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Clive Bolton, managing director, retirement solutions, Aviva

Welcome to Aviva’s Spring 2014 Real Retirement Report. We are in our fifth year of tracking the views and circumstances of those aged 55 and over as they prepare for and enter retirement. When we started the Real Retirement Report it was at a time when the credit crunch was being felt by everyone, and in particular it tracked the financial hopes and concerns of the over-55s during this difficult period. This latest report reflects a shift in the views and experiences of the over-55s as they begin to feel the benefits of an improving economy. With the changes announced in this year’s Budget we are at the start of a new era in which retirement choices are set to change significantly. With more choice and flexibility comes a new focus as people start to see their savings more in terms of capital rather than purely a means to an income. How these changes evolve over time, and how consumers respond to them, will be critical to people’s experience of retirement in the future. It is something the Real Retirement Report will be closely tracking.

Aviva’s research focuses on three distinctive ages of retirement – pre-retiree (aged 55-64), retiring (65-74) and long-term retired (over-75), and our findings continue to get to the heart of what is important to people as they face some of the most critical financial decisions.

Each report focuses on a different aspect of the retirement experience. In this edition we explore the role of the family in retirement, and the way in which people consider their family in their retirement plans and in their decision-making.

The circumstances and aspirations of people aged over 55 years varies widely, which means a single prescription for a happy retirement cannot be written. How people choose to move into retirement has a major impact on their financial well-being for the rest of their lives. While initial priorities are naturally focused on securing a good lifestyle, there is also a need for people to consider emerging needs over time, not just for themselves, but for their families as well.

For the over-55s, health, wealth and homeownership are all top of mind in preparing for retirement, but family remains important. However, the over-55s do not sink themselves entirely into family life at the expense of everything else. They are also focused on pursuing their own interests and hobbies, as retirement becomes a period of freedom, self-fulfilment and independence. For this reason, the family can be over-looked by pre-retirees and retirees.

It is telling that so many over-55s fail to adequately consider their families’ lasting financial security. And compounding this issue is a reluctance to discuss their finances with the people that matter to them most. Honest conversations about what is needed individually as well as a family unit are crucial.

There is still a long way to go to make sure everyone can achieve a decent standard of living in their later years, and the changes announced in the recent Budget open the way for far more choice and flexibility in how retirement income is taken. This makes the need for consumers to have open and informed conversations about their retirement needs ever more important.
The three ages of retirement

The Aviva Real Retirement Report considers retirement as three stages to reflect the fact that ‘retirement’ changes as people get older, rather than simply being a single event.

1. Pre-retirees – (55 to 64 years old) are on the countdown to retirement...
   - Have seen the biggest increase in income since Q1 2012 with a typical £1,402 per month but have the biggest credit card debt of £941.
   - Are most likely to own a second home.
   - They are least likely to talk to their spouse or family about their finances.

2. Retiring – (65 to 74 years old) have just passed the age at which people often retire...
   - They have the biggest savings pots, typically £25,938.
   - Are the most likely to say that ensuring they are healthy enough to enjoy their retirement is a priority (75%).
   - Are more likely to choose a retirement plan that provides income to a spouse if they pass away (28%).

3. Long-term retired – (75 years and older) most are 10 years or more into retirement...
   - Over-75s spend the most on their household bills with 43% spending between £101 and £250 per month.
   - Are most likely to own their own home outright at 81%.
   - Are most keen on having more time for themselves with 70% citing they want more time to do what they want and 53% to spend time on their hobbies.
The shape of retirement and family

- The over-55s seek an independent life in retirement in which they can fulfil their interests.
- Spending time with family is important but providing financial support can be a step too far.
- For many over-55s, the subject of money remains taboo within the family.

With an ageing population, decisions about when and how to retire, along with careful financial planning, are becoming increasingly important. One-size-fits-all does not apply to retirement today, with people’s experiences and financial needs varying greatly over time, and retirement spanning a number of life stages.

Today’s over-55s are independent, resourceful people, who even into their later years enjoy their hobbies and learning new skills. The family is important to them, but many clearly see retirement as a time to pursue their personal interests. With limited financial resources, many need to safeguard their basic living standards before providing support to family.

The involvement of family in retirement decision-making is crucial at every stage. While the great British tradition of the family unit remains strong, there is a seeming reluctance among people to unite their loved ones in preparing for their retirement.

What people want from retirement

Retirement priorities for the over-55s are influenced primarily by health, money, homeownership and family.

While family features in their priorities in preparing for retirement, it seems the over-55s want to get the building blocks in place for a good retirement first. The top priorities for over-55s in preparing for retirement are ensuring good health (72%) having enough money (70%) and homeownership (62%).

When it comes to family, 44% say that ensuring their children live independently is a priority in preparing for retirement. Living close enough to their family to spend time with them is also important (44%). Living close to family appears more important to women (48%) than men (40%). It is these more immediate retirement needs that are prioritised over possible future needs, such as long-term care (39%).

Priorities in preparing for retirement
Protecting an independent life

With retirement perceived as a period of freedom and independence, over-55s are most worried about things that will threaten their lifestyle. Health is of most concern, with about a quarter (26%) citing a debilitating condition such as dementia, followed by losing their independence or their home (15%), and having enough money to cover their immediate living costs and those of their spouse (14%). Family does not feature highly in over-55s list of concerns, with only 2% saying they are worried about having additional money to spend on their family at birthdays or Christmas, for instance, and 2% also citing having enough money to significantly support their children or their parents.

Whether an individual has retired or not affects their view of the potential events or hazards that could, or have, affected their retirement. Those who have yet to retire are more likely to be concerned about unplanned expenditure, such as housing repairs and family needs, affecting their retirement (56%) than those who are retired (30%). Those who have yet to retire also raise ill health and the costs incurred (52%) as potentially affecting their retirement, compared to 21% of those who have retired.

Those that are retired say their circumstances actually most changed when they transitioned from full to part-time work or no paid employment (33%) and the resulting reduction in income.

Top of the over-55s list of things to actually enjoy in retirement are: more time to do what I want (66%), spending time on hobbies (45%) and travelling (41%). An interest in pursuing individual interests does not decline with age, with the over-75s appearing most keen on having more time to do what they want (70%) and spending time on hobbies (53%). The over-75s are also most interested in learning something new through education or a new hobby (25%), compared to 18% for both 55-64s and 65-74s.

<table>
<thead>
<tr>
<th>What people are most looking forward to/enjoying in retirement</th>
<th>Age</th>
<th>55 - 64</th>
<th>65 - 74</th>
<th>75 and Over</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>More time to do what I want</td>
<td></td>
<td>66%</td>
<td>64%</td>
<td>70%</td>
<td>66%</td>
</tr>
<tr>
<td>Spending time on my hobbies</td>
<td></td>
<td>42%</td>
<td>46%</td>
<td>53%</td>
<td>45%</td>
</tr>
<tr>
<td>Travelling</td>
<td></td>
<td>41%</td>
<td>42%</td>
<td>40%</td>
<td>41%</td>
</tr>
<tr>
<td>More time with my family</td>
<td></td>
<td>39%</td>
<td>38%</td>
<td>42%</td>
<td>39%</td>
</tr>
<tr>
<td>Learning new things - education or hobbies</td>
<td></td>
<td>18%</td>
<td>18%</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>Paid or voluntary work, which is enjoyable to me</td>
<td></td>
<td>12%</td>
<td>18%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>No more paid work - being my own boss</td>
<td></td>
<td>14%</td>
<td>16%</td>
<td>5%</td>
<td>14%</td>
</tr>
</tbody>
</table>
The role of the family

It would be wrong to underestimate the importance of family among those who have some family members (the vast majority of the sample). When asked about the importance of family in retirement, maintaining close relationships remains a central theme, and for those that can, providing financial support:

Ways in which the family is important during retirement

- **48% say…**
  - ...regular family visits, but without providing financial or caring support.

- **42% say…**
  - ...ensuring I have enough financial wealth in retirement that I can step in to help my children or grandchildren.

- **37% say…**
  - ...to be able to leave an inheritance.

- **22% say…**
  - ...to help in the care of my grandchildren, while their parents go out to work.

- **12% say…**
  - ...to continue to support my children if they wish to live at home.

- **5% say…**
  - ...to be able to financially support and/or care for my parents.

- **5% say…**
  - ...to be able to financially support and/or care for my parents.

Making decisions for the family

Although family life is important for the over-55s, when it comes to actually putting plans in place to financially protect them, many are failing to adequately do so. Only 59% of over-55s say they have a will in place, and 76% of the over-75s say they have one. When it comes to making their retirement income choices, many are also not considering options that can protect their family. Just under a quarter (22%) say they have chosen options that pass some money on to their partner/spouse should they die.

The steps over-55s are taking to give their families some financial security

- **52%** say I have chosen options that pass some money on to my partner/spouse should I die.
- **63%** say I wish I could provide financial support, but I cannot afford to do so.
- **76%** say A will in place, so my family understands my wishes.
- **28%** say I have chosen options that pass some money on to my partner/spouse should I die.
- **21%** say I wish I could provide financial support, but I cannot afford to do so.
- **12%** say A will in place, so my family understands my wishes.
- **8%** say I wish I could provide financial support, but I cannot afford to do so.

Ages
- 55-64
- 65-74
- Over-75s

All - 59%

All - 22%

All - 15%
Money as a taboo

Having a conversation with family members about retirement plans and wishes is an important step. However, for many the idea of discussing financial matters is taboo.

Many of the over-55s who have family want to keep their financial position private with more than a quarter (28%) saying they have not had a conversation with either their spouse or their family about their retirement finances. Nearly two-thirds (64%) in total say they have revealed their financial retirement plans to their spouse, with only 20% having done so to both their spouse and their family.

Of those that have not discussed their finances with their families, half (51%) feel it is a personal matter, with this being highest among the over-75s (63%). A quarter of people (25%) say they have not had a discussion because they do not have full view of their finances, which is highest among the 55-64s (32%).

Reasons why people are failing to discuss finances with family

- It's a personal matter and I chose not to discuss with them
- I don't have a full view on my finances so have been unable to discuss this

Guiding the over-55s

Ensuring the over-55s have thorough and clear guidance on their retirement income choices is essential. The guidance the over-55s say they want is firmly fixed on looking at how they can make the most of their retirement income (21%). However, 18% want to know what they should do to prepare for the possibility that they may need long-term care (18%), rising to 33% in the over-75s. Only 5% prioritise what arrangements they can put in place to help protect their families, and 3% what they should do to access any value in their properties.

“While many over-55s are family orientated they are also focused on their own needs – in the main because they financially need to be. But it is interesting to see that many have failed to make a will to look after their loved ones when they are gone, or to really consider how they can put measures in place to provide their family with some lasting financial security. At the heart of this is ensuring that over-55s have open conversations with their families about their retirement finances and their long-term wishes.”

Clive Bolton, managing director, retirement solutions, Aviva
Economic Overview

Over-55s’ Retail Price Index (RPI) annual inflation is lower at 1.9% than in the same period last year (Q1 2013) when it stood at 3.8%, and far lower than two years ago (Q1 2012) when it was 5%, which is good news for this group of consumers.

RPI for the over-55s differs from other age groups because this group is traditionally thought to suffer more than average from inflation as items like heating and food - which can rise in price suddenly – generally make up a greater proportion of overall spend.

Over-55s RPI since 2011

Across the board, the cost of living for all age groups is falling. Office for National Statistics¹ (ONS) data shows that the overall UK RPI stood at 2.5% for March 2014. Falling petrol and diesel prices, and the rise in earnings, has meant that the gap between pay increases and price rises is narrowing.

The rising cost of energy has put an extra strain on household budgets over the years. Yet gas and electricity providers have been scaling back their winter bill rises in consideration of the green levy. The cost of food, with discounts at high street retailers, has also been falling. Since these areas make up a bigger chunk of the basket for this group, it perhaps explains the falling RPI.

Looking more widely at the economy, the Bank of England base rate has now been frozen at the all-time lowest level of 0.5% for over five years - since March 2009. While there is much talk of rates rising, it is a possibility that savings rates could stay low.

While the rate of inflation has been falling, savings rates remain stubbornly low. Coupled with rising house prices they are, however, helping to underpin the UK economic recovery. The Bank of England recently revised its forecasts for growth to 3.4% for this year, sharply up on its previous 2.8% causing many to be far more optimistic about the success of the UK economic recovery².

¹ONS data - Consumer Price Index March 2014
²Bank of England UK GDP Forecast February 2014
Income

- Income is rising, particularly for the 55-64 year olds
- Savings and investments provide additional income
- Pensions are the top source of income

The Real Retirement Report tracks the level of income the over-55s receive, where it comes from and how they use it to meet a range of living costs.

**Level of income:**
The over-55s have seen an increase of £151 a month to their income since Q1 2013, boosting the sum to £1,373. They are pocketing £216 more compared to two years ago in Q1 2012 when the overall income was £1,157 and £258 more compared to Q1 2011.

The increased income today of £1,373 is at the highest since tracking began, and equal to the third quarter of 2012.

Those aged between 55-64 years have seen the biggest increase since Q1 2012 with a typical £1,402 per month compared with £1,368 for the 65-74 category and £1,290 for the over-75s.

<table>
<thead>
<tr>
<th>Ages</th>
<th>55-64</th>
<th>65-74</th>
<th>Over-75s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2012</td>
<td>£1,169</td>
<td>£1,167</td>
<td>£1,091</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>£1,291</td>
<td>£1,199</td>
<td>£1,081</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>£1,402</td>
<td>£1,368</td>
<td>£1,290</td>
</tr>
<tr>
<td>All - 2012: £1,157</td>
<td>All - 2013: £1,222</td>
<td>All - 2014: £1,373</td>
<td></td>
</tr>
</tbody>
</table>
Income bands:
Almost a third (32%) of over-55s are in receipt of between £1,251 and £2,500 each month. The figure has been consistent over the last three quarters, steadily rising from 25% since Q3 2011.

While 19% are receiving an income of between £2,501 and £5,000, this is more so in those younger groups that are likely to be still working or newly retired - at 21% for the 55-64s and 18% for 65-74s, falling to just 11% for the over-75s.

At the lower end, only 2% are receiving an income level between £101 and £250, 4% between £251 and £500 and 5% between £501 and £750, the latter two dropping two percentage points on Q1 2013.

Sources of income:
Savings and investments are providing income for a larger number of over-55s. Nearly a third (29%) identified these sources of income compared with 24% for Q1 2013 and 25% for Q1 2012 and 2011. This perhaps reflects the returning confidence in the UK economy as people finally seem to be starting to spend their savings again.

Returns from savings and investments have been under pressure as the government Funding for Lending Scheme affected savings rates offered by banks and building societies.

But this up-turn is significant, particularly for the over-75s of which 37% cite these as a source of income, compared with 35% for 65-74s and 22% for 55-65s.

Those receiving a spouse’s pension have also increased significantly to 32% from 21% in Q1 2013.

Not surprisingly, the State Pension comes out strongest with 60% of people citing this as a source of income and 98% in the over-75s. And 40% of people say they extract income from their employer pension. Some over-55s are still working, with 37% saying they receive earned income - 58% in the 55-65s, dropping to 7% in the over-75s.
Expenditure

- Record monthly expenditure since the Real Retirement Report series began
- Spending on personal interests, holidays and recreation rises
- Debt repayments fall

Spending among the over-55s has hit an average of £816 a month – a high point in this report’s history. Food, fuel and lighting, housing, motoring and entertaining, recreation and holidays are the most costly of monthly purchases. Of these, all except housing (mortgages and rent) have increased on the same time period last year (Q1 2013):

It marks an increase from Q1 2013 when spending was at £787 per month, and in Q1 2012 when monthly outgoings were £742.

Interestingly, people are also spending more on enjoying themselves with the average monthly spend growing for recreation, entertainment and holidays (£78), eating out or takeaways (£30) and on shopping on clothing and footwear (£29).

How money is being spent - average monthly expenditure

The cost of essentials is pressing harder on household budgets. The increasing spend on gas and electricity has fuelled an increase to monthly costs, which are now at the highest level since the report began at an average of £122.

Older people are bearing the brunt of the increases in fuel and light with 43% of over-75s spending between £101 and £250 per month on their bills compared with 40% of 65-74s and 34% of 55-64s.

The level of debt repayment has fallen to its lowest ever level at £37 a month from £45 at the same time last year and a high of £48 in Q4 2013.

The amount spent on housing, whether it is for a mortgage or rent, has also fallen to £96 from £108 in Q1 2013.

How the cost of servicing debt has fallen - average monthly repayments
Assets

• Savings habits are vastly improved with nest-eggs at an all-time high
• More people saving for and during retirement

The over-55s have squirreled away more money to protect themselves against the rising cost of living and the fear of not having enough money in retirement.

The amount of money put away in savings and investments reached a high of £18,632 in Q1 2014 - last reaching these levels in Q3 2012 when they stood at £17,750. The 65-74s hold the most in savings with £25,938, and men appear to have far more than women (£26,829 vs. £9,457).

Savings habits are slowly improving with a smaller proportion of over-55s not having any savings, but still significant at 28%. Monthly saving habits are also improving with those not saving anything down to 9% from a high of 15% in 2011.

Regular savings habits have also improved with households putting away on average £198 each month. This is the largest amount saved in the last three years and has largely been increasing each year. The over-75s save £155 a month compared to £209 for the 65-74s and £198 for the 55-64s. Men also appear to put much more money aside than women (£246 vs. £136).

“It is encouraging to see that the over-55s have been finding ways to save. Even putting a little extra money aside a month will provide added flexibility to manage unexpected costs. As the economy improves we will hopefully see more people thinking about long-term or unexpected needs as well as just covering their basic living costs.”

Clive Bolton, managing director, retirement solutions, Aviva
Homeownership

- More people aged over-55 are now mortgage-free
- The value of homes has increased

Property remains the largest asset for the majority of over-55s with 66% owning their home outright and 17% owning their home, but with a mortgage outstanding.

This marks a steady rise in those that are mortgage-free. In Q1 2013 and 2012 this number was 60% and slightly less at 59% in Q1 2011. Those that own their own home outright is more common among the over-75s at 81%, compared to 75% of 65-74s and just over half (55%) of 55-64s.

The increase in over-55s owning their homes outright
66% of over-55s own their home outright

- Q1 2011: 50%, 67%, 74%
- Q1 2012: 48%, 72%, 74%
- Q1 2013: 50%, 67%, 80%
- Q1 2014: 55%, 75%, 81%

The value of property owned by over-55s is the highest since Q1 2011, reflecting the rise in UK national house prices. It stands at an average of £240,641, which is higher than the current national average property value in the UK at £179,872.²

The average value of outstanding mortgages stands at £57,566.

How average property prices have risen

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2011</td>
<td>£233,780</td>
</tr>
<tr>
<td>Q1 2012</td>
<td>£233,682</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>£221,778</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>£240,641</td>
</tr>
</tbody>
</table>

While a proportion of over-55s do not own their own home, these numbers are falling. One in ten (10%) now live in social housing, down from 12% in Q1 2013, and 6% are in private rented accommodation, down from 8%, the same time last year. Only 1% live in sheltered housing, a retirement complex or residential care and none are living with their families.

Second homes:

Those aged 55-64 are the most likely to own a second home.

The typical value of a second home is £230,139, which has grown significantly over the course of the Real Retirement Report series, aided by the national house price recovery.

² Halifax House Price Index February 2014
Borrowing

- Level of unsecured debt has fallen across credit cards, loans, overdrafts
- Debt has risen on store cards, hire purchase and doorstep lenders and other informal borrowing

Credit card balances have been fluctuating over the years, yet have now fallen to an average of £777 – which has been reducing over time.

The 55-64s have an average credit card balance of £941 compared with £700 for 65-74s and £272 for the over-75s.

Some 68% of the over-55s say they owe nothing at all on credit cards, which has remained largely the same over the past two years.

Interestingly, 97% of people say they do not hold any debt with family and friends, and 89% say they similarly don’t have personal loan debts.

Most popular forms of borrowing

<table>
<thead>
<tr>
<th>Type of Borrowing</th>
<th>55-64 / Q1 2013</th>
<th>55-64 / Q1 2014</th>
<th>65-74 / Q1 2013</th>
<th>65-74 / Q1 2014</th>
<th>Over-75s / Q1 2013</th>
<th>Over-75s / Q1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card</td>
<td>£1,056</td>
<td>£941</td>
<td>£596</td>
<td>£700</td>
<td>£368</td>
<td>£272</td>
</tr>
<tr>
<td>Personal loans</td>
<td>£774</td>
<td>£626</td>
<td>£554</td>
<td>£460</td>
<td>£351</td>
<td>£447</td>
</tr>
<tr>
<td>Loans from family and friends</td>
<td>£94</td>
<td>£77</td>
<td>£6</td>
<td>£57</td>
<td>£0</td>
<td>£34</td>
</tr>
</tbody>
</table>
Overview of the over-55s finances over the last three years

Bricks and mortar bolster assets:

Property remains the largest asset for the majority of over-55s. The average mortgage debt has fallen substantially. The amount owed by those still with a mortgage to pay is £57,566 compared with £64,229 in Q1 2013, £67,663 in Q1 2012 and £67,313 in Q1 2011.

Some 66% of over-55s own their home outright, marking the highest proportion of mortgage-free homeowners since the beginning of 2011.

The property market is strong in the UK at the moment. National house prices are steadily rising in the UK with the latest data telling us that February saw a 2.4% rise - the biggest monthly increase in five years. Leading economists forecast growth of around 5% in 2014 and estate agents say they could soar by 25% over the next five years, which is good news for those who own their own homes – with or without mortgage debt.

Regional overview:

Home ownership across Britain - Q1 2014

- **Own house outright**
- **Average house price**
- **Average mortgage**

<table>
<thead>
<tr>
<th>Region</th>
<th>Own house outright</th>
<th>Average house price</th>
<th>Average mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. East</td>
<td>62%</td>
<td>£200,880</td>
<td>£54,167</td>
</tr>
<tr>
<td>N. West</td>
<td>52%</td>
<td>£195,565</td>
<td>£37,500</td>
</tr>
<tr>
<td>Scotland</td>
<td>70%</td>
<td>£159,375</td>
<td>£37,500</td>
</tr>
<tr>
<td>Wales</td>
<td>71%</td>
<td>£188,889</td>
<td>£37,500</td>
</tr>
<tr>
<td>S. West</td>
<td>71%</td>
<td>£200,192</td>
<td>£43,056</td>
</tr>
<tr>
<td>S. East</td>
<td>70%</td>
<td>£183,212</td>
<td>£64,063</td>
</tr>
<tr>
<td>E. Midlands</td>
<td>64%</td>
<td>£209,964</td>
<td>£50,000</td>
</tr>
<tr>
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<td>E. Anglia</td>
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1 Halifax House Price Index February 2014
2 The Office for Budget Responsibility December 2013
3 Savills five-year House Price Forecast February 2014

The Aviva Real Retirement Report – Spring 16
**Getting to grips with debt:**

The amount of unsecured debt owed by the over-55s has fallen across credit cards, loans and overdrafts in 2014.

In total the over-55s owe an average of £2,022 which is slightly higher than Q1 2013 at £1,910 but lower than £2,166 in 2012 and £2,370 in 2011. With the cost of borrowing coming down, the over-55s could be taking advantage of better rates of borrowing.

**A boost to earnings and savings coffers:**

The over-55s have being working hard to increase their income. Receiving an average of £1,373 a month, they have achieved the second highest amount in the Real Retirement Report series since 2011.

They have also been saving hard with a record amount saved over three years - of £18,632. The 55-64 age group has seen a significant increase to their savings pot which stands at £13,158, with their savings balance recovering from £6,315 in Q1 2011.

The 65-74 year-olds also show a strong focus on saving over the last three years with typical savings of £25,938 today compared with £12,727 in Q1 2011. However, savings balances have fluctuated over the three years.
So what does this tell us?

The Spring 2014 Real Retirement Report looks in detail at the finances of the over-55s and explores the role of the family in preparing for retirement. Aviva recommends the following for consumers:

1. **Consider alternative approaches to retirement** – There is still a long way to go to ensure over-55s can achieve the desired standard of living in later years and ease the worry of financial dramas. Preparing in a flexible way for all eventualities, and for a retirement that will most likely run over many years, can help support a more comfortable lifestyle. The changes put forward by the government in this year’s Budget goes a long way to opening up choice for consumers.

2. **Remember that it pays to talk** – Those approaching retirement need access to the right level of support, guidance and advice, dependent on their personal circumstances and the size of their savings pot. Changes being introduced by the government stand to bring impartial guidance to every retiree as they make these important decisions. While getting professional advice is an important consideration, involving family can also help the over-55s make the right decisions for their future and that of those closest to them.

3. **Consider which retirement solutions are most appropriate** – Over a lengthy retirement it may be that retirees could benefit from a mixture of products that support changing circumstances. A blend of solutions may prove more effective, and is certainly supported by the flexibility being introduced by the government, particularly around income drawdown and annuities.

4. **The home may provide valuable income** – The answer to a shortfall in retirement income could be to release some of the equity built up in the home – this is one choice retirees have. With more over-55s owning their own home and house prices on the up, there is more scope to boost income in retirement through bricks and mortar. Modern products have evolved to better meet needs, and offer features such as ‘protection guarantees’.

5. **Plan for the future** – Thorough retirement planning is important for many people who don’t want to get tied down to one plan. Those going down the traditional annuity route because it offers a guaranteed income should explore all avenues and shop around. Whichever retirement option is chosen, it is essential that advisers and annuity providers take full health details into account. And throughout this process, involving the family is essential.

6. **Consider the family when making retirement income choices and make a will** – Making a will ensures that the family is looked after with some lasting financial security. Considering a spouse or family members when making financial choices is important, particularly when many people do say they want to leave an inheritance.
Methodology

The Aviva Real Retirement Report was designed and produced by Aviva in association with ICM. A total of 19,686 UK consumers have been interviewed since the first report in 2010. This data was used to form the basis of the Aviva Real Retirement Report.

Additional information sources include:

- Halifax House Price Index February 2014
- Halifax House Price Index February 2014
- The Office for Budget Responsibility December 2013
- Savills five-year House Price Forecast February 2014
- Bank of England UK GDP Forecast February 2014

For further details please contact:

Diane Mangan
Aviva Press Office
07800 691 714
diane.mangan@aviva.co.uk

“Recent decades have seen life expectancy across the UK increase at a surprisingly fast rate. It is crucial that people seek guidance and advice to make sure they get the most suitable income options and the best outcome from their retirement decisions. Involving and including family in these choices can help pave the way for a happy retirement. Financial matters should not be considered taboo within the family, but all part of getting the most appropriate and flexible arrangements in place.”

Clive Bolton, managing director, retirement solutions, Aviva