gifting and estate planning are often difficult or even impossible to reverse and can have consequences for tax, investment growth, care funding and later-life income security. Yet, each year we see the same rumour mill come alive in the lead up to the Budget and we now know just how significant the consequences of a lack of certainty can be.

"Policy change is inevitable, but retirement planning takes place over decades and not electoral cycles. Whether it is the State Pension, inheritance tax or pension tax rules, people need sufficient certainty to make long-term decisions with confidence. Where change is necessary, it should be evidence-based, properly consulted on and implemented with enough notice for savers to adapt their plans.

"Elsewhere, almost two in five now say the political environment is affecting their inheritance tax planning, and more than two thirds have made changes to their financial plans in response to recent or proposed policy changes. The scale of action is striking. Retirees are looking at more tax-efficient savings, trusts, gifting, earlier pension access and, in some cases, even moving abroad. Some of these actions may be sensible when taken as part of a considered plan, but they can also carry significant risks if driven by fear or speculation rather than long-term financial planning.

"This is where advice and targeted support matter, as receiving the right help at the right time can ensure people do not make decisions that negatively impact their quality of life later down the line. Positive sentiment towards targeted support is welcome, but full financial advice will remain essential for complex decisions around inheritance tax, trusts, pension withdrawals and gifting.

"Alongside this, a commitment from the government to rule out significant changes as early as possible to prevent avoidable harm in the lead up to each Budget is vital, particularly where changes would impact plans that have been set over decades. It must prioritise clarity, consistency and timely communication to ensure that retirees can plan with confidence rather than react to speculation."

Jon Greer

Head of Retirement Policy at Quilter

Recommendations

Establish a long-term framework for State Pension adequacy and uprating

The State Pension is a cornerstone of retirement income for millions of people and accounts for almost a quarter (24%) of the average retiree's income. As longevity increases and demographic pressures grow, the government must undertake a comprehensive review of both the future uprating mechanism and the appropriate level of State Pension relative to mean full-time earnings.

The importance of the State Pension extends far beyond those currently receiving it. It forms a fundamental part of the retirement aspirations of millions of working people, providing reassurance that after a lifetime of contributing to society and the broader economy, there will be a dependable foundation of support in later life. As such, ensuring the long-term sustainability of the State Pension must be a key priority for government.

While the triple lock has played an important role in protecting pensioner incomes and improving living standards, questions remain about its long-term sustainability and whether it remains the most appropriate mechanism for future generations. Equally, there is no clear consensus on the level of State Pension income society is seeking to provide relative to earnings and living standards.

The government should use the work of the Pensions Commission as an opportunity to establish a long-term settlement for the State Pension. This should include agreement on the role the State Pension is intended to play within the wider retirement system, the level of income it should seek to provide relative to earnings, and a sustainable uprating framework that balances pensioner outcomes with affordability for future taxpayers.

People save and plan for retirement over several decades, not over the course of a Parliament. 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 importance of intergenerational financial support is rapidly on the rise. Whether helping children or grandchildren onto the property ladder, contributing towards education costs or providing wider financial support, intergenerational wealth transfers can have a transformative impact at key moments in people's lives and, subsequently, the wider economy.

Many retirees have already changed their spending and gifting behaviours, seemingly in response to recent policy changes including pensions being brought into the scope of inheritance tax from April 2027. 94% of the uplift in expenditure identified in our research was directed towards discretionary spending including gifts to younger family members, support for education costs, charitable giving, home improvements and holidays.

The average retiree now gifts £2,272 annually to family and contributes £2,250 to education support. When combined, these figures exceed the current annual gifting allowance, and many exceed it through gifts alone, especially high-income, younger retirees. This demonstrates a clear desire among older generations to provide support during their lifetime and to see the impact it has on the people they care about most.

This rise in intergenerational support should be welcomed and encouraged. As life expectancy rises, wealth passed on solely through inheritance risks reaching recipients much later in life, often when key financial milestones have already passed. Earlier gifting can help fund housing, education, business creation and long-term investment. As well as boosting the economy, it can strengthen overall financial resilience, help individuals build assets of their own and reduce future reliance on state support.

The government should increase and automatically index the annual gifting exemption, which has remained the unchanged since 1981, to better reflect the economic realities and support earlier intergenerational wealth transfers. Had the gifting allowance risen in line with inflation, it would now be worth £12,000. In 45 years, the economic landscape has changed beyond recognition, life expectancy has increased dramatically, and the shape of the modern family is markedly different. When combined with the changes in tax policy since, the gifting allowance is no longer remotely fit for purpose.

The change in house prices offers a clear example. In April 1981, the average house price sat just under £20,000, meaning a gift of £3,000 would offer a 15% deposit alone. Today, the average house price sits around £270,000, meaning that same gift would offer just 1% of a deposit. At a time when pensions are set to come into the scope of inheritance tax and frozen thresholds continue to raise tax receipts, modernising the gifting allowance would represent a very modest reform with potentially significant economic and social returns, promoting intergenerational fairness while helping unlock growth across the wider economy.

> "This demonstrates a clear desire among older generations to provide support during their lifetime and to see the impact it has on the people they care about most."

Provide long-term certainty over pension tax-free cash and core pension tax incentives

For decades, individuals have planned their retirement on the basis that they will be able to access part of their pension savings as tax-free cash. This is not only one of the most widely understood features of the pension system, but a core element of retirement planning for millions of people. For many, this is viewed as a benefit they have worked hard and saved diligently to earn throughout their lifetime.

Our research demonstrates the consequence of uncertainty - 57% of retirees say they withdrew tax-free cash ahead of the Budget, and 42% did so in anticipation of possible rule changes. Three in five (62%) subsequently said they regretted doing so. This shows that speculation alone can drive behaviour that may ultimately be detrimental to retirement outcomes.

The government should therefore 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.

62%

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