



SCOTTISH WIDOWS 2008 PENSIONS INDEX REVEALS FEAR IS DRIVING NATION TO SAVE

- Scottish Widows 2008 Pensions Index is 51% this year (up from 49% in 2007)
- Scottish Widows Average Savings Ratio rises to 8.7% (up from 7.9% last year)
- Women still saving less but the gender gap has narrowed to just 9% compared to 13% in 2007 – but women more likely to save for the short term
- Fear factor is driving people to save into pensions – 37% are worried about not having enough in retirement (up from 34% in 2007)
- Credit crunch taking hold - 41% of people felt better off five years ago than they do now
- Consumers focusing more on non-pensions savings – although this gain is being cancelled out by withdrawals

The Scottish Widows Pensions Report, now in its fourth year has revealed that almost half the nation (49%) is still not saving adequately, and while figures are slightly up on previous years, this is mainly due to an increase in non-pension savings, with consumers saving more for the short term. The fear factor is definitely starting to kick in with 37% of people worried about having nothing in retirement (up from 34% in 2007).

The Scottish Widows UK Pensions Report, first launched in 2005, uses two key measures to monitor pensions savings behaviour in the UK: the *Scottish Widows Pensions Index* and the *Scottish Widows Average Savings Ratio*. While these have risen in the last year, savings levels are still falling short. The Index and Ratio are based on those who could and should be preparing financially for retirement – those aged 30 or over (and not retired) and earning at least £10,000 a year.

The Scottish Widows Pension Index, which tracks the percentage saving adequately for retirement, has risen from 49% in 2007 to 51% in 2008. And the Scottish Widows Average Savings Ratio, which tracks the percentage of income being saved for retirement by UK workers not expecting to get their main retirement income from a defined-benefit scheme, rose from 7.9% to 8.7% – the highest level recorded since the yearly survey started in 2005.

The improvement in this year's ratio has predominantly come from an increase in non-pensions savings. But this gain is largely being cancelled out by people subsequently withdrawing from these short term savings vehicles, among the Savings Ratio group the total of all non-pension savings held has not risen.

Ian Naismith, head of pensions market development at Scottish Widows comments: "While pensions savings are slowly starting to rise, there is still the real worry that in the current economic environment the nation is not doing enough to prepare for retirement. While the savings message that we have been campaigning on for several years is getting through, with people scared that they will not have enough to live on in retirement, this hasn't necessarily translated into pensions savings. Traditionally in times of economic uncertainty, long terms savings have increased but people need to ensure that they are saving into the right vehicle; the best investments for those seeking security in retirement are pensions"

The report reveals that while the credit crunch may have influenced some to tuck a bit more away for a rainy day, consumer confidence is still low. Over four out of ten people (41%) felt better off five years ago compared to how they do now, this compares to 39% in 2007. Almost a third of people (32% - up from 31% in 2007) are pessimistic about their short-term financial situation with the outlook not looking any brighter for their long term financial situation (29% are pessimistic about the long term). People of working age are also generally less upbeat than those approaching retirement. Only 31% of those aged 45-49 are optimistic about their short term finances, this increases to 48% of those in the 'at retirement' age (60-64).

When it comes to saving the outlook remains bleak for many people. A third of people (33%) can't afford to put anything more aside and this rises to 60% of non-savers. The outlook isn't getting any better with 59% of people claiming they will not save anymore in the next 12 months. Of those people without a private pension, almost half (44%) believe they will never contribute to one. The nation is also dealing with average incomes failing to keep up with the cost of living. In 2008, people believed that they would need a household income of approximately £40,000 per year to feel comfortable. This has risen by 11% since the 2007 survey when the figure was just approximately £36,000 per annum.

Ian Naismith, head of pensions market development at Scottish Widows comments: "Although the state of the nation's retirement savings is starting to improve, there is a distinct sense of pessimism emerging from our results with consumer confidence falling compared to last year. While a number of people are beginning to save more consistently within short term savings vehicles such as ISAs, many people just don't see how they can afford to put anything extra aside and this doesn't look to be improving over the coming months. With the cost of living rising and the nation struggling to make ends meet the outlook isn't getting any brighter."

The Scottish Widows UK Pensions Report 2008 reveals that someone **saving adequately** for retirement is likely to be:

- **Male** – Almost two thirds of the adequate savers (65%) are men
- **Working in the public sector** – 45% of those saving adequately are public sector workers despite making up only a third of the work force.
- **Pre-retirees** – 61% of over 50s are saving adequately compared to just 46% of 30-50 year olds
- **A high earner** – 59% of people earning £30,000 to £50,000 are saving adequately

By comparison a **non-saver** is more likely to be:

- **Female** – 22% of women are non-savers compared to 15% of men. Although this gap is narrowing (in 2007 31% of women in our index group were non-savers compared to 19% of men).
- **A parent** – 23% of parents with a child under 5 are non-savers
- **In debt** – Only 25% of people not saving say they carry no short term debt over from one month to another compared to 33% of those saving adequately. 55% of people not saving carry over credit/store card balances every month compared to just 42% of those saving adequately.
- **Self-employed** – 23% of self-employed people in the group making up our index are saving nothing for retirement compared to 18% overall.

1. UK Non-Savers		2005	2006	2007	2008
Not saving at all	No long term savings for retirement	17%	28%	24%	18%
2. UK Savers					
Seriously under-saving	Saving between 0 and 6% of earnings	18%	15%	12%	14%
Somewhat under saving	Saving between 6% and 12% of earnings	10%	11%	16%	17%
Saving adequately	Saving over 12% of earnings or depending mainly on defined-benefit provision	55%	46%	49%	51%

(Source: The Scottish Widows UK Pensions Report 2005-

2008)

Ian Naismith concludes: “Year on year it is the same groups that emerge as pensions underdogs, in particular women lose out under the current pensions system and while the gender gap is slowly starting to narrow there are still measures that women need to take to ensure they are preparing adequately for their retirement. There is still a lot of work to be done before those people that should be saving have enough to get them through retirement.”

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Notes to editors:

The research to support the report was carried out by YouGov who interviewed a total of 6,381 people over the age of 18 between 6th and 12th March 2008.

The Scottish Widows Pensions Index measures the percentage of those who could and should be saving for their retirement who are currently making adequate provision. The index is based on those aged between 30 and state pension age who are earning at least £10,000 a year. They are treated as preparing adequately if they expect their main income in retirement to come from a defined-benefit pension scheme or if they are saving over 12% of their earnings specifically for their retirement (including any employer contribution).

The Scottish Widows Average Savings Ratio measures the average percentage of earnings being saved by those in the Index group who are not depending mainly on a defined-benefit pension.

Of the 6381 sample, 2285 (36%) are eligible for the savings index and ratio (ie aged between 30 and state pension age and earning more than £10,000 a year). YouGov estimates that the UK population aged 18 years+ is 48 million. Therefore around 17.2 million (36% of 48 million) are eligible for the savings index and ratio.

1. **Male/female** - Of the group of 2285 used to calculate the Index and Ratio, 1382 (60%) are men and 903 (40%) are women.

55% of men are saving adequately, which is 17.2 million x 60% x 55% = 5.7 million
46% of women are saving adequately which is 17.2 million x 40% x 46% = 3.1 million

Scottish Widows was founded in 1815 as Scotland's first mutual life office. Becoming part of the Lloyds TSB Group in 2000, Scottish Widows has become one of the most recognised brands in the life, pensions and investment industry in the UK. The product range includes ordinary long term insurance, such as life assurance, pensions, annuities and permanent health insurance, and savings and investment products. Using a multi-sales network of Financial Advisers, Direct Sales, Direct Marketing, the Internet and via the branch network of Lloyds TSB, Scottish Widows currently employs about 4,000 people.

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