Understanding responses to pension forecasts: Qualitative research

Wendy Sykes, Alan Hedges and John Kelly

A report of research carried out by Independent Social Research on behalf of the Department for Work and Pensions
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Summary

Purpose and objectives

This project was commissioned by the Department for Work and Pensions (DWP) in order to enrich understanding of people’s responses to pension forecasts. It focused on exploring the knowledge, beliefs, attitudes and expectations that affect how people interact with their forecasts; and the implications this might have for the policy, design and content of future forecasts; together with wider lessons for pensions communication.

The aim was to produce generic findings relevant to different types of forecast. We concentrated on two types of forecast – Automatic State Pension Forecasts (APF) and Statutory Money Purchase Illustrations (SMPI).

Methodology

The research was based on around 80 individual in-depth interviews with people who had recently received either an APF or an SMPI forecast. Interviews were conducted between January and June 2007 with people who had been sent forecasts between October 2006 and March 2007.

The interviews were conducted with equal numbers of men and women in each of three age groups (25-35, 36-49, 50+) and included a spread in terms of occupational status and socio-economic group. Interviews were wide-ranging and covered reactions to the pension income estimate (the forecast itself) and the assumptions on which it was based, the wider communication of which the forecast was a part, and the method of delivery.

We experimented with assorted stimuli prepared by us to explore respondent views in more depth. These included a range of different types of envelopes/packaging to assess the importance of what forecasts look like when they arrive through the post; alternative versions of the APF letters; alternative ways of presenting forecast amounts with more or less precision, and a draft ‘model’ statement developed by the Association of British Insurers (ABI).
The research, like all qualitative studies, is designed to generate understanding and insight into the way people think, feel and behave. It cannot provide statistical information or measure the proportion of respondents who hold particular views or behave in particular ways. Words like ‘most’ or ‘few’ are sometimes used to suggest the general drift of opinion we observed, but these should be interpreted only as very broad indicators.

Key findings

Factors affecting the way forecasts are received and understood

The main factors which affect the way in which pension forecasts are received, interpreted and understood are listed below.

Chief among these is a lack of background knowledge on pensions. Most respondents had a weak grasp of how pensions work and this limited their ability to understand and interpret their forecast. The system (State and private) is complex and unfamiliar to many and although our sample included some respondents with a reasonable degree of pensions ‘know how’, most had only a relatively superficial grasp of how things work – and a small number appeared to have scarcely any understanding at all.

The effectiveness of forecasts was further limited by the following:

• Pensions were often felt to be dull and difficult.

• The prospects of retirement often seemed remote to younger people, and too close for older people to do much about.

• Loss of trust in pensions; they now seem less reliable and fruitful than they were in the past.

• Forecasts were not usually regarded as much more than routine communications, and were usually received in a passive rather than an active frame of mind.

• Respondents often lacked confidence about understanding pension issues, and making choices and decisions in relation to them.

• Some of the language in forecast documents could usefully be simplified and jargon minimised – but the main difficulty arises from gaps in public knowledge and understanding which the forecasts alone cannot be expected to plug.

• There is a lot of dense and difficult matter to read; many respondents did not like making the effort required to take in the information in the forecasts.

The effect of all of the above on people’s responses to forecast communications was often to block their responsiveness to the content and limit their ability to interpret and act on it. Many had neither the motivation nor the skills to do more than simply look at the pages and hope to take in a few things that would mean something to them.
Responses to receiving forecasts by post and to envelope design

This section summarises how respondents deal with material arriving by post, and how this is affected by the style of envelope.

People tend to get less post now, and a lower proportion of it is expected to be useful. However, it did not seem that the post has been marginalised – it was still regarded as an important channel of communication, especially with government and financial organisations.

Official and business post was normally easily recognisable and usually dealt with, even if some recipients put off looking at it at first. The style of brown envelope currently used by The Pension Service has well-developed associations with official communications and is unlikely to be ignored or over-looked. Most respondents rejected the idea of coloured envelopes or other attempts to ‘catch the eye’. These lack the right visual coding and could easily be dismissed as junk mail.

Responses to personal forecast information

This summarises respondent reactions to the forecast element of the communication they received; information about how much pension income they might get when they reached retirement age.

Unprompted awareness of having received a forecast projecting pension income was generally high. It was often thought to be the most important part of the forecast communication although interest was not usually high, and was often short-lived.

People usually understood the provisional nature of pension forecasts, and projections were usually accepted as genuine, albeit subject to variation. Some people thought they would probably get less than the projected amount rather than more.

Understanding of key terms used in forecast estimates was severely limited, restricting people’s ability to engage closely with their forecast. For example ‘Today’s prices’ was only partly understood, and ‘Additional State Pension’ was virtually unknown.

Respondents were shown a range of options for presenting the forecast amounts – as a specific cash sum, as a rounded figure, or as a range. Most were clear that they preferred it a specific number rather than a range, because this seemed more ‘real’ and personal. Precise figures did not mislead them into thinking the amount was firm and not variable.

The concept of ‘assumptions’ as a basis for making forecasts was unfamiliar and sometimes seemed puzzling. Hardly any respondents read the long lists of assumptions for either type of forecast; they did not expect to understand them and were not necessarily very interested – although some assumptions affect the way forecasts should be understood.
There was little evidence that forecasts had had much ‘hard’ behavioural impact in the few months since they were received, in the sense that participants had not typically taken specific action as a result of receiving them\(^1\) – although conversations (often with family or friends) had sometimes been triggered.

SMPI respondents who were shown a model statement prepared by the Association of British Insurers (ABI) were strongly in favour of a combined projection of State and private pensions, because of the fuller and more satisfying picture it presents. On the whole people preferred the ABI model to their current version.

**Responses to the wider forecast communication**

This section summarises how people reacted to the forecast documents as a whole.

Participants who received APFs were not usually expecting to get them, so these were more likely to capture interest – but for the same reason they were less familiar to navigate than SMPIs. The latter were often seen as part of a familiar series which recipients had begun to find their way round, but which sometimes seemed less interesting because people felt they knew what to expect.

In most cases neither document received a high level of attention. Reading of the documents was typically limited and selective. Respondents looked for summary information that would tell them what they needed to know. Figures were more likely to draw the eye than lengthy text.

Respondents typically lacked confidence to get to grips with the documents and did not understand most of the technical and jargon terms included. SMPIs present more challenges than APFs because they are longer and more complex.

Information encouraging respondents to invest further in pensions usually lacked impact. People often suspected that these were designed to persuade or sell, working in the interests of providers rather than recipients. Some respondents felt they had little financial scope to invest more; and others were reluctant to invest in long-term and inflexible plans, had lost faith in pensions, were more attracted to alternative investment options (especially property) or were uncertain how to go about investing more.

Introductory letters and leaflets tended not to be read in detail. When respondents were asked to look at them during the interviews they often said that these seemed clear and looked useful, but that the bulk of information inhibits use.

**Subgroup differences**

Although there were differences between sub-groups and individuals within them, we were struck more by the similarities.

\(^1\) The DWP APF evaluation supports this lack of impact (Evaluation of Automatic State Pension Forecasts’ DWP Research Report No. 447).
Age appeared to be the one of the most powerful factors affecting responses to forecasts. Interest in (and worry about) pensions increases as retirement approaches. Current forecasts documents do not seem to have broken through the sense of indifference of young people, and new approaches to communication may be needed.

Female respondents sometimes have extra concerns about pensions because of interruptions to work patterns, and these might be addressed in forecasts.

Better-educated people tend to have better tools for dealing with forecasts, although the barriers we have identified sometimes inhibited them from doing so.

Respondents who thought their private pension investments would be of marginal value were often less interested in finding out about them than those with larger investments, who felt they had more at stake.

Suggestions for enhancing the effectiveness of pension forecasts

The following are suggestions that may of improve the effectiveness of forecasts in providing useful information and may help to engage people with retirement planning.

These suggestions are drawn from the experiences and interpretations of the researchers from the evidence collected. They are intended to inform future discussions by identifying possible ways of improving both the presentation and language of these products, but are not considered to be definite recommendations.

Need for education

Forecast documents alone cannot do much to fill gaps in public understanding, and attempting to use them for this purpose could create overload, making them less readable, accessible and useful.

It would be useful to raise awareness about how both the State and private pensions work and the simplest and most effective way of getting the best out of both.

Narrative focus

To improve reading and understanding, forecast content should be presented as a clear story told from the recipient’s viewpoint.

Forecast information first

It would be better if documents started with the projected pension income, followed by any essential explanations:
Omit introductory letters where possible so readers move straight to key content.

SMPI statements should bring the expected pension itself to centre stage, instead of stressing fund values, whose implications are poorly understood.

Encouragement to consider further investment should come after the forecast information in APFs.

APFs should emphasise the total expected pension rather than its two components (Basic State Pension and Additional State Pension).

Integrate key explanations with forecast

Important explanations relevant to understanding of the forecast (e.g. key assumptions) need to be directly and visibly integrated with the forecast itself, so people can see how to interpret their figures.

Ways of clarifying and simplifying the concept of ‘assumptions’ as a basis for SMPI forecasts need to be sought.

Clarify ‘today’s values’

It is important to find some way of clarifying the notion of ‘today’s values’ that underpins both types of forecast. Further experiment is needed to find ways of explaining the concept more clearly.

Balance the need to keep it short with the need to explain unfamiliar terms

Text should be as short as possible – but not at the expense of understanding. Distinctions need to be drawn between what people need to know; and what must be included for completeness or regulatory reasons. Better understanding of the underlying pension system would reduce the need for explanation in the forecast document itself.

Leaflets are of limited value in providing important information that people need to read. Clearer signposting from the main forecast document might help increase their use marginally.

Forecasts that tailor information to the individual might help reduce the amount of material in forecast communications, and increase the personal relevance of the document to its readers.

Plain English

Forecast documents would benefit from more use of Plain English, although this will not necessarily help with technical terms relating to complex and unfamiliar concepts. Again better financial education is needed.
Encouragements to invest more
Suggesting that people use their forecast pension income to review whether they are currently doing enough to save for retirement is potentially useful but:

- it is important to understand the reservations and concerns that people have, and avoid alienating them through any impression of selling, lecturing or hectoring;
- suggestions should flow from the forecast and not pre-empt it;
- recipients need to be given more practical assistance to help them:
  - size up the extent of any personal shortfall between the pension they need or want and what they can currently expect to get;
  - think through their investment options;
  - assess how much more pension they would get for extra investment of a given amount:
    - SMPIs could usefully illustrate how the forecast pension would rise with a given increase in investment;
    - for APFs the issue of National Insurance top-ups should flow logically from the forecast and, if possible, be more integrated.

Active not passive
People need to be helped to see the forecast as a management tool and not as routine and essentially passive reports.

Combined pension forecasts
Responses to the ABI model statement suggest that combining State and private pension projections is likely to be useful. They give a more realistic (but sometimes more hopeful) impression of what recipients should have to live on.

Single figure forecasts
Single-figure forecasts were widely preferred to ranges which seem too generalised, unreal and impersonal. Respondents seek specific personal statements, not generalities. There seems little risk of this generating over literal interpretations of forecasts.
1 Introduction

1.1 About the report

This is the report of qualitative research commissioned by the Department for Work and Pensions (DWP) in order to develop better in-depth understanding of how people respond to pension forecasts – information sent to them by pension providers (State and private) about the estimated amount of money they will receive when they decide to take their pension.

It is based on around 80 individual qualitative interviews with people who had recently received a pension forecast, conducted between January and June 2007. The research was carried out by Wendy Sykes, Alan Hedges and John Kelly for Independent Social Research.

1.2 Purpose and objectives of the research

This project was designed to enrich understanding of responses to pension forecasts – to examine in the broadest sense how people construe, make sense of and are affected or influenced by the pension forecast documents they receive. Our brief was to explore the knowledge, beliefs, attitudes, experiences and expectations that affect how people interact with their forecasts; and to consider the implications this has for forecast policy, and the design and content of future forecasts.

Past research has provided some evidence about what people think of the format, layout and content of forecast communications and whether recipients have done anything as a result of getting a forecast. Some research has also examined factors

such as financial acuity that affect people's general understanding of forecasts\(^3\), but there is a lack of more comprehensive, in-depth information about what people bring to pension forecasts that affects how they interpret and engage with them. This research was commissioned to help fill this gap.

1.3 Policy context

The introduction of a range of new reform measures – including reform of the State Pension system to make entitlement simpler and more generous, and (from 2012) auto-enrolment into work-based pensions or the personal accounts low-cost savings vehicle emphasises the need to look afresh at what information people ought to have access to. DWP is considering how best to ensure that individuals are equipped with the necessary facts to enable them to make sensible plans under the new structure.

Pension forecasts have a potentially important role to play in meeting these objectives. Good understanding of how people receive and respond to forecasts is therefore essential.

DWP has a continuing interest in improving the clarity and understanding of private pension forecasts and is working closely with external organisations to consider ways of simplifying legislation relating to current statements and improving the design and their effectiveness.

1.4 Brief outline of research design and method

The aim of the project was to produce generic findings relevant across different types of pension forecast. It was decided to confine attention to just two main types of forecast – APFs and SMPIs - in order to allow us to explore each in more depth. Together these represented a significant percentage of the forecasts issued to members of the public during the life of the project and also captured much of the variation between forecasts of different types. They are described in detail in the next chapter.

The research involved nearly eighty hour-long, in-depth interviews with people who had recently been sent either an APF issued by The Pension Service (DWP) or an SMPI issued by a private pension provider\(^4\).

We decided to investigate responses to forecasts retrospectively with people who had recently received one. This involved a difficult timing balance. On the one

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\(^3\) For example, Inflation and pension savings: understanding the presentation of the Statutory Money Purchase Illustration (SMPI) in pension statements. Financial Services Authority, Consumer Research 30, 2004.

\(^4\) For the purposes of this project we confined our attention to forecasts that had been posted to recipients. This is still the main method of delivery and to include electronic forecasts was beyond our scope.
hand we wanted to talk to them while the event was still fresh in their minds, but on the other hand we were also interested in exploring whether they had taken any action after getting their forecast, which argues for waiting until such action had time to come to fruition. The timetable was further complicated by the practicalities of identifying forecast recipients and administering an opt-out exercise as part of the sampling and recruitment process. We agreed to aim for a gap of between 1 and 4 months between receipt and interview.

We talked to roughly equal numbers of men and women within each of three main age groups (25-35, 36-49, 50+) and to a range of people in terms of occupational status and SEG (see Appendix A for details).

Our interviews were wide-ranging, focusing both on how people responded to forecasts and why they reacted as they did. We explored responses to:

- forecast information itself – the pension income estimate and the assumptions on which it was based;
- the ‘carrier document’ or wider communication of which the forecast itself was part;
- the method of delivery – the post.

We also covered briefly packaging – the envelope in which the forecast was sent, and enclosures (leaflets, flyers and booklets).

In order to help us unpack answers, we designed and prepared assorted ‘stimuli’ for discussion in our interviews. These included for example:

- a range of brightly coloured envelopes;
- brown official envelopes with different over-printed titles and messages;
- alternative versions of the APF letters with original content re-presented in a different order;
- alternative ways of presenting forecast amounts with more or less precision.

Towards the end of our interviews with SMPI respondents, we canvassed reactions to a draft ‘model’ statement developed by the Association of British Insurers (ABI). Copies of all stimulus material are provided in Appendix B.

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5 See Appendix B for copies of the topic guide.
6 Copies of the stimulus we used are contained in Appendix B.
Forecasts were issued and interviews carried out over the time-period given below:

- APFs issued October/November 2006, interviews conducted January/February 2007;
- SMPIs issued December 2006 to March 2007, interviews conducted May/June 2007.

All interviews were carried out by Wendy Sykes, Alan Hedges and John Kelly, and were tape-recorded and transcribed for detailed analysis. Recruitment was conducted with the assistance of Plus Four Market Research and transcriptions were by Frances Underwood Secretarial Services.

The research, like all qualitative studies, is designed to generate understanding and insight into the way people think, feel and behave. It cannot provide statistical information or measure the proportion of respondents who hold particular views or behave in particular ways. Words like ‘most’ or ‘few’ are sometimes used to suggest the general drift of opinion we observed, but these should be interpreted only as very broad indicators.

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7 This was a month later than originally planned owing to a fieldwork embargo during local elections.
2 The pension forecasts

2.1 Introduction

This chapter describes in some detail the pension forecasts that were the focus for this study – what respondents had actually received from their pension provider. This is an important piece of scene-setting, providing a context for the analysis presented in later chapters.

As we have already noted, forecasts were of two main types: Automatic Pension Forecasts (APFs) issued by DWP, detailing state pensions; and Statutory Money Purchase Illustrations (SMPIs) sent to customers by private pension providers, detailing private pensions.

There is an important distinction between the forecast information itself (the forecast) and the wider communication of which it forms a part (the carrier):

- The forecast tells recipients what income they may get from their pension when they reach pension age. It includes the assumptions on which the pension income estimate is based, even if these are spelled out in a separate part of the wider communication.

- The carrier is the more general document in which the forecast is embedded, which influences the way people can receive and respond to the forecast itself.

2.2 Automatic Pension Forecasts

Over a two year period commencing December 2004, DWP issued 16 million APFs, sent unsolicited and in the form of a letter to people aged between 20 and 64.
2.2.1 The APF forecast

The APF forecast showed the estimated amount of State Pension (SP) the recipient might receive when they reach State Pension Age, given in today’s prices and set out as follows:

<table>
<thead>
<tr>
<th>Your State Pension forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you retire at State Pension age, we estimate your total State Pension will be £xxx.xx a week at today's prices. This figure includes:</td>
</tr>
<tr>
<td>Basic State Pension</td>
</tr>
<tr>
<td>Additional State Pension</td>
</tr>
</tbody>
</table>

A summary of the way the State Pension forecast was calculated was provided in the form of a long list of bullet points presented in a box under the heading ‘How we worked out your State Pension Forecast’ (see below):

<table>
<thead>
<tr>
<th>How we worked out your State Pension forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We have looked at all the National Insurance contributions (NI contributions) you have paid (or been credited with) so far.</td>
</tr>
<tr>
<td>• We have taken account of any Home Responsibilities Protection you may have qualified for. See page 4 of the enclosed guide A quick guide to State Pensions.</td>
</tr>
<tr>
<td>• We have assumed that you will continue to pay (or be credited with) NI contributions on the same basis as the last year we have tax records for you until you reach State Pension age.</td>
</tr>
<tr>
<td>• If you have not paid enough NI contributions in at least one tax year but have been credited with NI contributions, the forecast will assume that before you reach State Pension age you will pay enough NI contributions in at least one tax year to be eligible for State Pension.</td>
</tr>
<tr>
<td>• If you are married, a civil partner, divorced, a person whose civil partnership has been dissolved, widowed or a surviving civil partner, you may be entitled to a higher State Pension based on your wife’s or civil partners NI contributions. We have not included this figure in the forecast.</td>
</tr>
<tr>
<td>• All amounts are shown at today’s rates and are estimates of what you could get. The amounts shown may change if your circumstances change, or if there is a change in the law.</td>
</tr>
</tbody>
</table>

Continued

N.B. See Appendix B for an example of the full statement.
• State Pension includes basic State Pension and any additional State Pension you might be entitled to. (See the enclosed guide *A quick guide to State Pensions* for details about basic State Pension and additional State Pension).

• We have not included any other income your household might get from any income-related benefits or Pension Credit. See page 7 in the enclosed guide *A quick guide to State Pensions*.

• The amount of additional State Pension shown may change if you have been a member of an occupational or personal pension scheme that has been contracted out.

• You may have received a forecast from us before. Forecasts can vary. If you are worried about any differences with past forecasts, phone us on 0845 3000 168.

(If we have your National Insurance information recorded incorrectly, your forecast may be wrong. If you think any of the information in this forecast is wrong, please let us know by phoning 0845 3000 168).

Please have your National Insurance number to hand as it will help us answer your enquiry.

2.2.2 The APF carrier

In addition to the forecast the carrier letter included various simple ‘messages’ for recipients, customised for different ages and genders. There were four different carrier letters aimed at older men (50-64), older women (50-59), younger men (20-49) and younger women (20-49) respectively. The important explicit messages can be summarised as follows:

**Older men**
- The State Pension will provide for only a basic lifestyle.
- You will need to add to it in some other way if you want more.
- It is never too late to plan.
- Work out what you are going to get and what you need and if necessary act now.

**Older women**
- Women are often poorer than men in retirement, so it is especially important for you to start thinking about how much you will have.
- The State Pension will provide for only a basic lifestyle.

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9 Copies are contained in Appendix B.
• You will need to add to it in some other way if you want more.
• It is never too late to plan.
• Work out what you are going to get and what you need and if necessary act now.

Younger men
• It is never too early to start financial planning for retirement.
• The State Pension will provide for only a basic lifestyle.
• You will need to add to it in some other way if you want more.
• We recognise that younger people have a lot of spending priorities.
• But it is better value to start saving early for retirement – the earlier the better.

Younger women
• It is never too early to start financial planning for retirement.
• Women are often poorer than men in retirement, so it is especially important for you to start thinking about how much you will have.
• The State Pension will provide for only a basic lifestyle.
• You will need to add to it in some other way if you want more.
• We recognise that younger people have a lot of spending priorities.
• But it is better value to start saving early for retirement – the earlier the better.

Paragraphs reminding recipients to work out what they might have, what they might need, and what they can afford to put away were also included on all carrier letters. An example is provided below (extracted from APF for men over 50):

What should I do now?
1 Think about **how much money you will have** when you retire.
   • If you have retirement savings, you need to check on them regularly and find out how much they will be worth to you when you retire.
   • If you are part of a family, you may want to think about your money for retirement jointly with your partner. But remember, family circumstances often change over the years.

2 Think about **how much money you will need** when you retire.
   • What might you need to pay for?
   • What other things do you want to do that you might need extra money for?

Continued
3 Deciding if your State Pension and other savings are enough. And if not – act now! The enclosed guide Plan your retirement now outlines some of the options available to you.

APF respondents also received two leaflet guides: *A quick guide to State Pensions and Plan your retirement now.*

### 2.2.3 APF envelopes

The APF letter and accompanying leaflets were posted in standard official brown window envelopes. In most cases these were plain unbranded envelopes but when we started fieldwork we found that respondents in one sample area had been sent their APFs in envelopes with Department for Work and Pensions printed in large bold letters on the front.

### 2.3 Statutory Money Purchase Illustrations (SMPIs)

#### 2.3.1 The SMPI forecast

Private pension providers are required by law to send their money purchase pension customers an estimate (illustration) of the value of their policy at retirement, and the income it could generate. The illustration is worked out by providers on the basis of assumptions fixed either in legislation or within a Technical Memorandum as set out by the Board for Actuarial Standards, and is given in today's prices. The wording varies but the information is typically flagged under a heading such as ‘What you might get back when you retire’. The example given below is fairly typical:

**What you might get back when you retire**

These examples are in today's prices. They take inflation into account to give you a better idea of what you could buy with your pension. These amounts are based on certain assumptions. They are not guaranteed.

<table>
<thead>
<tr>
<th></th>
<th>Your fund might be worth</th>
<th>This fund could buy you a pension each year worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>From payments to replace the additional state pension</td>
<td>£10,000</td>
<td>£100</td>
</tr>
<tr>
<td>From all other payments</td>
<td>£10,000</td>
<td>£1,000</td>
</tr>
</tbody>
</table>
Details of the assumptions on which the SMPI is based are provided – usually separated from the illustration itself and often much later in the document. Again, a fairly typical example – in this case customised for a specific person – is given below:

**What we assumed about your future**

- To work out what you might get when you retire we’ve assumed that:
- The retirement date for your fund to replace the additional state pension is xxxx and the retirement date for the rest of your plan is xxxx;
- Monthly payments of £xxxx will continue
- Any payments due by xxxx but not yet received will be paid;
- We provide you with an illustration showing an Intermediate growth rate. The Department for Work and pensions sets a maximum for this rate. For some funds we use a lower rate. Please refer to the Growth rates in the Pensions Illustration document;
- This illustration does not take into account the Lifetime Allowance. This is a Revenue limit on the total value of all pension benefits you can bring into payment without paying a tax penalty. Anything over this allowance may be subject to a tax charge;
- You will buy a pension that increases each year in line with inflation;
- The government will continue to make payments to replace the Additional State Pension until xxxx or your State Pension Age if earlier;
- When you die you will be married to someone three years older than you who will get half your pension when you die;
- If you die within the first ten years of getting your pension, the part from payments to replace the additional state pension will stop, but the pension from your other payments will continue to be paid until the end of that ten year period;
- Your pension will be paid monthly at the start of each month;
- Tax relief will continue at the current rates.

*This illustration does not allow for any investment fund switches before your retirement, including any preselected switches under the Pension Fund Investment Strategy. If switches were included the amounts shown here may be lower.*
2.3.2 The SMPI carrier

SMPI forecasts are included in another statutory communication between private pension providers and their customers – the yearly statement. Yearly statements vary a great deal across providers in terms of length and style, however most start with a one or two page summary setting out key information about the plan and the funds it contains, along with the forecast. Later pages (sometimes running to double figures) contain more detail. Generally the statement is accompanied by a covering letter and by additional enclosures (leaflets, flyers) that providers wish to distribute to customers, including both information and marketing material.

2.3.3 SMPI envelopes

All of the SMPI information sent to customers who took part in this research was posted in branded and distinctive envelopes that signalled clearly where they had come from, but not necessarily their content, since providers sometimes correspond with customers on other matters as well.
3 Basic response to pension forecasts

Key points from Chapter 3

• Most people were aware of having received a pension forecast, without prompting.
• Most wanted to carry on getting them; they felt entitled to know what they had bought, and some thought forecasts potentially useful.
• But forecasts were not generally high-impact documents, and were usually received passively rather than as a call to action.

3.1 Know broadly what they are getting

Respondents, both APF and SMPI, were usually aware of having received a forecast in the previous few months, although some were more uncertain about this.

The forecast document provided people with an estimate of the income they can expect from their pensions when they retire. Most respondents were aware of this, but there were some exceptions. A small number of recipients of both APFs and SMPIs did not even realise that they had been sent forecast information.

Where this happened it was because they hadn’t read the document with enough attention, had misunderstood its purpose, or had been distracted by the other material presented. This is illustrated in the following case and in the additional quotation below:

Mr A is in his early 20s, setting up home for the first time with his partner who is expecting a baby. He had opened his APF letter for the first time an hour before being interviewed. His first impression was that it was a piece of marketing from a pension company. It took him some time to realise that it was from a government department – he didn’t recognise the forecast information for what it was because he didn’t know he was entitled to a State Pension:
'I didn’t know I was eligible for it yet...to be on the list anyway. I thought you had to sign forms and so on for it.’
(Male respondent, aged 24, APF recipient)

‘I think a lot of this paperwork you can’t understand anyway. They put a lot of stuff down but you just think ‘Ooh what does that mean?’ It’s just not written for the general normal person.’
(Female respondent, aged 36, SMP recipient)

3.2 Demand for pension forecasts

Most respondents (APF and SMP) wanted to continue getting forecasts. Most thought that they ought to know what results from the money they pay in; some thought it a potentially useful reminder; and some were just vaguely pleased to have them.

There appeared to be not much spontaneous demand for forecasts until people actually get one, but when we asked recipients about their experience they usually felt entitled to an account of what they’ve bought; and some thought them at least potentially beneficial.

As one APF respondent specifically remarked, his first APF had made him wonder why he’d never had one before – but many people did not even know State forecasts are available until they actually got one.

‘You can’t have too much information...I think it is a great idea to tell people this. They have a right to know. And they shouldn’t have to ask for it.’
(Male respondent, aged 41, APF recipient)

3.3 Forecasts passive not active

Forecasts are potentially important for pensions planning because they tell members of the public what their pension income is likely to be in retirement. This indication of likely entitlement should be a key ingredient in exercising choice for individuals. Without this people would be unable to assess whether and/or how much more they should invest.

However, while the potential role of pension forecasts in preparing for retirement may be evident to pension providers in informing individuals of their current situation; the evidence from our research suggests that few people see them in quite the same light or use them in this way. Our findings suggests that forecasts typically tend to be passively received, and are not particularly high impact documents, or seen as a significant call to action. People received them and usually looked at them to one degree or another, but did not tend to see them as calling for action. This passivity is explored further in Section 4.6.
However there were some notable exceptions – usually people who were either more financially expert or more motivated, as in the following case:

Mr B contributes about £200 per month towards private pensions. He has a strong interest in information that tells him how much income his accumulating fund is likely to generate when he retires, and says he has always tried to press for more information on the likely end result of his investment. He feels that he has sufficient financial understanding to be aware of the necessary provisional status of forecast information, which he uses to help him decide whether he needs to increase his contributions. He would like to retire on about half of his current salary.

‘I always try to push myself a little bit more each time, thinking; ‘well it’s only another 20 quid a month or 30 quid a month’. or whatever. You can get a mobile phone and throw a load of money on that on a contract. So to do it on a pension doesn’t seem too hard to me.’

(Male respondent, aged 32, SMPI recipient)
4 Constraints on the effectiveness of pension forecasts

Key points from Chapter 4

• Most respondents had weak knowledge and understanding of how pensions work and this limited their ability to understand and interpret their forecast.

• The effectiveness of forecasts was further limited by various factors, including:
  – pensions were often felt to be dull and difficult;
  – the prospects of retirement often seemed remote to younger people, and too close for older people to do much about;
  – there was a loss of trust in pensions; they now seem less reliable and fruitful than they were in the past;
  – forecasts were not usually regarded as much more than routine communications, and were usually received in a passive rather than an active frame of mind;
  – respondents often lacked confidence about understanding pension issues, and making choices and decisions in relation to them.

• Some of the language in forecast documents could usefully be simplified and jargon minimised – but the main problem arises from gaps in public knowledge and understanding which the forecasts alone cannot be expected to plug.

• There is a lot of dense and difficult matter to read; many respondents did not like making the effort required to take in the information in the forecasts.
4.1 Introduction

This chapter explores some of the background factors that affected the general perspective respondents brought to the reading of their forecast. This is important territory that provides a backdrop to understanding what people were able to take in from their forecasts and how they reacted to them. In particular, this chapter identifies some of the main constraints on the effectiveness of pension forecasts, both as information vehicles and as triggers to action. Most of those we interviewed were affected to some degree by the factors outlined below, although the importance and influence of individual constraints varied from person to person.

4.2 Limited pensions understanding

By far the most important constraint on the effectiveness of forecasts (and a strong recurrent theme in interviews with both APF and SMPI respondents), was lack of knowledge and understanding about pensions and how they work. Some APF respondents were unaware that the State pension exists or that they would be eligible for one, and some SMPI respondents really had little understanding of the workings of their own pension.

Many respondents’ grasp of the way pensions work is too weak to enable them to understand a lot of what their forecasts told them. Some (including people who have been paying into a private pension for many years) admitted that the pension system feels both complex and unfamiliar:

’I find it quite mind-blowing, because I just don’t understand it...I think that’s quite common. I don’t think people understand what they are doing. I ask my husband - he’s got more idea than I have, but both of us are very brief on our knowledge of it. We know we need one, but to what extent and what it’s doing for us we don’t know.’

(Female respondent, aged 62, SMPI recipient)

Other respondents were less consciously aware of gaps in their knowledge and understanding, but these often surfaced nonetheless when discussing the detail of documents received. The list below illustrates some of the more fundamental areas where knowledge was often poor or patchy:

- Whether there is a State Pension and what you have to do to get one.
- What the Additional (State) Pension is.
- How money purchase pensions work, and the difference between a pension fund and the annuity it is used to buy.
- Different types of annuity that can be bought with a pension fund.

Respondents who didn’t know much about their own pension and the pension system more generally were at a disadvantage when trying to read, interpret
or evaluate their forecast. They could only take on a limited amount of new information, on which they might base decisions.

Some people were simply not aware that their pension ‘pot’ would be used to buy an annuity, which would provide their pension income:

‘It (the forecast assumptions) says that it assumes that I will buy a pension that increases each year in line with inflation. I don’t understand that because I thought that I’d bought a pension already.’

(Female respondent, aged 42, SMPI recipient)

In spite of having had forecasts some people didn’t realise how much they would need in their ‘pot’ in order to generate an annual income of the kind they hoped for. This was partly because they didn’t understand about funds and annuities, and partly because they had little grasp of the amount of income a given amount of capital will generate.

For instance, one 37 year old woman we interviewed was hopeful that her pension pot would provide most of the £30,000 per year she thinks she will need, although her monthly contributions (currently £50) suggest there will be a significant shortfall.

A number of SMPI respondents found it hard to reconcile the size of their pension fund with the retirement income this might generate. People sometimes simply failed to take in the information in front of them; their understanding and expectations seemed out of line with the way the system actually works. This disparity could even put them off the idea of pensions:

‘When I see it I look at it and think ‘Oh my God – I’m paying in and I’m not going to get that much back’. Then I think ‘Well, perhaps I should stop it and put that money aside, and probably earn better interest on it’. There’s a lot of people stopping their pensions because they’re not getting their returns back on it.’

(Female respondent, aged 53, SMPI recipient)

The language in most of the forecasts studied could usefully be clarified in places; explaining some jargon terms used daily by professionals but incomprehensible to the majority of respondents and putting information over in a way that takes account of recipients’ likely mind-sets, perspectives and reading skills. Respondents often complained about technical and industry terms (‘fund value’, ‘transfer value’, ‘illustration’, ‘annuities’ to name a few) which when used liberally make for difficult reading and the impression of ‘gobbledygook’—but the terms themselves often refer to complex and unfamiliar concepts which would need a great deal of unpacking and explaining. For example, the term ‘with profits’ in SMPIs would be hard to explain simply and briefly.

Many respondents needed more ‘understanding’ rather than more ‘information’ and it is not immediately evident that forecast documents are the right vehicle
for plugging gaps in basic knowledge. Extended explanations would make forecast communications much longer – perhaps unacceptably so given that they already carry a reading load that many people find too heavy (See Chapter 7.3) and requiring them also to explain the complexities of the pension system would impose a counterproductive burden.

‘The trouble with me is that a lot of this is above my head, because I get reading half way down and I think, “Instead of coming out with great big words why not shorten it and tell me exactly what it is”. … By the time you’ve got to the end of it you forgot what you were reading in the first place. To me it always seems too complicated…sometimes they just bamboozle you.’

(Female respondent, aged 38, SMPI recipient)

4.3 Pensions dull and difficult

Pensions were not perceived by respondents as exciting, and many respondents did not seem to get or expect much reward from thinking about them. This research suggests that they are not a topic that attracts a lot of positive interest, nor are the perceived returns seen as financially impressive. Pension returns were sometimes compared unfavourably with the potential gains from other investments such as property. Also pension investments are not seen as fast moving and there is little short term satisfaction in watching their performance. Some respondents find it hard to get interested in keeping track of what their pensions are doing:

‘Property, that is fantastic, great, and the pension is frankly boring – but it is Steady Eddy I guess.’

(Male respondent, aged 41, SMP recipient)

Paradoxically the lack of excitement also accounts for the appeal pensions still have for some people. For many respondents they remain an important, steady plank in their retirement plans:

‘Much as I don’t like it, I suppose that pensions are about the only way of doing it. I don’t really like the ideas of stocks and shares and property or whatever – that’s too dodgy. At least with pensions you’re getting in theory a steady return.’

(Female respondent, aged 49, SMPI recipient)

Some respondents also appeared to find the whole subject of pensions difficult, complicated and seemingly impenetrable, an impression reinforced for some by the forecast pack. Some feel they will never get to grips with it – which can prevent them from trying.

4.4 Retirement remote

Another deterrent to thought and action in response to pension forecasts from many younger respondents is that for much of people’s working lives retirement
seems a long way off. This often applies even to people in their late 40s and early 50s:

‘To be honest, it seems totally irrelevant because you’re looking at something that even at 41 still seems a very long way away.’

(Male respondent, aged 41, SMPI recipient)

‘The trouble is when you’re young you don’t want to think about it, and by the time you do think about it it’s usually too late.’

(Male respondent, aged 39, SMPI recipient)

Some younger respondents said that they found it hard to see any personal relevance in pensions:

‘I don’t really read that kind of stuff. I just kind of chuck it in the bin if it’s come through the post saying ‘Pension’. You think ‘Uh. I’m 20’, and throw it in the bin...

The media say you should start saving when you’re like 17 or something, which is just stupid – to, like, get a decent pension. At that age you just have money for alcohol and fags.’

(Female respondent, aged 20, APF recipient)

Younger respondents also sometimes seemed breezily optimistic about the future – that things would somehow work out and they’d make enough money not to have to worry about pensions:

‘I plan to make my own pension.’

(Male respondent, aged 23, APF recipient)

At the other extreme, some older respondents felt that perhaps they had left it too late to make much difference to their pension income, and this could also be a deterrent to investing (more) in pensions.

4.5 Tarnished image and mistrust

Many respondents suggested that pensions are less reliable than they used to be. Some said they have lost trust in pensions, and some were disillusioned and even angry about what they see as mishandling of pensions by government and the pension industry:

‘I have no trust in (pension companies) it just goes back to Maxwell and everything. That’s when I started getting a bit suspicious, when companies were going bust and workers were losing their money, but gaffers were keeping theirs. And I’m a bit unsure about that, so all my spare money goes on houses.’

(Female respondent, aged 52, SMPI recipient)
'When you retire it’s what you’re going to get from government, but governments change at the drop of a hat, so one government could be paying piles of cash and the next one could be going ‘Oh no, you can’t pay that’ – so you never know.’

(Male respondent, aged 36, SMPI recipient)

Anxiety about the reliability of private pensions had ‘paralysed’ some respondents, inhibiting them either from starting to invest in pensions or from putting more money into existing schemes. Some had withdrawn from pension schemes, but not yet replaced them with any other forms of investment or saving. A number of respondents felt that it is no longer possible to know what to do for the best:

‘The pension is probably the best way, but you don’t know what it’s going to do, do you? They could take a dive couldn’t they?’

(Female respondent, aged 44, SMPI recipient)

Some respondents said that the experiences of parents and other family members and friends had affected their views about pensions, sometimes positively but often negatively:

‘My wife’s father who had a chemist shop had a personal pension, and it was quite a bit of money that he was putting in. But when it came to the end it had been devalued so much, and you may as well just throw it on the fire.’

(Male respondent, aged 39, SMPI recipient)

4.6 Forecasts seen as passive and routine communications

Many respondents appeared to have fairly low expectations of forecast documents. SMPI respondents expected to get them (and felt they should), but many clearly regarded their yearly statements as routine communications, basic paperwork recording and accounting for contributions made during the past year. They did not usually see them as tools they should be using actively:

‘A pension is a piece of paper, you plough money into it every month, you forget about it and then you get one of these that tell you what you get when you’re 65. Thanks very much, that’s very exciting!’

(Male respondent, aged 41, SMPI recipient)

This often seemed to be exacerbated by a lack of confidence and assertiveness which inhibited them from talking to their pension provider or asking questions about their forecasts. Relations with providers were rarely dynamic or interactive.
'For the layman the crucial thing with this kind of information is that if I say to (company X) ‘What is this?’, they ‘re not interested in solving that little problem for me. The only thing they are interested in is making sure that I keep contributing to the fund, so that they can take their little bit out as well. David and Goliath.’

(Male respondent, aged 36, SMPI recipient)

4.7 Lack of confidence in decision making

Lastly we found that respondents often lacked confidence in their ability to understand either their own pension or pensions issues generally; and to make choices and decisions about the future without help from someone better informed:

‘I’m used to technical stuff and figures are not a problem, so I understand the information on that sheet and I understand what it represents – but what I don’t understand is whether I need to do anything. This is the sense in which you need someone to advise you, because most of the information on it is just factual, which doesn’t say a great deal.’

(Female respondent, aged 62, SMPI recipient)

4.8 A challenging read

There is more text in the forecast documents than many people that we interviewed were comfortable reading, particularly since they also suggested the information comes across as difficult and technical. This alone tends to deter many from trying to read the whole thing (see Section 7.3).

4.9 Effects of constraints

The main effect of the above factors on respondents’ responses to forecast communications was to block their receptiveness to the content and limit their ability to interpret or act on it. Many respondents had neither the motivation nor the skills to do more than simply look at the pages of the forecast communication and hope to take in a few things that would mean something to them.
5 Getting a forecast in the post

Key points from Chapter 5

- People tend to get less post, and a lower proportion of it is expected to be useful.
- It did not seem that the post has been marginalised – it was still regarded as an important channel of communication, especially with government and financial organisations.
- Official and business post was normally easily recognisable and usually dealt with, even if some recipients put off looking at it at first.
- The style of brown envelope currently used by TPS has well-developed associations with official communications and is unlikely to be ignored or over-looked.
- Most respondents rejected the idea of coloured envelopes or other attempts to ‘catch the eye’. These lack the right visual coding and could easily be dismissed as junk mail.

5.1 Introduction

All pension forecasts in this study were sent out by post and to help understand how respondents reacted when they first received them, we explored:

- the notice taken of post in general;
- their ability to identify ‘official’ correspondence and their attitudes to it;
- when they open their post and how they deal with it.
5.2 Response to post

Most respondents said they felt the ‘quality’ of post had declined in the last five years or more, even though the volume has not:

‘Very, very rarely do you actually get anything that is of any interest or value in the post.’

(Male respondent, aged 50, APF recipient)

This was attributed both to the increase in mail shots and to the emergence of new forms of electronic communication that have reduced the number of personal letters. Interviewees said they received a lot of ‘junk’ mail – unsolicited advertising and even charity mailings; a certain amount of business or official post, for example from banks, building societies and government departments such as the Inland Revenue; and a small and diminishing quantity of personal post – mainly greetings cards, postcards and the occasional letter.

Some respondents commented that post is more likely to contain dull, unwelcome correspondence (like traffic offence notices) than letters that are pleasurable or interesting:

‘Most mail these days is annoying.’

(Male respondent, aged 41, APF recipient)

The fact that there is less to look forward to in the post may have had some impact on levels of engagement, but there was little evidence that mail had been marginalised in the attention of many of our sample households. Most respondents said they still go through it, even if not immediately – including the youngest in our sample who said they expected very little through the post.

Some people said they thought deliveries were increasingly unpredictable. Post tends not to arrive at the same time each day and is much less likely than in the past to be delivered early - in time to be opened at breakfast or at the start of the day. This was relevant in some cases because respondents said that they often did not feel like dealing with official correspondence at the end of a working day, and were unlikely to give it their full attention.

Many people have a standard household routine for dealing with post – some kind of system for ensuring letters reach the people they are addressed to, and weeding out unwanted material (like junk mail). Often someone sorts through incoming post and leaves items for other household members where the addressees can find it – perhaps on a kitchen worktop or hall table.

The key is to find ways to deal with post quickly and efficiently, and make sure recipients see what needs attending to. Respondents often had personal routines for looking at their own post – what to look at; how much attention to give it; when to open it; what to read immediately, and what to park for later consideration or further action:
'As soon as I get in from work usually the children are on you for different bits and pieces, what their day has been like and all the rest of it. So it isn’t necessarily something that gets done the minute I walk in the door. Normally once dinner is on and cooking, then I’ve got ten minutes, and I open the post and see what is involved, what you’ve got, bills that need paying and so on.’

(Female respondent, aged 49, SMPI recipient)

Official and business letters tended to be treated with respect and recognised as potentially important, even if they weren’t particularly welcomed. This was especially the case with letters that looked as though they might be from government. Respondents said they felt they ought to read them – and usually did, although some tended to put it off because they didn’t want to face the contents:

‘It depends on how urgent it looks - if it’s just information it may sit for a day or two, then I’ll look at it and scan it for what’s relevant to me.’

(Male respondent, aged 61, APF recipient)

Some approached the task in a brisk and level-headed way, but others were more reluctant and inclined to procrastinate – their routines sometimes seemed designed to delay engagement with difficult or ‘official’ communications:

‘I’m not very good at opening mail, and brown envelopes speak government, you know nine times out of ten it fills you with dread rather than ‘Oh look what I’ve got’. Normally they want something from you, its like the man on the telly isn’t it...with his egg timer.’

(Male respondent, aged 41, APF recipient)

‘You usually expect that you’re going to get a document with some degree of complexity associated with it. You’re going to expect a document that you’ll have to spend a lot of time understanding, and there’ll be something in it that you don’t understand, and you’ll have to choose whether to pursue it, or whether to leave it and hope it will sort itself out.’

(Male respondent, aged 57, APF recipient)

5.3 Envelopes

SMPI envelopes tended to be clearly branded, with the relevant company name prominently displayed. They were familiar to most recipients from previous correspondence, although respondents were unable to tell much about the contents just from the outside of the envelope – sometimes (say) insurance renewals or other correspondence arrived in the same type of envelope as the SMPI statement.

APFs arrived in plain brown window envelopes that most respondents clearly recognised as official. In general respondents thought that brown envelopes were an important way of distinguishing government letters from other post:
‘We all quake with dread when we see one of those don’t we?’
(Male respondent, aged 61, APF recipient)

We experimented with various ways of branding APF envelopes. For example we printed ‘Department for Work and Pensions’ on the front of some brown envelopes, and added a further caption to others (‘important information about your state pension’). Most respondents thought it was helpful to have the departmental label. Some liked the caption because it told them what was in the envelope, but on the other hand a few thought the caption might put them off looking at it because the subject of pensions is so off-putting, and a few were doubtful about announcing such a private and potentially sensitive topic in that way.

We also showed people envelopes in a range of bright colours plus white and cream, to see how options like these would be received. Most were rejected by respondents who thought that they were inappropriate because they lacked the ‘official’ association of the traditional brown envelope:

‘I would think it was a birthday card – and if not then ‘What’s that?’ ’
(Female respondent, aged 41, APF recipient)

Coloured envelopes were more likely to be associated with attention-seeking junk mail or greetings cards. None of the alternatives seemed preferable to the standard APF envelope which respondents thought had the right ‘visual coding’, although some also liked the white envelope:

‘It is useful to have a tag line, something to say ‘This is not a circular’, ‘Oh good I’ll look at it then’, but coloured envelopes – no. All junk mail is trying different ways to make you open their envelope. But it is useful to have a message on the outside distinguishing which department it is from, so you know it isn’t the Inland Revenue.’
(Male respondent, aged 50, APF recipient)
6 Responses to forecast information

Key points from Chapter 6

• Unprompted awareness of having received a forecast projecting pension income was generally high.

• It was often thought to be the most important part of the forecast communication although interest levels were nevertheless usually low key and transient.

• People usually understood the provisional nature of pension forecasts, and projections were usually accepted as genuine, albeit subject to variation.

• Some people thought they would probably get less than the projected amount rather than more.

• Understanding of key terms used in forecast estimates was severely limited, restricting people’s ability to engage closely with their forecast. For example ‘Today’s prices’ was only partly understood, and ‘Additional State Pension’ was virtually unknown.

• Offered a range of options, most people said they preferred the projected amount to be shown as a single number rather than a range because it seemed more ‘real’ and personal. Precise figures did not deceive them into thinking the amount was firm and not variable.

• The concept of ‘assumptions’ as a basis for making forecasts was unfamiliar and sometimes seemed puzzling. Few people read the long lists of assumptions for either type of forecast; they did not expect to understand them and were not necessarily very interested – although some assumptions affect the way forecasts should be understood.

• There was little evidence that forecasts had had much ‘hard’ behavioural impact in the few months since they were received, although they had sometimes triggered conversations (often with family or friends).

Continued
6.1 Introduction

This chapter deals specifically with respondent reactions to the forecast element of the communication they received; the information about how much pension income they might get when they reached retirement age, including any notes or advice about the assumptions under-pinning the estimate. We sought to understand not only how respondents reacted to it, but also, as far possible, why they did so.

The chapter presents results from interviews with both APF and SMPI respondents. The main thrust throughout is on generic findings, applicable to both types of forecast – but we have tried to highlight results specific to APFs or SMPIs where relevant.

6.2 Awareness of having received forecast information

The majority of respondents could remember getting an APF letter or SMPI yearly statement, and most were aware of the personal forecast element it contained. Most SMPI respondents were ‘conditioned’ recipients who had received yearly statements previously and knew to expect a forecast. Conversely hardly any APF respondents had received forecast information in the past about their State pension and they took notice because it was an unusual event:

‘I remember it because I had never had one before and it was an illustration of my pension contribution and what it is likely to be at the end of it.’

(Male respondent, aged 41, APF recipient)

However, a small number of people we interviewed were simply unaware that they had been sent personal forecast information. Both APF and SMPI recipients were affected, although for slightly different reasons.

For example:

• Some SMPI respondents mainly regarded their yearly statement as a record of payments they had made in to their pension fund and consequently overlooked the forecast element. They were not ‘tuned in’ to it. Others simply missed the forecast among the large amount of other information contained in the pension communication.
• A few APF recipients had stopped reading the letter before they got to it and a few had misinterpreted the information when they saw it – as with two younger respondents who thought they had got a letter from a commercial company trying to sell them a pension by showing them how little they would be likely to get from the State. One said she wouldn’t expect the government to be writing to her about anything and therefore assumed that the correspondence was from a company and the forecast simply a commercial device:

‘They’re just trying to con money out of you.’

(Female respondent, aged 20, APF recipient)

6.3 Interest in the forecast information

Most respondents said they were interested in the forecast information they received. For many it was the most personally relevant part of the pension communication, the key information. This was true for almost all APF recipients, but the emphasis of SMPI statements tends to be more on fund values than pension projections, and for a small number of SMPI respondents this therefore loomed larger in their minds. SMPI recipients who understand fund values sometimes focus on movements in these, since they seem to be the main indicators of performance.

‘The thing I look for more than anything is towards the back, it’s actually what the growth has been and what the expected growth is. I always look at the future growth there, for returns achieved from the ‘with profit funds’ and I do look to see where they’ve got things invested.’

(Male respondent, aged 36, SMPI recipient)

Some SMPI recipients were also interested in the detailed statement of payments into the fund over the preceding year – particularly where employers are contributing, for example.

Although respondents generally said they were interested in having forecast information, the level of interest in practice often seemed low key and transient:

‘To be honest, it would get 30 seconds. I’d open it, I’d look at the (amount) out of interest – and I’d put it in the file.’

(Female respondent, aged 44, SMPI recipient)

Some APF recipients expected their State Pension to be a nice but relatively insignificant part of their eventual retirement income, and showed only passing interest in it. Others took more notice – for example because it seemed likely to form the bulk of their pension income or because it was seen as an encouraging start or addition – money already ‘banked’.

Many APF respondents were surprised and even pleased to see they would get some Additional State Pension, which few seemed to know about.
Some said that although it was interesting to see what they might get from the State, their interest was limited by the fact that they could do little to affect the figure – beyond ensuring that they had made all the necessary contributions. Some younger people had particular difficulty connecting with the information because retirement seemed remote, and their long-term future uncertain:

‘You might die in a car crash before then.’

(Female respondent, aged 20, APF recipient)

SMPI respondents’ interest in their forecast information was affected by similar considerations. People who already took an active and informed interest in their financial plans for retirement and those with solid pension savings were more likely to take an interest in their forecast than those who felt ‘at sea’ in relation to pensions or feared their pension pot would only yield disappointing and depressing amounts. Some such respondents said they switch off rather than contemplate the facts:

‘I would look all over to make sure that I’d got the information right and then I’d sit and think about it for 20 minutes. Then I’d make a cup of tea and I’d think ‘Oh sod it!’ and file it. What can I do? They’re a big organisation, they’re not cheating me. That’s what the pension is going to be worth, and if I think too much about it I could burst into tears.’

(Female respondent, aged 38, SMPI recipient)

Some respondents felt unable to improve significantly on their estimated pension income, either because they had little spare money or because the pension fund in question had been frozen. Such people also often failed to engage with the forecast information:

‘The fact is I can’t contribute to it, so it’s not relevant to me at all and leaves me stone cold. I doubt they could improve it in any way that would make it more interesting to me.’

(Male respondent, aged 59, SMPI recipient)

Interest in the forecast figures tended to increase with age – the information seems more relevant and urgent as retirement approaches.

Finally, some respondents doubted they would learn much from their forecast that they didn’t already know, and were consequently less likely to spend much time reading or thinking about it:

‘I didn’t read it – probably because I thought it was the same as last year and the year before that and the year before that. If it said very clearly ‘Read this, it makes an impact on your pension future’ then I would read it.’

(Female respondent, aged 37, SMPI recipient)
6.4 Interpretation of the forecast income

Most respondents – APF and SMPI - had a reasonably mature understanding of the provisional nature of forecast information. There was little sign that people saw the figures given as fixed or certain:

‘It is a ‘might’ because it changes every day, doesn’t it? It isn’t really 100%.’

(Male respondent, aged 36, SMPI recipient)

A lot of respondents explained the fact that their forecast was an estimate in quite general terms (‘things could change’). Some attempted to give more specific reasons, like possible fluctuations in the stock market, interest rates and inflation (mainly from SMPI respondents); and changes in government policy or the ability of the public purse to pay pensions (APF recipients):

‘They don’t know how much they (the government) will have to pay pensions with. It could potentially vary a long way. When it says it’s estimated, most people understand.’

(Female respondent, aged 42, APF recipient)

Although most accepted that their forecast was only an illustration, some seemed to expect more variation than others. This also depended on the kind of variation they anticipated – for example some thought that a change in government policy could wipe out their state pension altogether.

Many people were prepared to take the figures as reasonable working estimates:

‘The figures have to be close to the reality, (even though) I would not...be fishing out my statements when I retire and...saying ‘Oh yeah, they said I would get that or they didn’t say I would get that’.

(Female respondent, aged 36, SMPI recipient)

On the whole the projections were accepted as broadly genuine, both from government and the private sector. Few thought that either might simply be spinning a line, or deliberately exaggerating the benefits. This belief was often underpinned by a general sense that there is some kind of regulatory framework which would prevent providers from blatantly misrepresenting written estimates.

‘I’m hoping that the figure’s reliable. I think now by the laws and dues of the country that there are certain rights, if they’ve stated this.’

(Male respondent, aged 36, SMPI recipient)

A few SMPI respondents were aware that regulations had been introduced governing the basis for estimates, which increased their faith in the reliability of the forecast – but even in these cases their understanding of the regulatory framework was often very limited:
‘Years ago you’d get these forecasts that would never ever happen, and I think the government have brought in these rules now where you have to do it in a certain way. You know ‘It will grow by 3% every year’. Well that’s a pretty good forecast, whereas years ago it was, ‘If it grew by 10% and 15%’ which were silly figures that came out with good things. But it’s getting somewhere now where you can look at it and think ‘Yeah, it probably will do that’.’

(Male respondent, aged 57, SMPI recipient)

Very few of those we interviewed seriously questioned the figures in either their APF or SMPI forecast – many were faintly surprised at being asked how far they trusted the figures:

‘I do trust the figure. I obviously trust (the company) or I wouldn’t give them money every month. I like to think people will be honest with me and tell me the truth.’

(Female respondent, aged 36, SMPI recipient)

Most respondents seemed generally prepared to take on trust the method used to calculate the forecast, even though many didn’t understand it:

‘Obviously I have got to trust them because I don’t know how they get to these figures.’

(Male respondent, aged 45, SMPI recipient)

However a few people were more disconcerted by the provisional nature of the forecast information, and said they would set little store by it. This happened particularly where they felt there was still some way to go before they reached retirement:

‘The amount shown is fairly arbitrary at this stage in the proceedings.’

(Female respondent, aged 55, SMPI recipient)

Many respondents expected to get less than the forecast figure, assuming that things would probably turn out worse than predicted rather than better. For example, some suspected that pension providers (State and private) would find some way to pay less than they said they would, while others thought that changes in the economy would be to blame:

‘I’ve listened to them saying that you’re going to get a good return back but then with inflation, this that and the other it all goes wrong. You listen on the telly where people are saying they are not bothering about pensions anymore because they are not getting the return back. To be truthful, I might as well put my money under the bed, mightn’t I? I might not get interest but at least I’ve got what I’m paying out. One day ‘they’ [providers] could go and I might not get a pension.’

(Male respondent aged 47, SMPI recipient)
6.5 Understanding of key terms

Respondent understanding of key terms and concepts used in forecast information varied from person to person, but (as we have noted) it was generally severely limited. The discussion below relates to two important terms – ‘Today’s prices’, used in both APF and SMPI forecast information, and ‘Additional State Pension’ which appears in APFs and in some SMPIs. However, we could have chosen numerous other examples (see Section 7.4).

6.5.1 ‘Today’s prices’

Both APF and SMPI forecasts use the term ‘Today’s prices’ (or ‘Today’s rates’) to indicate that the amounts shown may change over time in line with price inflation, and we explored respondent comprehension of this term in some depth. It seems a useful and important concept. Most respondents accepted its use and assumed that it related in some way to adjustments that would be made to take inflation into account, although there was little evidence that many had done more than skate over the reference in their statement. When questioned in detail a few were able to give a very good account of the term, but other people’s confidence in their understanding often faltered at this point. The concept of ‘Today’s prices’ turned out to be more slippery and elusive than they had realised and they often struggled for words to express themselves. There was little difference between SMPI and APF respondents in respect of their interpretation and understanding of ‘Today’s prices’. Some examples of the meanings they offered include:

- the actual number of pounds that will be paid out on retirement (but they may buy less because of inflation);
- a figure that will increase in line with inflation so it buys the same amount as it would today;
- the amount that will be paid out at 65 if payments stop today.

Some people interviewed said they thought providers were obliged to say something about how the figures might be affected by inflation but that they were not particularly interested and found the reference confusing.

Not many respondents appreciated how important the idea of ‘Today’s prices’ is in the assessment of likely future income, and we sensed that they did not always grasp its full implications, or use it to calibrate their interpretation of the forecast amount.

6.5.2 ‘Additional State Pension’

The term ‘Additional State Pension’ appears in the APF forecast, but many APF respondents either said they had not heard the term before or did not really know what it referred to. They did not know how Additional State Pension differs from Basic State Pension or that they were eligible for it. Some people that we interviewed were slightly more familiar with terms like ‘State Second Pension’...
or SERPS, but not necessarily more informed about their meaning. Respondents were often pleased to learn about Additional State Pension when we explained it to them, but some said that they found the appearance of an unfamiliar term in the forecast confusing. The ‘Quick Guide’ leaflet sent out with the APF letter contains a reference to Additional Pension, but this was rarely noticed, read or followed up.

Where forecasts showed some Additional Pension, it sometimes seemed an unexpected bonus, but occasionally the amount was so small it appeared a merely technical addition - even derisory.

When the term Additional State Pension was used in an SMPI forecast it tended to be as unfamiliar to SMPI respondents as to APF respondents:

‘I haven’t got a clue what it means.’
(Female respondent, aged 34, SMPI recipient)

Many SMPI forecasts contained references to the earnings related element of the State pension, for example where respondents had opted out of SERPS. However even these respondents sometimes had only poor understanding of the meaning behind the references:

‘I opted out of that SERPS thing years ago. I can’t remember much about it but I do remember opting out.’
(Male respondent aged 36, SMPI recipient)

6.6 Presentation of forecast figures

All forecasts give projected amounts as precise figures in pounds and pence. We were asked to assess (particularly for APFs) whether this is the best way of presenting this information, or whether more approximate figures would be preferable. In discussion with DWP we devised alternative ways of displaying the figures to use as prompts in the interviews:

• precise amount (pounds and pence) – the current method;
• rounded single figure (whole pounds);
• narrow range (e.g. £75-85);
• wider range – less uncertainty (e.g. £70-£90);
• still wider range – little or no uncertainty (£65-£96).

Reactions were very consistent. Most respondents told us they preferred actual amounts rather than ranges. They also tended to prefer precise amounts (with pence included) rather than rounded figures. Some said they would tolerate narrow ranges if they had to, but almost everyone we asked disliked the wider range.
The main reason for this pattern of preferences is that single figures are generally easier to engage with, relate to (and remember). They seem more ‘real’ – and importantly more personal. Their use underlines that the forecast figures have been calculated specifically for them – DWP have not just inserted a general range pulled out of a booklet, which would be much less interesting. As we have already remarked, respondents were well aware that the figures were only estimates which are subject to variation, and there seems little risk that single-figure presentation might deceive them into seeing them as more solid than they really are.

A number of APF respondents said that they would have preferred to see a figure for the total expected pension underneath the amounts given for Basic State Pension and Additional Pension. At present the total figure appears only in the sentence written above the forecast information where it jumps less readily to the eye, and is sometimes overlooked.

6.7 Understanding of assumptions underpinning the forecast

Both APFs and SMPIs are based on assumptions about the situation and status of the pensioner on retirement. This fact, and the reasons for it, is generally not apparent to recipients. Why would providers need to make assumptions about a real individual with known (or knowable) characteristics?

On the whole they were prepared to take this on trust, saying in effect: ‘It’s their job to work it out, I can’t tell them how to do it, I’ll just have to hope they’ll get it right – which they probably will’.

It was also clear that some people had not thought much about the assumptions, understood them or tried to find out more about them. Respondents often did not expect to understand the technical underpinning of their SMPI forecast, and some were not really interested in the assumptions behind their forecast.

But some of the assumptions are not merely technical, and affect the way forecasts should be understood. For example a pension calculated on the assumption that someone continues being fully paid up until retirement would look very different if the individual stopped work and paid no more in.

Some respondents felt that the list of assumptions in both types of forecast looked inaccessible and uninviting – too long, ‘mundane and typical of a pension company’. Assumptions were generally listed towards the end of the document, which seemed a further barrier to reading. Respondents usually thought they looked daunting; did not expect to understand them; and had only limited interest in getting to grips with them. Some felt the list had been included more as a disclaimer (a lot of ‘small print’ put in by ‘lawyers’) than to benefit their own understanding.
Our sample included a small number of SMPI respondents with high levels of financial acuity who did understand something about the principles of modelling retirement income on the basis of assumptions, even if they had not worked through in detail the precise assumptions on which their own forecast was based. However, generally speaking pension income modelling is a relatively sophisticated idea that seemed unfamiliar to other respondents, and again got in the way of understanding the underlying forecasting assumptions – particularly given their generally poor grip of how pensions work.

Even when we took some respondents through the lists of assumptions they were typically unable to make much sense of them. A few of the SMPI assumptions stood out as particularly hard to get the mind round, for example:

“What does this one mean? ‘When you die you’ll be married to someone three years younger than yourself’. I think they’re referring there to a pension for your spouse in the event that you die, which is generally a reduced amount. But that suggests to me that they won’t get it if they’re not three years younger than me.’

(Female respondent, aged 37, SMPI recipient)

“When you retire you will be married to someone three years younger than you who will get half your pension when you die’. I don’t understand that one at all. My wife’s not hugely older than me but she is a year or so older – so does that mean that she’ll not get anything for that? Well that’s how it reads.’

(Male respondent, aged 42, SMPI recipient)

“It says that it assumes that I will buy a pension that increases each year in line with inflation. I don’t understand that because I thought I’d bought a pension already.’

(Female respondent, aged 41, SMPI recipient)

Another major barrier for some APF respondents was unfamiliar terminology (for example ‘Home Responsibilities Protection’) that they felt took for granted basic levels of knowledge they just did not have. For example, one respondent commenting on the assumption that ‘The amount of additional State Pension shown may change if you have been a member of an occupational or personal pension scheme that has been contracted out’ said:

‘I don’t know what that means, contracted out. Is it about schemes that have gone bust?’

(Female respondent, aged 42, APF recipient)

Leaflets containing further guidance for those who need it were seldom referred to as keys for unlocking the assumptions. This reflects weak interest and lack of confidence, as well as an inclination to put off the job (see Section 6.6).
Again it was apparent that many APF respondents did not have enough knowledge of pension basics to be able to tackle the assumptions, no matter how simply expressed in Plain English. Important information gaps included for example:

- age at which State Pension is paid\(^{10}\);
- conditions of entitlement;
- how the amount paid relates to contribution record;
- the meaning and implications of ‘contracting out’;
- other factors that affect the amount paid, such as:
  - S2P or SERPS;
  - Home Responsibilities Protection;
  - partner’s entitlements.

6.8 Call to action

The forecast information that people received appeared to have had limited ‘hard’ behavioural impact in the weeks leading up to interview\(^{11}\), although respondents often reported having thought more about aspects of their pension arrangements (including considering changing to some other form of investment) or talked to friends or family. A small number had got in touch with their pension provider, but in general contacts with professional advisers were comparatively uncommon. A few examples of the ways in which respondents had been affected by their forecasts are given below:

- An SMPI respondent had thought seriously about dropping her pension payments because when her son saw the forecast he had made her wonder whether she might get a better return on her investment elsewhere.
- Getting a forecast had shored up one SMPI respondent’s concern to keep her premiums going until she reached retirement age.
- An SMPI respondent contacted his pension provider because his forecast was lower than it had been the previous year and he had subsequently been sent a revised figure.
- The forecast had raised one respondent’s awareness of the need to do more about retirement, leading to him taking out an AVC at work.

\(^{10}\) Some respondents also thought that State Pension had been abolished or would be phased out by the time they reached pension age. Some believed that by contracting out of the State Second Pension they had also contracted out of the Basic State Pension.

\(^{11}\) For example, making enquiries about increasing their monthly pension contributions or investigating options for taking out a private pension.
On the whole, however, respondents did not generally appear to regard forecast information per se as especially action-oriented, although there were some exceptions. For example, one SMPI respondent, who (from the information he gave us), seemed to be more financially shrewd, knowledgeable and assertive than the rest of the sample, said that he measured his expectations against his forecast and if there was a shortfall telephoned his company to discuss his options. More typically, forecast information was received and viewed passively. It was regarded more as feedback than as a call to action. This was probably especially true for APF forecasts which many people felt they could do little to change. One kind of change in this context might be topping up contributions shortfalls, but these are handled in separate communications.

Nonetheless many respondents appeared to feel that forecast information gave them at least some sort of clue about where they stand financially, although by no means everyone had a clear pension’s expectation in their minds even after getting their forecast.

During our interviews, respondents tended to become more interested and engaged with the subject, and many took the opportunity to ask questions and talk more generally about their plans for retirement, their hopes and fears. The mere experience of being led back through the document and discussing what it said often awakened new interest and motivation, and some respondents said they intended to follow up some of the things they had discussed with us. This suggests that the stimulus of face-to-face interactions can help to unlock some of the potential effects of forecasts, which at present often remain unfulfilled. This of course has cost/resource issues that this report did not aim to assess.

Both types of forecast contain explicit messages designed to encourage recipients to take stock and consider whether action is needed. In the next chapter (7.5) we explore how these worked.

6.9 Forecast information in ABI draft model

We showed SMPI respondents a copy of a draft model statement prepared by the Association of British Insurers (ABI) that included forecast information set in a prominent position at the beginning of the document. This was preceded by a short summary statement of the total plan value and followed immediately by the question ‘Can you afford to retire on this?’ designed to trigger consideration of whether recipients needed to increase the provision they were currently making. The model included a combined forecast including not only private pension income but also an estimate of the recipient’s State Pension.

On the whole the forecast information in the model statement was well-received by respondents. They liked the fact that the forecast itself was one of the first things they came across, and that it was clearly laid out and highlighted. It was generally preferred to their own statements.
Most were particularly keen on the combined forecast which gave them a better picture of the total amount they might have coming in. This was a very strong finding from the research, although our evidence is limited since we did not include any recipients of combined forecasts in the study:

‘This has got the State Pension on it as well hasn’t it? That’s really good because it gives you an idea of what you’re going to get there as well, so you can balance it.’

(Male respondent, aged 48, SMPI recipient)

Looking at combined figures tends to be more encouraging. One SMPI respondent said that the total projected income including the State pension made her feel much happier about her provision she had made to date, and felt this would encourage her to think more positively about increasing her contributions rather than feeling depressed and avoiding the problem by burying her head in the sand.

The main criticism of the ABI forecast information was the explanation given of ‘Today’s prices’ which respondents often felt to be confusing (see box below):

Don’t forget that when you retire inflation will have increased the cost of living. We’ve estimated how inflation will reduce the buying power of your pension and the figures below reflect the potential impact of inflation over the period to your retirement.

Our impression is that this does not do enough to resolve the uncertainties about the important concept of ‘Today’s prices’ described in Section 6.5.

Our other reservation about the ABI model is that it is fairly long. This is because it sets out to explain some of its terms more fully. Some people said they preferred the clarity even if it increased the number of pages, but the effect of the extra length would need assessing in actual use.

With these reservations the model generally seems to represent a step forward, although it doesn’t by any means resolve all the problematic issues described above.
7 Responses to the wider forecast communication

Key points from Chapter 7

- APFs were unexpected and therefore more likely to capture interest, but also less familiar to navigate than SMPIs.
- SMPIs were often seen as part of a familiar series which recipients had begun to find their way round, but which sometimes seemed less interesting because people felt they knew what to expect.
- In most cases neither document received a high level of attention.
- Reading of the documents was typically limited and selective. People looked for summary information that would tell them what they needed to know.
- Figures were more likely to draw the eye than lengthy text.
- Respondents lacked confidence to get to grips with the documents and did not understand most of the technical and jargon terms included.
- Information encouraging respondents to invest further in pensions usually lacked impact. People often suspected that these were designed to persuade or sell, working in the interests of providers rather than recipients.
- Introductory letters and leaflets tended not to be read in detail.

7.1 Introduction

This chapter considers the impact of the wider communication (‘carrier’) in which the forecast information was contained. The content of both the APF and SMPI pension communications has already been described in detail in Chapter 2. APF letters were centred on the forecast information and most of the additional content and messages related directly to it or referred to it in some way. SMPI yearly statements on the other hand were focused more on the pension fund and changes to it in the preceding year than on the illustration or forecast information.
7.2 Initial reactions to the forecast carrier

When APF recipients that were interviewed first opened their letter, they typically had little idea what to expect because they had never received one before (and in many cases had not expected to receive it at all). This gave it a novelty value which sometimes stimulated interest, but also meant they hadn’t yet learned how to deal with it.

Most realised that the letter had come from a government department because all the key signals were there in the brown window envelope, even if there were few specific indications on the outside as to which department had issued it. Respondents were often not familiar with The Pension Service (TPS) logo, and many said that they had never even heard of TPS (some had also not heard of the Department for Work and Pensions although this was more unusual) but this did not necessarily deflect them from the presumption that the letter had come from government.

However, some (mainly but not exclusively younger respondents) thought the letter was from a private company wanting to sell them pensions:

‘It’s people advertising a pension service.’
(Male respondent, aged 24, APF recipient)

This was partly because of the logo design, which they did not usually recognise but which they felt did not have a typically ‘official’ look:

‘The emblem looks more like a private company.’
(Male respondent, aged 24, APF recipient)

It was also partly because of the prominent first line of the letter (>Have you thought about how much money you will have when you retire?<). They inferred that the forecast information had been included as a commercial marketing ploy designed to make them realise how little they would get from the State. One respondent who did not know he was eligible for a State pension, and in any case thought he would have to do something in order to ‘be on the list’, jumped to the conclusion that he had received a ‘selling document’.

The logo on the APF letter was printed in black and white (rather than the official blue), and some respondents felt that this made the letter seem more routine, and mass-produced – less personal. Some said the black and white logo gave the impression of a commercial mail shot. One young respondent felt that the logo did not fit her idea of what a government logo would look like, although she was unable to describe in any detail what this would be. She thought she might have paid more attention to the letter if it was ‘more official and important looking’.

When we showed some APF recipients a letter with the colour version of the logo this seemed to be preferred, although we have few cases on which to base a reliable judgement. On the whole the colour logo seemed to add significance and
weight to the letter, and was perceived to be more cheerful and interesting. A few respondents queried the use of colour printing by a government department on cost grounds, but this was rarely expressed as a strong personal opinion.

In contrast to the APF respondents, most SMPI recipients had received yearly statements from their pension provider before. By now many anticipated receiving a statement (although sometimes with only vague notions of timing and frequency) and therefore greeted its arrival without great surprise and in a fairly low key way. The yearly statement was generally regarded as a routine communication and few respondents looked for striking changes or unexpected elements. Some had evolved their own set ritual for dealing with it:

'I see it and I think ‘It's around the time I get that’. I know what time of year it comes. I'll have a meal and then I'll sit with a cup of tea and look at it.'

(Female respondent, aged 44, SMPI recipient)

In terms of initial response, therefore, yearly statements did not generally excite a lot of interest. Their arrival was not a big event, and responses to them were often (but not always) slightly ‘so what’. Many respondents did not expect to understand the statement fully, and it usually contained more matter than they felt motivated or skilled to absorb, even if they recognised it as an important document:

'I don’t really understand what’s in there...Although I do read them and try to understand them, I don’t really understand it fully.'

(Female respondent, aged 62, SMPI recipient)

7.3 Extent of reading

Most respondents did not look at everything in their forecast document. Some wanted only the ‘top line’ – the most basic of summary figures and information, and professed no interest in more detailed information – they wanted to read only what seemed most relevant or useful to them. Others were interested in principle but lacked confidence, motivation and/or skills to get far into the documents.

Most APF respondents said that they had read at least some of their APF letter, although in a small number of cases it was ignored unread or dismissed as junk mail.

On the whole respondents thought it looked important enough to demand attention, even if they did not read it all. Some felt they ‘ought to read it’, and felt guilty or apologetic if they had not got far into it. Although it is shorter than many SMPI yearly statements, it was still often thought to be too long – more than people wanted or were prepared to read. Most APF respondents said they had concentrated their attention on the first page of the letter, but did not necessarily read everything in it. For example, some interviewees skipped the first paragraphs and went directly to the forecast information, and a smaller number failed to get as far as the forecast itself because they were bogged down by the early passages
or thought these did not seem personally relevant. Respondents sometimes turned on to the post-forecast second page, but few admitted reading it. Some thought the heading at the top of the second page (‘What should I do now?’) looked promising, but failed to deliver anything concrete. Many were put off altogether by the box containing the forecast assumptions. Few if any respondents claimed to have looked at the third and final page.

Reading of SMPI yearly statements was also typically limited and selective. Some people said they had scanned the accompanying letter, but this rarely attracted a great deal of attention. A few people remembered reading it and could recall its content, but more commonly the letter was seen mainly as an announcement of or introduction to the real substance of the statement, and was often skipped over. Most focused their attention on the relatively short statement summary, although again not necessarily reading all of it:

‘I’ve got used to it. I just go to the pieces I need. I do sort of read through it, but I don’t take it all in. There are only parts I take in.’

(Female respondent, aged 41, SMPI recipient)

A few respondents said they hadn’t read any part of their statement. Conversely a few said they had read it more extensively including at least some of the detail contained in later sections. Apart from the forecast information itself, SMPI respondents had looked mainly at the fund value (including changes, estimated value at planned retirement age and transfer value), and contributions paid into the fund over the past year. However (as we have noted) many were unsure about what ‘fund values’ means, since they don’t understand how their pensions work. Respondents seemed more likely to notice figures than lengthy text, looking for simple indicators rather than trying to read and understand content they found unfamiliar and difficult.

Across the sample as a whole (APF and SMPI together), we found a wide spectrum of reading strategies or patterns, including:

• read from the start until interest peters out;
• read nothing except the forecast information;
• skim for bits that seem interesting;
• skim for detailed answers to questions raised by earlier material;
• read everything (rare).

Reading the whole of either APF letters or SMPI yearly statements would take more motivation and skill than many respondents appeared to have. However, we came across some exceptions – for example respondents anxious not to miss anything that might be important – but these were very much in the minority – and often seemed to be the more ‘expert’ readers:
‘I’m not Brain of Britain and they do sometimes become a bit clouded, and you have to back two or three times before you can actually understand what you’ll be getting. You seem to see a lot of figures and things that are miles away from you, and you have to think back and say, ‘Oh yeah, that’s what they’re saying’ – but you have to look back again.’

(Male respondent aged 45, SMPI recipient)

7.4 Understanding of the wider content

Most respondents did not expect to understand much of their statement. They often lacked confidence in their ability to do so, and said they had difficulty in taking in the information.

‘‘Plan Value’, ‘Total Fund Value’, I don’t understand what they mean, I really don’t. I can’t even guess. ‘Transfer Value’ probably means the amount transferred from one year to the next.’

(Female respondent aged 46, SMPI recipient)

‘I don’t find it easy – that is me.’

(Female respondent, aged 53, SMPI recipient)

Nevertheless a small number were happier with their reading: if they couldn’t understand everything they felt they could take in enough – the most relevant or interesting elements. However, in practice some people seemed to understand less than they thought they did.

Like the respondent quoted above, people sometimes blamed themselves for their inability to understand their statements. But they often also said that their understanding would be helped if statements were written in simpler, less technical terms:

‘I’m a bit thick, let’s put it that way. I’m not very up on this sort of thing you know. If it was explained to me in what they call layman’s terms...I might understand better.’

(Male respondent, aged 42, SMPI recipient)

Some respondents thought that pension providers (including government) are now trying harder to communicate and thought that communications have become clearer than they used to be. However, they also felt that there was still some way to go:

‘They are trying seriously to communicate but I don’t think they put it in English sometimes. Maybe it could be explained a little more. I’m not saying I’m thick or anything, but maybe it could be explained a little easier in English or in layman’s terms. We have to do that at work, so I don’t see why these people can’t.’

(Female respondent, aged 37, SMPI recipient)
A few respondents said they thought part of the problem was that pension companies were so familiar with the language of pensions that they were unable to appreciate the difficulties experienced by ‘ordinary’ people:

‘I think that the difficulty is that the people who put this together are obviously very familiar with the terms and conditions and everything that they’re putting in there.’

(Male respondent, aged 61, SMPI recipient)

‘I suppose they think that it’s nice and clear, but I have to sit and look at it three times to try and make some sense of it.’

(Female respondent, aged 37, SMPI recipient)

However some SMPI respondents said they felt that yearly statements did not represent a serious attempt to communicate; that they were written less for customers than for the pension industry itself and were mainly a way of discharging duties placed upon pension companies by regulators.

Some of the commonly-used terms or expressions that respondents found difficult in SMPI statements include:

- Fund value or Plan value.
- Buying a pension.
- Transfer value.
- Illustration.
- State Second Pension, S2P, SERPS, Additional Pension, Contracted out.
- Fund and Sub-fund.
- Managed fund, With profits fund etc.
- Units and Unit prices.
- Assumptions.
- Standard assumptions required by law.
- Statutory Money Purchase Illustrations.
- Protected rights and Non-protected rights.
- Automatic life-styling.
- Charges.
- Tax free cash.
- Tax relief.
- Market value reduction.
• Bonus.
• Words like ‘Fluctuate’.

These are standard terms to the pensions industry, but often seemed unintelligible to our respondents. However, it is not clear that people who receive statements will necessarily understand them better simply through the use of simpler, non-technical language, since the underlying concepts are themselves often complex and unfamiliar and need to be explained. Some respondents recognised the problems inherent in trying to simplify the language of yearly statements and said they felt that there would be a limit to what could be achieved without making statements much too long – in which case many wouldn’t read them anyway.

7.5 The messages contained in carrier documents

Both the APF letter and the SMPI statements included messages designed to encourage recipients to think about investing more in their retirement income (See Chapter 2).

Messages included in the **APF letters** were tailored to suit different demographic segments, for example men over 50 received different messages to those sent to men under 50 or to women generally. All messages were designed to enhance the impact of the forecast information: to ‘help’ recipients to think about and interpret the forecast income, and to encourage them to consider stepping up their financial plans for retirement. For example, all recipients were told that the State Pension will provide for only a basic lifestyle and that it will need to be ‘augmented’ if they want more in retirement. Older recipients were reassured that it is never too late to plan and younger people were told it is never too early. Older people were exhorted to assess the gap between what they think they will need in retirement and what they are likely to get, and if necessary to act now. Younger people were told that money invested now will work more efficiently to provide for their retirement than money invested later. Finally, women recipients of all ages were reminded that women often end up poorer in retirement than their male counterparts and that it is therefore especially important for them to think about their personal situation.

Most APF respondents had seen these messages when they received their APF letter, but some noticed them for the first time while being interviewed. Reactions were mixed. A few people said that they had found them thought-provoking; some thought them a useful ‘wake up’ call (sometimes for others rather than themselves); and some said the messages were bland ‘apple pie’ statements that added little to the letter content and told them nothing that they didn’t already know. (‘That’s my mum talking’).

Some respondents found the messages irritating – even sometimes patronising or paternalistic. They felt that pension shortfalls owed more to the shortcomings of government and the pensions industry than to them as individuals and resented
being ‘lectured’ by government. A number thought that the material around encouraging and increasing pension savings was the core purpose of the APF letters and even that the forecast information was mainly a kind of ‘Trojan horse’ for delivering it.

‘From a government department it makes me laugh. I don’t quite know what they’re trying to induce in me. Do I contribute more to the Basic State or do I go and make my own retirement pension plans that they have done so much to scupper anyway?’

(Male respondent, aged 40, APF recipient)

The messages were also sometimes criticised for offering little practical help or concrete suggestions about what recipients could do to add to their pension income. They were being encouraged to do something, but not given any clues about what they might do or how to go about it. Further guidance was neither provided nor signposted.

‘It’s almost a rhetorical question isn’t it really? It’s very impersonal... When someone writes to you and you know you’re a mail shot out of 10,000 then it’s not something that you’d be encouraged to respond to.’

(Male respondent, aged 40, APF recipient)

One of the problems which emerged is that respondents saw the increasing pension messages cold before they got to the forecast. In later interviews we experimented by changing the order of the APF letter so that it started with the forecast itself (emphasised with a box and a new heading ‘Your State Pension Forecast’) followed by the material about increasing pensions as before. Respondents shown this as an alternative generally seemed to think it worked better because:

- The forecast information was prominent and clearly labelled, which reduces any ambiguity about the purpose of the communication, and minimises the risk that the forecast itself might be overlooked.

- The other information seemed to follow on logically from the forecast rather than pre-empting it, and therefore seemed less jarring – and more helpful because they can then be read as a sensible reminder rather than a gratuitous lecture which triggers defensive responses.

The respondent quoted below said he felt he was a prime target for messages to invest more, but that he needed clearer guidance towards effective action.

‘Overall it just says ‘Think about it’. I could think about it until the cows come home and forget it tomorrow.’

(Male respondent, aged 40, APF recipient)

The second page of the APF letter began with a new heading “What should I do now?” and continued with a series of questions for people to think about in relation to their retirement income. These were described in Chapter 2, but are reproduced again below:
1. Think about how much money you will have when you retire:
   - If you have retirement savings, you need to check on them regularly and find out how much they will be worth to you when you retire.
   - If you are part of a family, you may want to think about your money for retirement jointly with your partner. But remember, family circumstances often change over the years.

2. Think about how much money you will need when you retire:
   - What you might need to pay for
   - What other things do you want that you might need extra money for?

3. Decide if your State pension and other savings are enough and if not – act now! The enclosed guide *Plan your retirement now* outlines some of the options available to you.

In relation to **SMPI yearly statements**, people tended to expect pension companies to encourage them to invest more in their pensions. The messages therefore tended to be dismissed as a ‘sales pitch’ rather than suggestions made disinterestedly for the pension holder’s benefit.

The ABI model statement that we showed respondents included a form enabling customers quickly and easily to apply to increase their regular contributions. Some respondents felt that this would help and perhaps encourage those who were thinking of increasing their payments. Others said that the form helps people to see that they could make even quite small payment increases.

At present there is little indication of what extra contributions would ‘buy’ in terms of retirement income. If they had an indication of how much they could expect to get out of a given level of extra contribution it might give them more to think about, and encourage them to make a decision (see Section 9.8).

   ‘At the moment it just says ‘Would you like to pay me £100 for ever, and do you know, I’m not going to tell you what you are going to get back. That isn’t encouraging is it? That’s what I would like to know.’

   (Female respondent aged 46, SMPI recipient)

Another factor which weakens the impact of the messages both in APF and SMPI forecasts is that many people feel there are various concrete barriers to their investing more in pensions, like:
   - not having any spare cash;
   - reluctance to commit any more resources to relatively inflexible long-term plans;
   - loss of faith and trust in pensions;
   - belief that there are better forms of investment (property, perhaps ISAs) that offer higher returns;
   - uncertainty about how to go about deciding on or implementing changes.
This sense that there is either nothing they can do at all, or no clear course of action even if they have means can again sometimes make people feel resentful about being lectured.

### 7.6 Introductory letters

SMPI statements came with a covering letter from the company. The general impression from respondents was that these letters are not often read – and can get in the way of reaching the forecast itself, which is the main focus of interest.

### 7.7 Leaflets

Forecasts of both types were also usually accompanied by leaflets of various kinds. Few people read these in either case, and only a few dipped into them to answer specific queries. Respondents sometimes put leaflets aside for future reference, but had not looked at them since – and our feeling was that they usually seemed unlikely to go back to them in future either. Many respondents had paid them no attention at all, and some had not noticed them and didn’t even remember getting them.

Some APF respondents said that although they hadn’t paid much attention to the leaflets, they appeared vaguely useful – the kind of thing they might keep ‘in case’.

Respondents didn’t tend to look at leaflets because they seemed dauntingly bulky, containing a lot of words, were expected to be difficult to read and perhaps too general to tell them much about their own situation. They did not appear to promise much reward to justify the effort of getting to grips with them. But when we drew respondents’ attention to the APF leaflets they were often felt to be reasonably clear and possibly useful.

Some respondents thought the leaflets could be used to reduce the length of the letter, but we are doubtful that in practice people would actually look at the material transferred.

Better cross-referencing and signposting from the letter to the leaflets might help to make leaflets more useable. Signposting for APFs was patchy and limited - and sometimes inaccurate, which people found very off-putting.
8 Subgroup differences

Key points from Chapter 8

- Although there were differences between sub-groups and individuals within them, we were struck more by the similarities.

- Age is the one of the most powerful factors affecting responses to forecasts. Interest in (and worry about) pensions increases as retirement approaches.

- Current forecasts documents do not seem to have broken through the indifference of young people, and new approaches to communication may be needed.

- Women sometimes have extra concerns about pensions because of interruptions to work patterns and these need to be addressed in forecasts.

- Better-educated people tend to have better tools for dealing with forecasts, although the barriers we have identified sometimes inhibited them from doing so.

- Respondents with bigger pension investments were more likely to want to know about them.

- Those most in need of help with retirement provision tend to be the hardest to engage with. They include young people, the less well-educated or financially well-informed, and those with limited provision.

8.1 Introduction

Themes described in earlier chapters applied across the board to people of different ages and gender, social class and income, educational attainment, financial acuity and financial provision for retirement. There were, of course, differences between sub-groups and individuals within them, but we were generally more struck by the similarities. This chapter teases out some of the most important sub-group differences.
8.2 Age

Respondent age was a powerful factor affecting response to forecasts, mainly because interest in pensions rose as people approached retirement age, when the issue begins to seem more urgent. The youngest people in our sample were even less likely than older respondents to have a good understanding of the pension system. This was partly because they had less general experience, but also because they were less interested in something so remote from their immediate concerns and aspirations. The youngest APF respondents were among those who misinterpreted the APF letter – for example because they:

- hadn’t thought about themselves in relation to pensions;
- hadn’t heard either of TPS or DWP;
- couldn’t imagine why they would be getting a letter from government and therefore assumed the letter was from a commercial company.

As well as lacking motivation to read their forecast in any detail, and having less experience and (even) less background knowledge to draw on in order to do so, younger people were more likely to feel that they had other priorities – better things to spend their money on than pensions.

Some younger APF respondents reaching a life-stage milestone such as getting married, having a baby or getting their first job sometimes said they were starting to think more responsibly about pensions, and had even wanted to be interviewed because it fitted in with their current mood. They were somewhat readier to engage with the subject, but usually still ill-equipped to do so. Thus they were less likely simply to dismiss their APF out of hand, but not much closer to doing anything on the basis of it.

At the other extreme, older respondents were more likely to be concerned about pensions – and therefore pension correspondence. They didn’t necessarily feel confident about their ability to understand, digest and make decisions on the basis of their forecast, but they recognised the significance of its contents. Their pension income estimate felt more ‘real’ than before – and therefore often more anxiety-provoking. A greater sense of urgency (and sometimes panic) surrounded the question of what to do for the best, but was not often matched by better skills or understanding.

It seems vital to engage younger people with pensions information (including forecasts) while there is still time for them to take constructive action and build up useful entitlements. However, our evidence suggests that forecasts are not so far having much of an impact with them (apart from a few unusually conscientious and well-informed people). It also suggests that the job of breaking through will be even harder in this sector than for the rest of the population. Perhaps more radically different approaches to communication need to be tried out.
8.3 Gender

Gender was not a very strong factor differentiating between sub-group responses to forecasts, but a few points might usefully be made. For example, women respondents sometimes had extra concerns about pensions, because of time taken off work to look after children or for general family responsibilities, or because they had fragmented work histories, and therefore broken contributions records. They were more likely to talk about looking for help and guidance. Some were pleased to know they were getting a State pension at all.

Even women with broken contributions records were often unaware of Home Responsibilities Protection – didn’t know how it worked, or even in many cases that anything like this existed. Moreover the APF forecast document did not deal with gaps in contributions or the effect that plugging these would have on their pension.

Respondents were usually aware that State pension age for women is changing, but still not always clear how they would be affected.

In some more traditional couple households, women played little part in their own or their partner’s pension arrangements; lacked confidence in their own financial acuity; and sometimes even left it to the man to make sense of their forecast and take any decisions about it. If they are confident that their husband will be well-provided in retirement they sometimes see their own pensions as of comparatively marginal interest. Paradoxically this sometimes seemed to make it easier for them to engage with their forecast, because there is no inhibiting sense of desperation to cloud the issue.

In other couple households women expected to contribute a good share of retirement finance, and in some the women were the effective managers not only of their own but also their partner’s pension arrangements.

We found that in single-woman households the woman’s own pensions may be all she can depend on, unless she has a share of a deceased or departed partner’s pensions. This is a good reason for taking a positive interest – but again where provision is doubtful anxiety about the outcome can sometimes fog the mind and limit engagement with the forecast.

In many households women were the main sorters of post and were responsible for making sure letters were dealt with by the people they were addressed to.

8.4 Education

As we have noted respondents often found forecast communications hard to read and understand. Respondents with high-level literacy and numeracy skills are in theory better equipped to deal with difficult technical communications if they choose to grapple with them, but many in our sample were nevertheless reluctant to engage with their forecasts, and were still deterred by lack of understanding
about the pension system itself. Better-educated people may have more tools for
learning about the pensions system, but the other barriers we have identified still
often inhibit them from doing so.

8.5 Size of pension investment
Financial acuity was often (but not always) related to the size of pension investments
– those who have bigger investments were likely to know more about them. In
general respondents with more money invested in pensions took more notice of
their forecasts than people with smaller amounts invested – partly because they
seem more important to monitor; and partly because those with larger pensions
thought they may be less affected by the panic that sometime engulfs those who
fear their provision will prove inadequate. People with larger holdings tended to be
more pro-active in dealing with the documents and in using their pension income
estimate to review their circumstances.

8.6 Key targets are individuals who are hard to engage
The analysis underlines that those with most need of help tend to be those sub
groups who are hardest to engage with forecast information; least likely to emerge
with a clear picture of where they stand; and least equipped to do something
constructive as a result. In summary these include: young people, those who
are less well-educated or financially well-informed, and those with very limited
provision.
9 Suggestions for enhancing the effectiveness of pension forecasts

Key points from Chapter 9

- A lack of knowledge on ‘pensions’ as a whole is the main barrier to engaging with forecasts. Increasing education will allow forecasts to have a bigger impact.

- Content should be presented as far as possible as a narrative, not a collection of disconnected facts.

- The actual forecast should come right at the beginning. SMPIs should focus more on the pension projection than on fund values.

- Any explanations or assumptions that are critical to interpreting the projection should be upfront in the forecast.

- The important concept of ‘Today’s values’ needs further clarification.

- A balance needs to be struck between brevity and explanation. The current documents are uncomfortably long, but a lot of important concepts are not understood.

- The presentation of information needs to be clearly prioritised. More use of smart data that tailors information to the individual’s circumstances could help.

- More use of Plain English and less use of jargon would make documents easier to access.

Continued
• People need to be helped to see the forecast documents as a basis for action, and not as routine and essentially passive reports.

• Combined forecasts should be used where possible because they give people a complete picture of their pension income.

• The present practice of giving forecasts as precise single-figure estimates should continue. Respondents identified more with them, and would find ranges too generalised. Respondents were well aware that these are estimates whose outcomes may well vary, and there seems little risk that specific estimates will give rise to over-literal expectations.

The following are suggestions that may of improve the effectiveness of forecasts in providing useful information and may help to engage people with retirement planning.

These suggestions are drawn from the experiences and interpretations of the researchers from the evidence collected. They are intended to inform future discussions by identifying possible ways of improving both the presentation and language of these products, but are not considered to be definite recommendations.

9.1 Need for education

Most importantly, there is a need for better public education about:

• how both the State and private pensions work;

• the simplest and most effective way of getting the best out of both.

Significant gaps in public understanding make it hard for people to take in information about pensions and get to grips with their purchase and management. Forecast documents alone cannot do much to fill these gaps and we suspect that attempting to use them for this purpose would create overload, making them less readable, accessible and useful.

A better-informed public would help make it easier to deliver forecasts and render them more productive. Government and the pension industry together could re-think their approach:

• working on public understanding;

• using a more narrative and customer-focused approach.

9.2 Narrative focus

To improve reading of forecast communications, the content should be presented as far as possible as a narrative telling a clear story from the recipient’s viewpoint.
This would help people relate to the content of the communication; follow the links between different pieces of information; and thus enhance their understanding and ability to interpret and make use of the content.

9.3 Forecast information first

Documents should start with the forecast itself, and present the ‘bottom line’ (expected pension) as clearly and simply as possible, followed by any essential explanations:

- Omit prefatory letters where possible so readers move straight to key content.
- SMPI statements should bring the expected pension itself to centre stage. At present the stress seems to be more on fund values, whose implications are poorly understood. They are not the ‘bottom line’, and many are not clear how they will eventually become the bottom line (a point which needs explaining). Presentation of fund values should not be allowed to get in the way of communicating the actual forecast.
- In state pension forecasts encouragement to consider further investment in state pension forecasts should be put after the forecast information itself.
- State forecasts should be presented with more emphasis on the total expected pension rather than its two components. Many recipients have not heard of Additional Pension, which again needs further explanation.

9.4 Bind key explanations to forecast

Any really important explanations relevant to understanding of the forecast (assumptions which need to be understood in order to interpret the projected pension) need to be bound tightly around the forecast itself rather than left as daunting lists at the back of the document.

The concept of ‘assumptions’ as a basis for SMPI forecasts can be hard to take in, and ways of clarifying and simplifying this need to be sought.

Some of the stated assumptions can seem strange to those who don’t understand their rationale, and ways need to be found of helping people make better sense of them.

9.5 Clarify ‘today’s values’

It is important to find some way of clarifying the extremely important and potentially valuable notion of ‘today’s values’ that underpins both types of forecast. Further experiment is needed to find ways of explaining the concept more clearly in ways that people can understand and make use of.
9.6 Balance explanation and brevity

It is important (and difficult) to strike a good balance between brevity and fuller explanations. Without the former many will not read it; and without the latter they won’t properly understand much of what they do read. The text should be as short as possible – but not at the expense of understanding.

In considering the design of forecast documents it is important to prioritise the presentation of information, distinguishing between what people really need to know; and what just has to be included for completeness or regulatory reasons.

If people had better understanding of the pension system that underpins their forecast, they would need less explanation in the forecast document itself (see ‘Need for education’ below).

Few people read leaflets included in the mailing, although some find them useful or like to keep them for reference. Leaflets are therefore of limited value in providing important information that people need to read. Clearer signposting from the main forecast document might help increase their use – but would probably only have a limited effect.

Forecasts that tailor information to the individual might help reduce the amount of material in forecast communications, and increase the personal relevance of the document to its readers.

9.7 Plain English

Some passages of forecast documents would benefit from more plain English treatment and less jargon, although this will not necessarily help much where technical terms are industry shorthand for complex and unfamiliar concepts. Again better education is needed.

9.8 Summarising and highlighting

Statement summaries were popular because people felt they could take what they needed from one or two pages, rather than having to fillet out important information from a much longer document.

More use of devices like bold fonts, bullets, boxes, colour, graphics or highlighting could help people access and navigate the information, although these can only have a limited impact on readability. Long lists which are not visually differentiated should be avoided.

9.9 Re-organise information to encourage action

It is potentially useful to suggest that people use their forecast of pension income to review whether they are currently doing enough to save for retirement, but:
• It is important to recognise that this is sensitive territory for many for a variety of different reasons. Designers need to understand the reservations and concerns that people have and avoid alienating them through any impression of selling, lecturing or hectoring.

• The way in which such suggestions are received can be affected by their placement in the document and the way in which they are expressed. They should flow from the forecast and not pre-empt it.

• Such encouragement can be easily dismissed unless recipients are given more practical assistance to help them to:
  – size up the extent of any personal shortfall between the pension they need or want and what they can currently expect to get;
  – think through their investment options;
  – see how much more income they would get in return for extra investment of a given amount:
    ~ SMPs should illustrate how the forecast pension would rise with a given increase in investment;
    ~ for APFs the issue of NI top-ups should flow logically from the forecast (if you paid £x more NI, your pension would increase by £y), but this has hitherto been handled separately from the forecast. It could usefully be more integrated.

9.10 Active not passive

It is suggested that if forecasts are to achieve their full potential people need to be helped and encouraged to take a more active approach to the management of their own pensions and to see the forecast as a tool for managing their pensions, and not just as inert routine feedback.

We have already suggested that concrete examples of the likely outcome of extra investment might have a more dynamic or motivating effect than general exhortations which people find difficult to interpret and relate to.

9.11 Combined pension forecasts

No ‘live’ recipients of combined forecasts of State and private pensions were included in the study, but responses to the ABI model statement suggest these are likely to be useful. They give a more realistic notion of what readers may have to live on, and the combined figure was encouraging to some people (particularly those with only small private entitlements) because it seemed less depressingly small. Combined forecasts might motivate some to think more positively about their pensions investment.
9.12 Single-figure forecasts

Single-figure forecasts were much preferred to ranges, which seem too generalised, unreal and impersonal. People seek specific personal statements, not generalities. There seems little danger that single-figure forecasts will give rise to over-literal interpretations of the projections, given that respondent understanding of the provisional nature of forecast was often surprisingly mature.
Appendix A
Respondent profiles
Characteristics of the achieved sample

**APF sample**

**Gender**

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**Age**

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**Work status**

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### Marital status

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### Ever been in occupational pension scheme

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<td>No answer/no information</td>
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### Whether received letter

<table>
<thead>
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<td>Doesn’t remember/not sure but might have done</td>
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### SMPI sample

#### Gender

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<th>Gender</th>
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<tr>
<td>Male</td>
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#### Age

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#### Work status

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<td>Employee part-time</td>
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<td>Retired</td>
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<td>Student</td>
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<td>Permanently sick/disabled</td>
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### SEG

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### Marital status

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<td>Cohabiting</td>
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### Age completed full-time education

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<td>20 or over</td>
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Pension supplier

<p>| | |</p>
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<td>B</td>
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<td>14</td>
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<td>D</td>
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Home Ownership

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<td>Rented (Local Authority)</td>
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<td>Rented (Private landlord)</td>
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How the samples were generated

The APF sample of 30 respondents was spread over three postcode areas in a North London suburb, a city and its hinterland in the South Midlands and a major city in the North. A list of people in each of these areas who had been sent an APF during a two-week period in October/November 2006 was provided by DWP, and opt out letters were mailed to everyone on the list. A telephone number was sought for everyone who had not opted out and respondents were then recruited from those for whom we had numbers. This was a relatively small proportion of the original list and some consideration needs therefore to be given to the possibility of bias in the achieved sample, even though we were able to achieve the range of demographic characteristics that we specified at the outset.

The SMPI sample of 49 was spread over the same three postcode areas as the APF sample. Respondents were private money purchase pension holders who had each received a yearly statement (and SMPI) between December 2006 and February/April 2007. All were customers of at least one of four providers who collaborated in the research, supplying customer lists and conducting an ‘opt out’ exercise on our behalf. Telephone numbers were supplied for most customers remaining after the opt out and recruitment was again carried out over the telephone, to the same specification and by the same recruitment agency as above.
Appendix B
Topic guide and stimulus
Topic guides

Our interviews covered a lot of territory including:

- Personal characteristics and circumstances
- Views, attitudes and experiences with a bearing on pension forecasts
- Recall of and reactions to receiving the forecast communication and forecast information
- Reactions to the forecast information and the rest of the communication content
- Action or follow-through.

Detailed topic guides are provided on the following pages.
APF topic guide

SECTION A

Introduction

- Personal details
- Age
- Household composition
- Occupation
- Income

Recall of receipt of pension forecasts/APF

Organisations that provide pensions - including employers, pension companies and the government - supply information to people about their pensions. This varies from organisation to organisation but can include:

- What it is worth now
- What they have contributed so far
- How much they are likely to get when they retire
- And what they can do to get more

This information comes in the form of letter or document and is usually called a statement, illustration or forecast. Sometimes a lot of other information will be included in the envelope, such as leaflets.

- Do you recall ever having received a statement or forecast
  - How many
  - How often
  - Who from

- Do you recall ever having received a statement or forecast about your State Pension from the government?
  - If yes:
    - When
    - Can you remember which department it came from? Probe and if necessary prompt with list of departments
    - Did you ask for it
    - Or was it just sent

  - If not sure/don’t remember
    - Tell them who it was from, when it was sent and when they would probably have received it and see if the information helps recall

- Does a letter about what they can expect from their State Pension seem like the sort of thing they would normally remember, or not (why?) PROBE FULLY
Envelope

- Show the envelope. Ask:
  - Do you recall seeing an envelope like this addressed to you?
  - Is an envelope like this the kind of thing that would normally attract your attention, or not (why)
  - What stands out about the envelope (if anything) (Why)
  - Would it be easy to overlook?
  - What, if anything, would attract your attention to it?
  - Some governments abroad are using brightly coloured envelopes to attract attention, do you feel that this would be a good idea?
  - Does the envelope look as though it contains important information (or not). (why)
  - Can you think of anything that would give a better indication of the importance of the contents?

Letter and enclosures

- Show them the dummy letter and enclosures (briefly) and see if it triggers their memory. Ask:
  - Do you remember seeing a letter and/or booklet that looked like this
  - Looking quickly, again does it seem like the kind of thing that would normally attract your attention or not (why)

LEAVE TOPIC FOR THE MOMENT TO RETURN TO LATER

SECTION B

1. Usual response to official correspondence

I would like to spend just a little bit of time asking about official or government correspondence in general and how you feel about it. Ask:

- How do you feel when you see envelopes containing official government correspondence addressed to you
  - What is your ‘gut reaction’
  - What kind of things do you tend to imagine the envelope will contain
  - If an envelope with mail from an official source arrives addressed to you, what would you normally do with it? (Eg open it immediately, put it to one side to later, put it in a drawer, give it to some one else to deal with.) Why? PROBE FULLY
  - In general, do you trust correspondence that you get from government departments? Why (not)?
    - Does the information in them seem likely to be accurate or not?
    - Do you trust correspondence that you get from some departments more than that from others? Which? Why? PROBE
  - If you get an official letter that reminds you that you need to take some action, how do you tend to respond? For example:
    - Do you tend to deal with it yourself or leave it to someone else? Who
    - Do you tend to deal with it fairly quickly or not? Or does it depend? Why? On what?
    - If you get an official letter that reminds you that you need to take some action, how do you tend to respond? For example:
      - What kinds of things would you tend to act on
      - What would prompt you to act
      - What would affect how quickly you took action
      - What kinds of things would you be less likely to act on
      - Or to put off
2. **Attitudes to post**

- When does your post normally arrive?
- Are you usually at home when it comes?
- Do you usually pick it up or does someone else?
- How interested are you everyday in finding out if they have any post?
  - Do you always check
- Is there any chance that you might ignore or overlook post addressed to you
  - Or that it might go astray
- When you get post, do you always open everything addressed to you, or are you more selective
- What sort of things would you always open
- Is there anything that you would bin immediately
- Is there anything that you might they put on one side
  - Either to be opened at some later stage (what and why, get examples)
  - Or to be filed without opening (what and why, get examples)
    - Or for someone else to open and deal with (eg their partner. What and why, get examples)
- People react in different ways to correspondence about some things. How would you describe your usual reactions to correspondence that is about:
  - Money and finances (banking, insurance, savings and investments, pensions)
  - Retirement and later life (income planning, health, wills, inheritance, life plans)

**Retirement**

- How much do you think about retirement and why (not)
- How do you view it, for example:
  - As a new beginning
  - A winding down
- Looking into the future, how do you see yourself in retirement
- How will you be living
- What will you be doing
- Is it a stage you are looking forward to, or not. Why? PROBE FULLY.
- What do you feel will be the positive things about being retired
  - And what about the negative
- How old do you think you will be when you stop paid work altogether
- Do you think that you will move from work to retirement in one go
  - Or do they think you will wind down more gradually
- Carrying on doing some kind of paid work and easing into retirement
  - Why

**Financial plans for retirement - general**

- How much deliberate, conscious thought have you put so far into thinking about how you will pay for retirement
  - Why (not)
- Have you thought about how much realistically you will need to live in on in retirement
- What would you consider too little (at today's prices)
- What would you consider a very comfortable sum
- How does that compare with what you are currently living on? Will you need more, the same or less? Why? PROBE FULLY.
- What percentage of what you are living on now do you think that you will need when you retire?
- Looking ahead, what do you think will be your main source(s) of income in retirement (where will your money come from)
  - Or haven’t you started to think about it. Why? PROBE
- When do they think is the best stage of life to start thinking about retirement and how it will be paid for
3. **Ways of providing for retirement**

- What in your view are the best ways of saving for or investing in an income for retirement (why)
  - What are the worst ways (why)
- How have you arrived at these views. (PROBE What information are their views based on? Where did the information come from?)

**Own current financial plans**

- What arrangements do you personally currently have specifically aimed at generating an income for your retirement (PROBE FOR ALL INCLUDING NON-PENSION)
  - Pensions
  - Savings and investments
  - Property
  - Other

**Projected value of current plans**

- Do you have any idea yet how much you can expect from these sources by the time you retire if you carry on with them?
  - If yes, ask:
    - How much?
    - What is their estimate based on? How have they done their calculations? (PROBE FULLY)
  - If no, ask:
    - Why not? PROBE FULLY
- Do you have any idea what you would be likely to get from these sources if you didn't do anything more between now and retirement?
- Is this sort of information of interest to you at this stage in your life, or not. Why? PROBE FULLY

**SECTION C**

4. **Pension forecasts APF**

I would now like to spend a bit of time looking at the letter that you were sent by the Department for Work and Pensions about your State Pension. **GIVE RESPONDENT DUMMY FORECAST.**

READ THE LETTER THROUGH OUT LOUD FROM BEGINNING TO END. THEN ASK:

**Recall of initial response to letter**

- Have you looked at/seen this letter (or a letter just like this) before
- How well do you remember looking at it
- Can you recall what you thought about the letter when you looked at it
- Were you surprised to get it
- When you first looked at it what did you think it was about
- How quickly did you work out what it was about?

- What was your immediate overall reaction or response once you had decided what I was about
  - Was it of interest to you or not
  - Was it welcome or unwelcome
  PROBE FULLY FOR INITIAL RESPONSE

Respondents who do not remember looking at it GO TO NEXT SUBSECTION ('The Letter')
Respondents who remember looking at it, ASK:

- Did you read it at the time
  - All or parts only
  - Thoroughly or skimming

Respondents who did not read it at the time

- If did not read it at the time, why? What did they do with it?
- Did they read it later, or not? When? Why?

Respondents who read it at the time

- Which parts did you read/pay most attention to. Why? PROBE
- Which parts did you pay least attention to. Why? PROBE

Thinking back to when you got the letter, did you talk to anyone else about it

- At the time, when you first received it
  - Afterwards, later on
- Someone in your household
- Someone else
  - Who? Why?
- If talked to someone else, did you need help working out what the letter was about
  - Or did you talk about something other aspect? What? Why? PROBE

The letter

I would now like to spend a bit of time going through the letter itself in more detail and asking you what you think about it ASK IF THEY HAVE A COPY OF THEIR LETTER TO HAND. IF SO USE THEIR COPY.

- RESPONDENTS WHO REMEMBER SEEING THE LETTER – PROBE FOR RESPONSES AT THE TIME AS WELL AS ASKING FOR THEIR CURRENT THOUGHTS AND REACTIONS
- RESPONDENTS WHO DO NOT REMEMBER SEEING THE LETTER, ASK FOR CURRENT REACTIONS.

Letter head/logo/TPS

- The logo on the letter belongs to The Pension Service, have you ever heard of them
  - What have you heard
- Have you had anything to do with them before? PROBE FOR DETAILS
- In general, have you been happy with your dealings with them or not. Why? PROBE
- Did you know that The Pension Service is part of the Department for Work and Pensions?

- When you received the letter who did you think it was from?
- Did you look at/notice the logo?
- At the time had you ever heard of the organisation – The Pension Service?
  - Who did you think they were?
- Did you think they were a government organisation or not?
- What did you think they were writing to you about?
First page
- Looking at the first page, which part of the letter itself draws your attention most? Why?

First line
The letter begins with the line:
“Have you thought about how much money you will have when you retire?”
- Can I ask how much you have thought about it? Why (not)?
- When you see that question written down what is your first reaction? PROBE FULLY
- Does it make you want to read what comes next, or does it put you off? Why? PROBE FULLY
- When you first saw the letter, do you remember noticing that line?
- What did you think at the time?
- How did you react? PROBE FULLY

Second paragraph
The second line/paragraph says (READ OUT AS APPROPRIATE. DO NOT READ OUT CATEGORY HEADING – IE ‘OLDER MAN’ ETC - TO RESPONDENT):

1. **OLDER MAN (50+):** “We are writing to tell you how much State Pension you may get when you reach State Pension Age.”
   - Is there anything about that sentence that strikes/struck you immediately? What? Why? (PROBE FULLY)
   - Did you know that you personally were eligible for/likely to get a State Pension PROBE
   - What were your thoughts and reactions to that part of the letter PROBE FULLY
   - Were you surprised to learn that you would get any State Pension, or not. Why?
   - The letter says “We are writing to tell you how much State Pension you may get...” Did you notice that? What do you think that means? PROBE
- When you first saw the letter, do you remember noticing the first line?
- What did you think at the time?
- How did you react? PROBE FULLY
2. **OLDER WOMAN (50+):** “We are writing to tell you how much State Pension you may get when you reach State Pension Age. This is especially important for you, as women often have less money in retirement than men. This is because women are more likely to have years when they are not in paid work or when they do not pay into a pension because of caring responsibilities (for example, looking after children).”

- Is there anything about that paragraph that strikes/struck you immediately? What? Why?
- What were your thoughts and reactions? (PROBE FULLY)
- Did you know that you personally were eligible for/likely to get a State Pension PROBE
- Were you surprised to learn that you would get any State Pension, or not? Why?
- The letter says “We are writing to tell you how much State Pension you may get…” Did you notice that? What do you think that means?

- What thoughts do/did you have when you read the part of the letter that says “This is especially important for you, as women often have less money in retirement than men. This is because women are more likely to have years when they are not in paid work or when they do not pay into a pension because of caring responsibilities (for example, looking after children).”? What are your thoughts and reactions? PROBE

- When you first saw the letter, do you remember noticing this part?
- What did you think at the time?
- How did you react? PROBE FULLY

3. **YOUNGER MAN (UNDER 50):** “We are writing to tell you how much State Pension you may get when you reach State Pension Age. Retirement may seem a long way off, but thinking about it now can make a big difference to your future.”

- Is there anything about that paragraph that strikes you immediately? What? Why?
- What were your thoughts and reactions? (PROBE FULLY)
- Did you know that you personally were eligible for/likely to get a State Pension PROBE
- Were you surprised to learn that you would get any State Pension, or not? Why?
- The letter says “We are writing to tell you how much State Pension you may get…” Did you notice that? What do you think that means?

- What thoughts do you have about the part of the letter that says: “Retirement may seem a long way off, but thinking about it now can make a big difference to your future.”? What are your thoughts and reactions? PROBE

- When you first saw the letter, do you remember noticing that part?
- What did you think at the time?
- How did you react? PROBE FULLY

4. **YOUNGER WOMAN (UNDER 50):** “We are writing to tell you how much State Pension you may get when you reach State Pension Age. Retirement may seem a long way off, but thinking about it now can make a big difference to your future. This is especially important for you, as women often have less money in retirement than men. This is because women are more likely to have years when they are not in paid work or when they do not pay into a pension because of caring responsibilities (for example, looking after children).”
• Is there anything about that paragraph that strikes/struck you immediately? What? Why? (PROBE FULLY)
• Did you know that you personally were eligible for/likely to get a State Pension PROBE
• What were your thoughts and reactions to the first sentence ("We are writing to tell you how much State Pension you may get when you reach State Pension Age.").

• What thoughts do/did you have about the part of the letter that says: "Retirement may seem a long way off, but thinking about it now can make a big difference to your future."? What are your thoughts and reactions? PROBE

• When you first saw the letter, do you remember noticing that line?
• What did you think at the time?
• How did you react? PROBE FULLY

• What thoughts do you have when you read the part of the letter that says "This is especially important for you, as women often have less money in retirement than men. This is because women are more likely to have years when they are not in paid work or when they do not pay into a pension because of caring responsibilities (for example, looking after children)."? What are your thoughts and reactions? PROBE

• When you first saw the letter, do you remember noticing that line?
• What did you think at the time?
• How did you react? PROBE FULLY

Third (& fourth) paragraph
The next bit of this letter says (READ OUT AS APPROPRIATE):

1. **OLDER MAN (50+) & OLDER WOMAN (50+):** "The State Pension will give you a start. However, to have the lifestyle you want, you might need to think about saving some more, working longer or retiring later. And remember it is never too late to plan for your retirement"

• What do you think this part of the letter is trying to get across?
• What were your thoughts and reactions to it? Why? PROBE
• Did anything stand out in particular? What? Why? What are your thoughts about it?
• What about the part that says it is never too late to plan for retirement, do you believe that or not? Why? PROBE
• Does getting a letter like this make you think more about your financial plans for retirement, and what more you could do? Why (not)? PROBE

• When you first saw the letter, do you remember noticing that line?
• What did you think at the time?
• How did you react? PROBE FULLY
2. **YOUNGER MAN (UNDER 50) & YOUNGER WOMAN (UNDER 50):** “The State Pension will give you a start. However, to have the lifestyle you want, you might need to think about saving some more, working longer or retiring later. Now is the best time to take action and build up extra savings because you still have a number of years ahead of you before you reach State Pension age. It can be difficult to balance financial commitments such as setting up a home, paying off debts and enjoying life. However, the sooner you start to save for retirement, the more affordable it will be.”

- What do you think this part of the letter is trying to get across?
- What were your thoughts and reactions to it? Why? PROBE
- Did anything stand out in particular? What? Why? What are your thoughts about it?
- What about the part that says now is the best time to take action and build up extra savings because you still have a number of years ahead of you before you reach State Pension age. Does getting a letter like this make you think more about your financial plans for retirement and what more you could do? Why (not)? PROBE

- When you first saw the letter, do you remember noticing that line?
- What did you think at the time?
- How did you react? PROBE FULLY

**Forecast calculations**

The bottom part of the first page gives the person to whom the letter is addressed a forecast of their State Pension.

- Can I just ask what the term forecast means to you? What do you associate with the word? PROBE

- Can I ask you to read this part of the letter and tell me in your own words what you understand by it?

- Do you know what the State Pension age is?
- Do you know what your personal State Pension age is?
- What do you understand from the phrase: “we estimate your total State Pension will be £?? a week at today’s prices”?
- What do you think they mean when they use the word ‘estimate’?
- Do you think this figure could change?
- What do you think they mean when they use the term ‘today’s prices’?

**ASK:**

- You were given a precise, single figure estimate of your future State Pension, what do you take that to mean? PROBE
- Do you think it means that that is the exact amount you are likely to receive, or that you are likely to receive an amount roughly equal to that figure (ie an estimate)?
- How accurate an estimate do you expect from a letter like this?
- How would you feel if the actual amount turned out to be £5 more or less?
- What about £10 more or less?
- What level of difference would be unacceptable, in your view?

- They give two figures one for Basic State Pension and one for Additional State Pension
- Have you ever heard the terms ‘Basic State Pension’ and ‘Additional State Pension’
- Do you know what the difference is between the two?
- Can you put it in your own words?
Before receiving this letter had you ever had any information about what your State Pension is likely to be? What? When? Who from?
- If yes, did you search it out for yourself, or did you find out in some other way? How?
- How important do you think it is to have this sort of information about your own situation? PROBE

Can you remember what you thought when you saw the amounts written on your letter?
- Did they seem a lot, or a little?
- Was it more than you expected, or less?

What effect did seeing actual amounts have on you?
- What thoughts or reactions did you have?
- How did it make you feel?
- Did it make you start to think more about how much money you will have when you retire?
- Did you talk to anyone about it, such as:
  - Your partner, children, parents
  - Someone who might be in the same boat as you (friends, work colleagues, people you know who are the same age)
  - Someone who might be able to offer advice
- Who? Why?
- Did you do anything that will increase the amount of money you can expect to get in retirement or not? What? Why?

Second page
What should I do now?
Turning now to the second page of the letter, the first part of this is headed ‘What should I do now’

READ SECTION
- Did you read this section when you received your letter? Why (not?) PROBE
- What do you think of it?
- Is it a good idea to give people some idea of what to do next?
- Are the options in this section useful or not? Why? PROBE
- What did you understand the main options in this section to be?
- Did you feel it was relevant to you, or not? Why?
- Did you pursue any of the options or not? Why? PROBE

1. **OLDER MAN (50+) & OLDER WOMAN (50+):**
   This part of the letter outlines three steps. It tells you to:
   1. Think about how much money you will have
   2. Think about how much money you will need
   3. Decide if your State Pension and other savings are enough and if not, to act
   It directs you to a booklet sent to you with the letter, called Plan your retirement now.

   **Think about the amount of money you will have**

   - Before getting the letter had you ever sat down to think about the amount of money that you are likely to have in retirement?
   - Had you thought about the different sources that your money will (or is likely) to come from
   - Had you ever tried to put actual amounts or figures to the different sources
   - Had you ever tried to calculate an overall single figure
   - Did you feel you would be able to do any of the above, or not. Why? PROBE
   - Which bits if any would be easy and which would be hard? Why? PROBE
• Since getting the letter have you tried to go through this exercise? On your own? With someone else? Who? Why?
• With what success, if any? What problems, if any, have you had?

Think about how much money you will need
• Before getting the letter had you ever sat down to think about the amount of money that you will need in retirement?
• Had you tried to think about the different things you will need it for?
• Had you ever tried to match actual amounts or figures to your different needs
• Had you ever tried to calculate an overall single figure for the amount you will need
• Do you feel you would be able to do any of the above, or not. Why? PROBE
• Since getting the letter have you tried to go through this exercise? On your own? With someone else? Who? Why?
• With what success, if any? What problems, if any, have you had?

Plan your retirement now (COVER BRIEFLY AT THIS POINT)
• Did you look at the booklet called Plan your retirement now, or not? Why?
• Did you read it?
• What did you think about it?
• Did you learn anything from it?
• Is there anything you would have liked to have seen it?

2. YOUNGER MAN (UNDER 50) & YOUNGER WOMAN (UNDER 50):
This part of the letter tells you it is never too late (sic?) to start saving for retirement and advises you to:

1. Think about how much money you will have
2. Think about how much money you will need

It outlines different things you may want to consider when deciding how best to build up your retirement income and it directs you to a booklet sent to you with the letter, called Plan your retirement now.

• Before getting the letter had you ever sat down to think about the amount of money that you are likely to have in retirement?
• Had you thought about the different sources that your money will (or is likely) to come from?
• Had you ever tried to put actual amounts or figures to the different sources?
• Had you ever tried to calculate an overall single figure?
• Did you feel you would be able to do any of the above, or not. Why? PROBE
• Which bits if any would be easy and which would be hard? Why? PROBE
• Since getting the letter have you tried to go through this exercise? On your own? With someone else? Who? Why?
• With what success, if any? What problems, if any, have you had?

• Overall, do you feel that this part of the letter left you with a clear idea of what you should do next:
  • To work out what you will need for retirement?
  • To decide how best to go about building it up?

Think about how much money you will need
• Before getting the letter had you ever sat down to think about the amount of money that you will need in retirement?
• Had you tried to think about the different things you will need it for?
• Had you ever tried to match actual amounts or figures to your different needs?
• Had you ever tried to calculate an overall single figure for the amount you will need
• Do you feel you would be able to do any of the above, or not. Why? PROBE
• Since getting the letter have you tried to go through this exercise? On your own? With someone else? Who? Why?
• With what success, if any? What problems, if any, have you had?

Plan your retirement now (COVER BRIEFLY AT THIS POINT)
• Did you look at the booklet called Plan your retirement now, or not? Why?
• Did you read it?
• What did you think about it?
• Did you learn anything from it?
• Is there anything you would have liked to have seen it?

How we worked out your State Pension forecast
The next part of the second page is a text box with information about how The Pension Service worked out the amount of money that appeared in your letter.
• Did you look at this part of the letter, or not? Why? PROBE
• How closely did you look at it?
• Did you read it all through, skim the whole thing or something else? What?

GO THROUGH THE SECTION BULLET POINT BY BULLET POINT. ASK:
• Having gone through this section, do you feel clear about what was taken in to account when working out your likely State Pension
• Which bits, if any, do you feel least clear about? Why? PROBE
• Do you feel that the assumptions they have made are reasonable?
• Which, if any, seem least likely to be accurate? Why? PROBE
• Having gone thought them, do you feel you can trust the figure that you have been given? Why (not?) PROBE

• Did you know that the amount of State Pension you get depends on the amount of National Insurance contributions you have paid?
  • Can you tell me in your own words what your understanding is?

• Had you ever heard of Home Responsibilities Protection?
  • If yes, in your own words, what do you understand this to be?
  • If no, did you look in the booklet A quick guide to State Pensions, ? Why? PROBE

• What do you understand the part about being married, a civil partner, divorced etc to be about? What does it mean? Please explain in your own words.

• What do you make of the parts of this sections that talk about:
  1. Income your household may get from income-related benefits or Pension Credit
  2. Changes to additional State Pension that may result from you being a member of an occupational or personal pension scheme that has been contracted out
• What do you understand them to be about? Please use your own words to explain?
OVERALL

- Did/do you find the notes in this section easy to understand?
- Do you think it is important to have this sort of information included in the letter
- Do/did you personally find it useful
- Should there be more information in the letter about how the forecast is calculated, or would it be better to have less?
- Which bits do you think are most important to have in
- Which do you think could perhaps be left out, if any
- How would you feel if TPS/SWP just put in a general note here to say that the amounts could vary and gave you details of where to go for more information

NB:

- How does this section make you feel about the forecast figure you have been/were given?

Overall response to the letter

Thinking about the letter overall:

- Do you have any general comments to make about it?
- What do you think of the general tone of the letter?
- What feelings does it/did it leave you with?
- What thoughts?
- What positive, if anything, have you got to say about it?
- What negative, if anything?
- Do you think there are ways in which it could be improved?
- What ways? PROBE

Enclosures

The letter you were sent came with various booklets. Show as appropriate.

- Can you remember what you did with them? Did you keep them or do something else with them? What? Why? PROBE
- Do you remember looking at them at all?
  - If no, ask why not? PROBE
  - If yes, ask:
    - Did you read them or just skim
    - Did you looking up specific information or just have a general look through
    - Did you use them to look up anything in the letter that you were unclear about or wanted more information about? What?
    - Did you find them useful?
    - Did you find what you were looking for?
    - Was it clear enough?

Follow-up action (if any)

- Did you notice any of the contact details printed in the letter for other sources of information about pensions and retirement planning, or not?
REMIND RESPONDENT OF DETAILS IN THEIR LETTER, ASK:

- Are you familiar with any of the organisations/websites/publications named?
- Had you ever referred to any of them before receiving the letter?
- Have you used them at all (yet) since then to get further information or clarification? PROBE FOR DETAILS
- Are you planning to? When? Why? PROBE

- Since you got the letter, have you:
  - Thought more about your financial plans for retirement, or not?
    - Is that because of the information you were given in the letter, or for some other reason(s) PROBE
  - Have you talked about or discussed your financial plans for retirement with anyone, or not?
    - Who? What sorts of things have you discussed? PROBE
    - Is that because of the information you were given in the letter, or for some other reason(s) PROBE
  - Have you actively tried to find out more about:
    - What you currently can expect to retire on
    - What you can do to boost the amount
      - Is that because of the information you were given in the letter, or for some other reason(s) PROBE
      - Have you taken any steps to increase the amount of money you are building up for retirement, or not?
      - Is that because of the information you were given in the letter, or for some other reason(s) PROBE
  - How much of an impact did the letter have on your thoughts about your financial position in retirement? PROBE
    - Was it short-lived only or has it lasted? PROBE

**Contacting Other Government Departments for Further Information**

- Have you contacted any other Government Departments for information as a result of receiving this letter?
- If so which ones, what did you ask them about? With what result? PROBE
- Were you able to take any further action as a result of contacting other Government Department? If so what? PROBE IN FULL

**Wrap up section**

- Thinking generally about pension forecasts such as the one you were sent by The Pension Service:
  - How interested are you in getting this kind of information? PROBE FULLY
  - How relevant does it seem to your life at present?
  - Can you foresee a time when it will seem more relevant, or not? Why? When? PROBE
  - How far does/did the letter whet your appetite for information about the amount of money you are likely to have in retirement?
  - How far do you think it is possible to work out what you are likely to have in total when you retire?
  - What areas of your finances in retirement are easiest to be certain about?
    - What areas are hardest to be certain about?
  - If I asked you to point to just one thing in the letter that you found useful, what would it be?
  - Was there one thing that you would perhaps like to see in but that was missing?

**LAST REMARKS. THANKS.**
SMPI topic guide

SECTION A

Introduction

- Personal details
- Age
- Household composition
- Occupation (and possibly income, but check respondent QQ)
- Can I just check, have you ever paid (or had someone pay on your behalf) into a private pension scheme, either through the workplace or a personal pension?
  - If Yes, probe for details (How many? What sort of pension (occupational (final salary or money purchase) or personal/stakeholder)? Are you currently contributing to any of these?
  - Ask "Can you recall the name(s) of the pension company(ies) with whom you have any pension savings?"

Recall of receipt of pension forecasts

Organisations that provide pensions - including employers, pension companies and the government - supply information to customers about their pensions. The information varies from organisation to organisation but covers, for example:

- How much a customer has contributed so far (the pension pot)
- How much they might get when they reach pension age

This information comes in the form of letter or document and is usually called a statement, illustration or forecast. Sometimes a lot of other information will also be included in the envelope, such as leaflets.

CHECK THAT RESPONDENT UNDERSTANDING IS CLEAR SO FAR.

- Do you recall ever having received a statement or illustration?
- If yes, ask:
  - Who from
  - How many
  - How often
  - When did you last get one
    - Who was it from?

- Do you get statements or forecasts on a regular basis? If yes, probe for details.
- How many different organisations do you get statements from?

- Do you remember receiving a statement from (Name of Company) within the last three months or so
  - If not sure/don’t remember: tell them who it was from, when it was sent and when they would probably have received it and see if the information helps recall.

- Does a letter about your private pension seem like the sort of thing you would normally remember, or not (why?) PROBE FULLY
**Envelope**

- Show the envelope. Ask:
  - Do you recall seeing an envelope like this addressed to you in the last few weeks or months?
  - Is an envelope like this the kind of thing that would normally attract your attention, or not (why)
  - What stands out about the envelope (if anything) (Why)
  - Would it be easy to overlook?
  - What, if anything, would attract your attention to it?
  - Do you find it easy to recall which company you have a private pension with, or not (why)
  - When you get an envelope like this through the post, do you immediately recognise it as correspondence from your pension company?
  - What do you tend to assume the envelope will contain, what is the correspondence likely to be about?
  - Is this the sort of envelope that you would tend to open immediately, or not.
    - If would tend to open immediately, ask:
      - Why. Probe fully.
      - What would you do with it next?
    - If not, ask:
      - Why. Probe fully.
      - What would you do with it next
      - When would you open it (if at all)?

**Letter and enclosures**

- Show them the dummy letter and enclosures (briefly) and see if it triggers their memory. Ask:
  - Do you remember seeing a letter and/or booklet that looked like this
  - Looking quickly, again does it seem like the kind of thing that would normally attract your attention or not (why)
  - On first glance what does it look like
  - What does it seem to be about
  - What do you feel about the length/amount of information in the correspondence
  - Does it look accessible/easy to read
  - Does it draw you in or repel you? Why? PROBE FOR EXPLANATIONS.
  - What sort of feelings does it give you? Why?
  - Can you recall what your reactions were when you first saw it?

**Letter head/logo**

- When you received the letter was it clear to you who it was from?
- Did you look at/notice the logo?
- Did you recognise the logo?
- What did you think the company was writing to you about?

**About the pension plan**

I would like to leave this topic for the moment, but before I do:

- Can you tell me a bit about the pension plan that you have with (Name of Pension Company):
- Is it a particular type of pension plan, does it have a specific name
- What led you to take out this kind of pension plan
- Were you very active in deciding to take out a pension plan and finding a suitable company, or were you advised
- Who advised you
- Are you still paying money into the pension plan – does your employer contribute to it
• What sort of arrangement do you have for paying money in:
  • How is it paid in
  • How frequently/regularly
  • On what basis do you decide how much to pay in
  • Have you ever increased/decreased your payment in the pension plan – if so how often and when was the last time you did this
  • Could you afford to pay in more? (If yes, why don’t you?)
• Do you regard this pension plan as an important part of your financial plans for retirement, or not really? Probe for details.

**LEAVE TOPIC FOR THE MOMENT TO RETURN TO LATER**

**SECTION B**

5. **Attitudes to post**
• When does your post normally arrive?
• Are you usually at home when it comes?
• Do you usually pick it up or does someone else?
• How interested are you everyday in finding out if you have any post?
  • Do you always check
• Is there any chance that you might ignore or overlook post addressed to you
  • Or that it might go astray
• When you get post, do you always open everything addressed to you, or are you more selective
• What sort of things would you always open
• Is there anything that you would bin immediately
• Is there anything that you might they put on one side
  • Either to be opened at some later stage (what and why, get examples)
  • Or to be filed without opening (what and why, get examples)
    • Or for someone else to open and deal with (eg their partner. What and why, get examples)

• People react in different ways to correspondence about some things. How would you describe your usual reactions to correspondence that is about:
• Your own personal financial circumstances, such as
  - Bank accounts
  - Savings and investments
• General correspondence from organisations about the above

• Your own personal retirement plans, including
  - Retirement income, including pensions
  - Health
  - Wills and inheritance
  - Life plans
• General correspondence from organisations about the above.

6. **Usual response to correspondence from your private pension provider**
I would like to spend just a little bit of time talking generally about correspondence you receive from pension providers and how you feel about it. Ask:
• How do you feel when you see envelopes from pension providers addressed to you
  • What is your ‘gut reaction’
  • What kind of things do you tend to imagine the envelope will contain
  • If an envelope with mail from a pension provider arrives addressed to you, what would you normally do with it? (Eg open it immediately, put it to one side to later, put it in a drawer, give it to some one else to deal with.) Why? PROBE FULLY
If you get correspondence from a pension provider giving you information about the investments you have made, how much faith do you have in the figures provided? Probe for details and reasons.

How much trust do you have in information that pension providers might give you about increasing the size of your investment?

In general, how much trust do you have in broader advice that pension providers sometimes offer their customers?

Would you personally make decisions about whether to respond to advice from a pension provider or would that decision be taken by someone else? Who? Probe for details and reasons.

And if the decision was made to take some action, would you personally take the necessary practical steps or would they be dealt with by someone else? Who? Probe for details and reasons.

Financial plans for retirement - general

Have you thought about how much realistically you will need to live in on in retirement?

What would you consider too little?

What would you consider a very comfortable sum?

How does that compare with what you are currently living on? Will you need more, the same or less? Why? PROBE FULLY.

What percentage of what you are living on now do you think that you will need when you retire?

What percentage of what you are living on now would you like / do you want?

What percentage of what you are living on now do you currently expect to be living on? Probe fully and ask for reasons.

How much deliberate, conscious thought have you put so far into thinking about how you will pay for retirement? Probe for details and reasons.

Looking ahead, what do you think will be your main source(s) of income in retirement (where will your money come from)?

Or haven’t you started to think about it. Why? PROBE

When do they think is the best stage of life to start

Thinking about retirement and how it will be paid for

Making plans for your retirement income.

Actually starting to save or invest money? Why? PROBE

Ways of providing for retirement

What in your view are the best ways of saving for or investing in an income for retirement (why)?

What are the worst ways (why)

How have you arrived at these views. (PROBE What information are their views based on? Where did the information come from?)

Own current financial plans

Plans

What arrangements do you personally currently have specifically aimed at generating an income for your retirement (PROBE FOR ALL INCLUDING NON-PENSION)

Pensions

Savings and investments

Property

Other
Projected value of current plans

- Do you have any idea yet how much you can expect from these sources by the time you retire if you carry on with them?
  
  If yes, ask:
  - How much?
  - What is their estimate based on? How have they done their calculations? (PROBE FULLY)
  
  If no, ask:
  - Why not? PROBE FULLY
- Do you have any idea what you would be likely to get from these sources if you didn’t do anything more between now and retirement?
- Is this sort of information of interest to you at this stage in your life, or not. Why? PROBE FULLY
- Is it welcome or unwelcome? Why? PROBE

SECTION C

7. Pension illustrations/statements
I would now like to spend a bit of time looking at the contents of the envelope that you were sent by your pension provider.

Overall response
A couple of months ago, you were sent a pack like this by (NAME OF COMPANY)? Do you remember getting it? IF YES ASK

- When did you get it?
- Do you remember opening it?
- What was in it? Probe fully for details
- Is this the first correspondence of this kind that you have received from them or have you had others in the past

IF OTHERS IN THE PAST, ASK:

- How many
- Over how many years
- Does the fact you have had correspondence like this before affect how you react to it, or not? Probe for details and reasons.

- What was your immediate overall reaction or response?
- Was it welcome or not? Why (not)?
- Were you interested in the contents of the envelope at the time you received it or not? Why (not)?

ASK THEM TO GET THEIR OWN COPY IF THEY HAVE IT TO HAND.

IF THEY CANNOT FIND IT, BASE ALL QUESTIONS ON DUMMY FORECAST AND ASK ABOUT RECALL OF REACTIONS AS WELL AS CURRENT REACTIONS.

IF THEY CANNOT EVEN REMEMBER GETTING IT BASE QUESTIONS ON DUMMY FORECAST AND ASK FOR CURRENT REACTIONS.

- Do you have a routine for dealing with this kind of correspondence? Probe for full details and reasons.
- Going through the different items, what would you tend to do with each (eg bin, ignore, read, file etc..) Probe for full details and reasons.
- Can you remember what you actually did with the correspondence at the time? Probe fully for details and reasons.
• Is that what you would normally do with this kind of correspondence from (NAME OF COMPANY) (or not)? Probe fully for details and reasons.

• Looking now at the contents of the envelope:
  • Is it easy to tell what it is about
  • What do you think of the amount of information it contains

• Can you remember if you did anything/took any action as a direct consequence of getting the letter? Probe fully for details. (Include everything such as talking to family or friends, or to an IFA, phoning the company or going to a website, etc)

Response to covering letter

DIRECT ATTENTION TO COVERING LETTER

• Do you remember looking at this letter (or a letter just like this)?

• How well do you remember looking at it
  • Can you recall what you thought about the letter when you looked at it
  • When you first looked at it what did you think it was about
  • How quickly did you work out what it was about?
  • Did you actually read it at the time, or not. Probe for details and reasons.
  • How closely did you read it? Probe for details and reasons.

Looking at the letter now, do you feel that overall you understand what the letter is telling you?

• Can I ask you to give me a summary of the key points, in your own words (REASSURE THAT IT IS NOT A TEST OF THEM, BUT OF THE LETTER ITSELF)
• Overall, what are your views and feelings about this letter? Probe fully.

GIVE HIGHLIGHTER PENS AND SAY:

• Can I ask you to mark with a (pink) highlighter the parts of the letter that you are most interested in. Probe fully for reasons.
• And can you mark with a (blue) highlighter the parts you are least interested in. Probe fully for reasons.
• Can I ask you to mark with a (yellow) highlighter any words, phrases, sentences or paragraphs that you are not certain you understand? Probe fully for reasons.

Response to statement summary

DIRECT ATTENTION TO STATEMENT SUMMARY (IF RELEVANT INVITE THEM TO CHOOSE WHETHER TO USE THE DUMMY DOCUMENT OR THEIR OWN)

General

• What do you make of these pages (statement summary)?
• What do they seem to be about?
• What do they tell you?
Can you find any description or heading that tells you what these pages are about?
- What does it say?
- What do you understand that to mean?
- What are your main feelings when you look at these pages? Probe fully for details

How clear is it to you what information you are being given on these pages?
Looking at the document:
- Which bits of information are you clear about?
- Which bits are you less confident about? Why? Probe for details.

How interested are you in the information on these pages? Why (not)?
- Which bits of information are you most interested in?
- And which are you least interested in? Probe for reasons.
- When you look at these pages what are you looking for? Anything else? Probe for details and reasons.

Would you be happy to have less information but be directed to where further information could be found if you wanted it?
- What about if this information was on-line, accessible through the Internet?

How comfortable are you with kind of language used in these pages?
- Is it what you expect from documents of this kind?
- Do you think it could be expressed better? Which bits? Probe for details and reasons.
- Do you feel that it is beyond you to understand the content of these pages, however well expressed it is? If yes, probe fully.

What do you understand about how your contract with (Pension Company) works? Probe carefully. Don’t intimidate. Establish what they understand about:
- How money accumulates
- At what point they can gain access to the funds
- What happens at that point
- How a pension income is generated from the funds
- What the amount of income depends on

Financial information
- Can you find anywhere that says:
  - How much you (or the imaginary customer) has got in their pension pot/fund at the moment?
  - How much could be in the pot when you/they are 65?
  - How much retirement income/pension this would give you/them each year after the age of 65?

- Is there anything to tell you how likely it is that the amount of annual pension mentioned is the amount that will actually be paid out?
- What does it say?
- What do you understand it to mean? Probe fully for details?
- How confident do you feel about relying on this information about your retirement income?

- Can you find anything that tells you what the amounts you actually get depends on?
- What is your understanding of any risks involved?
- How do you feel about any risks there are?
Illustration standard assumptions

- Can you find anything that tells you about how they have worked out the amount that could be in the pot at retirement age and how much pension could be paid out each year? (Or where to find out.)
- What does it say?
- What do you think about these assumptions?
- How relevant are these to your personal circumstances?
- Have you looked at it before?
- Is this the sort of thing that you would read? Why (not)? Probe fully.
- Is it the sort of thing that you need to be told about? Why (not)? Probe fully.
- How interested are you in finding out how they worked it out? Why (not)? Probe fully for details.

Illustration (if applicable)

- What do you understand by the term ‘illustration’ as it is used in the document?
- Can you explain it to me in your own words? PROBE FULLY

Age 65

- What is the retirement age mentioned in the document?
- Do you know why they have used that age?
- What age do you think you will be when you retire?
- (If before 65) will you be able to take your pension when you retire or will you have to wait until you are 65? Why do you say that?
- Is there a particular age that you think you/the imaginary customer will have to be before they can take their pension, or will there be a choice? Probe fully.

Today’s prices

- What do you understand by the use of the term ‘today’s prices’?
  - Can you explain it to me in your own words? PROBE FULLY
- What difference would it make to your understanding if the phrase ‘at today’s prices’ was left out?
- Why do you think they have put it in?

Transfer value (if applicable)

- What do you understand by the term ‘transfer value’ as used in the document?
- Can you explain it to me in your own words? PROBE FULLY

Reactions to the figures

- How much notice did you take of the projected amount of annual pension you saw written in your statement?
- What did you feel when you saw the projected amount of annual pension written in your statement?
  - Did it seem a lot, or a little?
  - Was it more than you expected, or less?

- What effect did seeing the actual projected amount have on you?
- What thoughts or reactions did you have?
- Did it make you start to think more about how much money you will have when you retire?
- What did you think? Probe fully for details.
- How useful did you find this projected amount when thinking of your future retirement plans
- Did you find anything in the correspondence that encouraged you to think about saving more for your retirement. Probe for details.
  - What did/do you make of it?
  - How did you respond to it – if at all?
  - Is this the kind of guidance that you welcome? Why (not)?

- Did you find anything in the correspondence that gave you a idea of what steps you could take next to save more for your retirement. Probe for details.
  - What did/do you make of it?
  - How did you respond to it – if at all?
  - Is this the kind of guidance that you welcome? Why (not)?

- Does the literature explain where you can get more financial advice if needed?
  - What sort of advice would you like?

ASK ABOUT THE TAX FREE CASH AMOUNT THAT SMP REGULATIONS DO NOT ALLOW TO BE SHOWN. TAX FREE CASH IS SEEN BY MANY AS A MAJOR BENEFIT SO SOME CUSTOMERS MAY BE DISTURBED NOT TO SEE IT WHILE OTHERS MAY HAVE FORGOTTEN AND NEED TO BE REMINDED.

Follow-up action (if any)

- Since you got the correspondence, have you:
  - Thought more about your financial plans for retirement, or not?
    - Is that because of the information you were given in the letter, or for some other reason(s) PROBE
  - Have you talked about or discussed your financial plans for retirement with anyone, or not?
    - Who? What sorts of things have you discussed? PROBE
    - Is that because of the information you were given in the letter, or for some other reason(s) PROBE
  - Have you actively tried to find out more about:
    - What you currently can expect to retire on
    - What you can do to boost the amount
      - Is that because of the information you were given in the letter, or for some other reason(s) PROBE FULLY.
    - Have you taken any steps to increase the amount of money you are building up for retirement, or not?
      - Is that because of the information you were given in the letter, or for some other reason(s) PROBE

- How much of an impact did the letter have on your thoughts about your financial position in retirement? PROBE
  - Was it short-lived only or has it lasted? PROBE

IN HERE POSSIBLY COMPANY SPECIFIC SECTIONS ASKING ABOUT PARTICULAR FEATURES OF EACH TYPE OF STATEMENT – TO BE DEVELOPED

Wrap up section
General

Thinking about the correspondence from your pension provider overall:

- Do you have any general comments to make about it?
- What do you think of its general tone?
- What feelings does it/did it leave you with?
- What thoughts?
- What positive, if anything, have you got to say about it?
- What negative, if anything?
- Do you think there are ways in which it could be improved? What ways? PROBE

- Thinking generally about pension statements or illustrations such as the one you were sent by your pension provider
- How interested are you in getting this kind of information? PROBE FULLY
- What are the key factors that affect how you react to these statements?
  - How much attention you pay to them when they arrive
  - How interested you are in their content
  - What you do with the information they provide
  - How – if at all – you react after getting a statement?
- How relevant does this information seem to your life at present?
- Can you foresee a time when it will seem more relevant, or not? Why? When? PROBE
- How far does/did the letter stimulate your appetite for information about the amount of money you are likely to have in retirement?
- How far do you think it is possible to work out what you are likely to have in total when you retire?
- What areas of your finances in retirement are easiest to be certain about?
  - What areas are hardest to be certain about?

State Pension Forecast

- Would you find it helpful if a forecast of your likely State Pension was included in the annual statements sent to you by your pension provider?
- Why – in what way would this be helpful?

Final comments on the statement

- If I asked you to point to just one thing in the letter that you found useful, what would it be?
- Was there one thing that you would perhaps like to see in but that was missing?

  - Overall, how much do you feel that the format and appearance of these documents affects how you respond to them?

SHOW ABI DOCUMENT AND PROBE FOR REACTIONS:

- On the face of it does it look like an improvement or not?
- What, if anything, do you like about it?
- What, I anything, do you not like?
- If you received a statement or illustration form your pension provider that looked more like this, do you think that you would be:
  - more likely to spend time looking at it
  - better able to understand and take in the information it contains
LAST REMARKS. THANKS.

Possible areas to probe re plans for retirement

- How much do you think about retirement and why (not)
- How do you view it, for example:
  - As a new beginning
  - A winding down
- Looking into the future, how do you see yourself in retirement
- How will you be living
- What will you be doing
- Is it a stage you are looking forward to, or not. Why? PROBE FULLY.
- What do you feel will be the positive things about being retired
  - And what about the negative
- How old do you think you will be when you stop paid work altogether
- Do you think that you will move from work to retirement in one go
  - Or do they think you will wind down more gradually
- Carrying on doing some kind of paid work and easing into retirement? Why?

Stimulus material

‘Dummy’ forecasts

We were interested in respondent recall of their recent pension forecast and therefore did not ask respondents to look out the relevant document in advance of the interview. In case they were unable to find it at short notice once the interview was underway, we carried ‘dummy’ copies of statements (APFs or SMPIs as appropriate) to act as an alternative focus for later parts of the discussion. These contained fictitious financial details and were presented in full replica packs - envelopes containing the forecasts together with any covering letters, leaflets and inserts that would have been received in the original mailing.

Although it was beyond the scope of the study to reproduce exactly the forecasts originally issued to respondents, we were able in a general way to match dummy documents to respondents. SMPI respondents were shown a dummy pack issued by their own pension provider, while APF respondents were shown a pack relevant to their own DWP customer segment classification:

- Woman aged 50-59
- Man aged 50-64
- Woman aged 20-49
- Man aged 20-49.

Copies of the four versions of the APFs issued to customers (amounts not included) are shown below:
Other stimulus

During the course of fieldwork with APF respondents we ‘tested the water’ with additional pieces of stimulus material prepared by the research team, as follows:

- Brightly coloured envelopes (not included here)
- Brown official envelopes with different over-printed titles and messages (not included here)
- New versions of the APF letters with the original content presented in different order (one copy – for men aged 20-49 – is included below).
- Alternatives ways of presenting forecast amounts with more or less precision (shown below)
- Draft ‘model’ statement developed by the Association of British Insurers (ABI) (not included here).
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Basic State Pension  £???.??
Additional State Pension  £???.??

Have you thought about how much money you will have when you retire?

Retirement may seem a long way off but thinking about it now can make a big difference to your future. This is especially important for you, as women often have less money in retirement than men. This is because women are more likely to have years when they are not in paid work or when they do not pay into a pension because of their caring responsibilities (for example, looking after children).

The State Pension will give you a start. However, to have the lifestyle you want, you might need to think about saving some more, working longer or retiring later. Now is the best time to take action and build up extra savings because you still have a number of years ahead of you before you reach State Pension age. It can be difficult to balance your financial commitments such as setting up a home, paying off debts and enjoying life. However, the sooner you start to save for retirement, the more affordable it will be.
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