

# JUST.

## NEWS RELEASE

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### 2.5% State Pension increase still leaves £1,000+ gap to minimum acceptable retirement income, warns Just Group

- Annual increase of 2.5% confirmed for 2021-22 but State Pension still falls short of Joseph Rowntree Foundation minimum income standard
- Just Group highlights importance of smaller pensions in bridging the retirement income gap

Single pensioners set to benefit from a 2.5% rise in the New State Pension to £9,339 a year will still need an additional £1,373 a year income to achieve an acceptable income in later life, new analysis by retirement specialist **Just Group** shows.

The Department for Work and Pensions confirmed a 2.5% rise in the full rate of State Pension in 2021-22 to £179.60 a week. There is also a 2.5% rise for those who retired before April 2016 to £137.60 (topped up to £177.10 a week by Guaranteed Pension Credit).

That means that those receiving the full rate of the post-2016 State Pension will receive £9,339 a year. This is £1,373 a year less than the £10,712 Minimum Income Standard (MIS) published by the Joseph Rowntree Foundation<sup>1</sup>, the anti-poverty charity, based on its research this year of how much income the public considers is the minimum acceptable for a single pensioner.

“These standards are an important sense check about the minimum income people should be aiming to generate in retirement,” said **Stephen Lowe, group communications director of Just Group**.

“They show the importance of private sources of pension income, however modest, to provide a top up to achieve an acceptable standard of living. People may not realise that even relatively small pensions can make the difference between struggling on too little money and having enough to cope in retirement.”

He said that a healthy 67-year-old would need a pension fund of about £30,000 to generate £1,373 a year guaranteed income for life but the exact amount needed could be less depending on a person's medical conditions and lifestyle factors such as what medication they are taking or whether they smoke.

Taking pension cash early is ‘the new norm’ according to the Financial Conduct Authority (“FCA”). Three-quarters of those accessing pension cash from a defined contribution pension before age 65 do so at the age of 55, the earliest opportunity<sup>2</sup>. Nearly nine in 10 pensions valued at less than £30,000 that are accessed each year are fully withdrawn rather than invested to provide a pension income<sup>3</sup>.

Research from Just Group<sup>4</sup> found that fewer than one in five people aged 45+ thought that the State Pension was enough to live on.

“On the one hand people know they don’t want to be reliant solely on State Pension but on the other hand huge numbers are emptying pensions as soon as they can,” said Stephen Lowe.

“That’s not a problem if people have made informed decisions and weighed up the consequences but could be a disaster if they are assuming small pensions aren’t worth bothering with and don’t realise they are going to face an income gap when they start claiming State Pension.”

Just Group’s research found 77% of defined contribution (“DC”) pension savers aged 45-54 would welcome free support in understanding their options<sup>4</sup>. However, FCA statistics show half (50%) of DC pensions accessed last year were done so without the free, independent and impartial guidance from Pension Wise or advice from a regulated adviser, rising to nearly two thirds (64%) of full withdrawals<sup>3</sup>.

“The government has committed to making receiving impartial guidance from Pension Wise ‘a norm’<sup>5</sup>. The Pension Wise service is highly rated by users for improving their knowledge of their options and for helping them recognise and avoid scams,” said Stephen Lowe.

“People are reaching age 55 in record numbers with many of them aware they can start dipping into their pension money even if they plan to carry on working. It’s vital they receive the support to make pension choices today that their future selves will not regret – and it’s up to the FCA to make sure the majority, not the current minority, benefit from Pension Wise.”

## Enquiries

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### Notes to Editors:

### Footnotes

1 – Joseph Rowntree Foundation, Minimum Income Standard, 2020: <https://www.jrf.org.uk/report/minimum-income-standard-uk-2020>

2 – FCA, Financial Lives Survey: <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>

3 – FCA, Retirement Income Market data: <https://www.fca.org.uk/data/retirement-income-market-data>

4 – Research conducted on behalf of Just Group among 2,003 UK adults aged 45-75 (including 1,002 carers), 10-16<sup>th</sup> November 2020

4 – Hansard, Pension Schemes Bill [Lords], debated on Monday 16 November 2020: [https://hansard.parliament.uk/Commons/2020-11-16/debates/298AA028-D49E-4F07-A001-C483ADF38659/PensionSchemesBill\(Lords\)#contribution-2D61D1AA-0B7C-42ED-92E7-8368A055311C](https://hansard.parliament.uk/Commons/2020-11-16/debates/298AA028-D49E-4F07-A001-C483ADF38659/PensionSchemesBill(Lords)#contribution-2D61D1AA-0B7C-42ED-92E7-8368A055311C)

### About Just

Just (Just Group plc) is a FTSE-listed specialist UK financial services company.

A leader in the individual retirement income, care and defined benefit de-risking markets, Just has been trusted to manage £23 billion of customers' retirement savings and has helped customers release over £5.2 billion from their properties.

Just provides the following wide range of products, advice and professional services to individual customers, financial intermediaries, corporate clients and pension scheme trustees:

**Marketed Products**

- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;
- Individually underwritten retirement income products delivering a guaranteed income for life;
- Long term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
- Lifetime mortgages for people who want to safely release some of the value from their home.

**Professional services**

- Regulated financial advice and guidance services for individuals wanting help in using their pension savings and/or releasing some of the value from their home; and
- A range of business services tailored for our corporate clients, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.

The companies within Just Group are authorised and regulated in the United Kingdom by the Financial Conduct Authority and / or the Prudential Regulation Authority.