The use of wealth in retirement

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1. Introduction

There has been lots of recent research and debate on individuals' accumulation of wealth for retirement, driven by the concern that younger generations are not saving enough. Much less attention, however, has been paid to how individuals use their wealth once in retirement. This is an important omission, since understanding more about the evolution of wealth in retirement can help shed light on:

- the extent to which such wealth is currently used to finance spending needs in retirement (and, therefore, the extent to which younger generations may need to accumulate similar sums in order to have similar standards of living in retirement);
- the extent to which current retired generations' wealth is likely to be bequeathed (which has direct consequences for the resources of later generations);
- how people manage their resources through retirement (which is of increased importance given the introduction of 'pension freedoms').

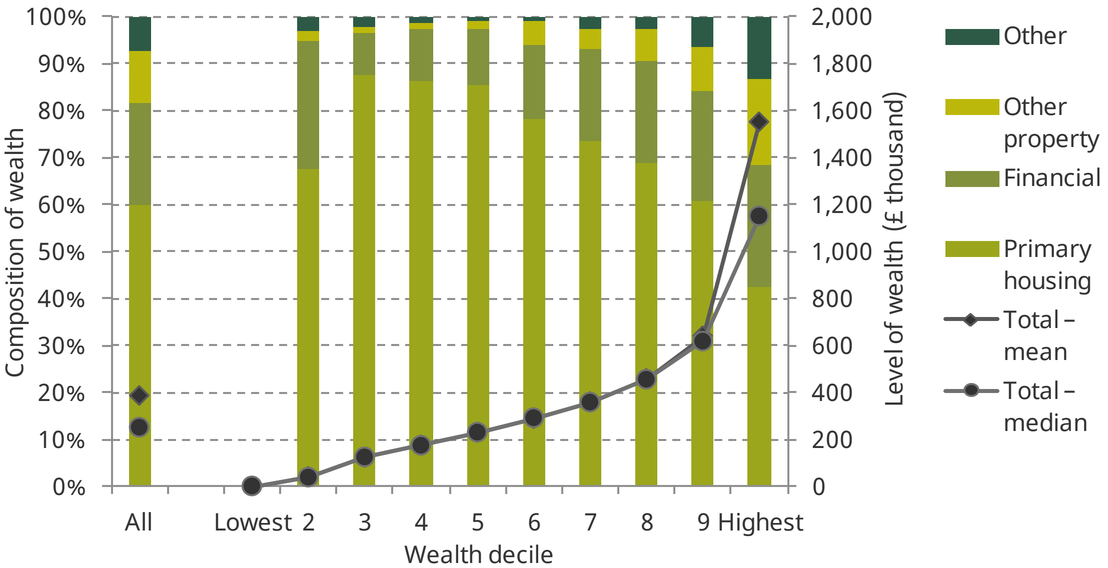
In this note, we summarise the findings of recent and new IFS research addressing this omission and considering the use of different components of wealth in retirement.

Wealth on the eve of retirement

Before examining the use of different components of wealth in retirement, it is worth providing some context on the level and distribution of wealth. We do this in Figure 1 for those aged 55–64 (i.e. those on the eve of retirement) in 2014–15. Note that this is non-pension wealth. For those in retirement, who we focus on for most of the analysis in this briefing note, accumulated pension wealth has been converted into a flow of income.

Median non-pension wealth among these individuals is £250,000 (mean non-pension wealth is £390,000). The majority of this wealth (60%) is held in owner-occupied housing, with 22% held in financial assets (current and savings accounts, ISAs, stocks and shares etc.), 11% in other property and 7% in other assets (such as business assets, land and

Figure 1. Level and composition of non-pension wealth, individuals aged 55–64



Note: Composition of wealth is not shown for the least wealthy, who have near zero wealth. Wealth is measured at the household level. Unit of analysis is individuals. Source: ELSA 2014–15.

antiques). What happens to housing wealth in retirement will therefore be the big driver of changes in individuals' overall wealth.

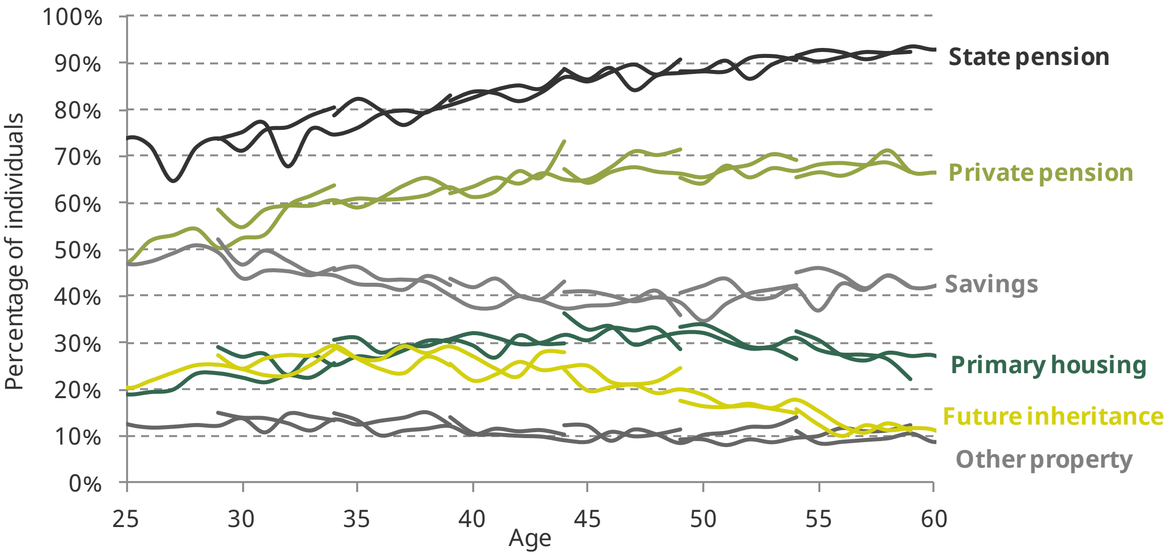
Wealth is held very unequally – the least wealthy 10% of individuals have essentially no wealth on average, while the richest 10% on average have in excess of £1 million. Financial wealth is held even more unequally than wealth in general. It accounted for 26% of wealth among the wealthiest 10% of individuals (mean of £400,000), compared with 12% of wealth among individuals in the fifth decile (mean £27,000). (Financial wealth is also large as a proportion of wealth for those in the least wealthy 10%, as these individuals are less likely to be homeowners.) Financial wealth is therefore much more important for some households than for others – both in terms of the absolute level of wealth held and in terms of the proportion of total wealth held in that form.

Expectations of using different resources in retirement

Figure 2 provides a final piece of context. It illustrates the proportion of individuals who report expecting to use various different sources to 'provide money for their retirement'. The most commonly cited source is the state pension, which shows a distinct age trend: increasing proportions of individuals expect to receive state pension income as they approach retirement, reaching over 90% by age 60. The next most commonly cited source is private pensions, again increasing with age, reaching two-thirds of those in their 50s.

Perhaps less expected, over 40% of individuals report expecting to use savings to provide money for retirement – suggesting many individuals expect to draw down accumulated wealth. Around 30% report expecting to use their primary housing (through downsizing, taking equity withdrawal or renting out rooms), suggesting that such wealth is not always considered 'off limits', while 10% report expecting to use other property.

Figure 2. Expected sources of money in retirement, by age and generation



Note: Lines are drawn for five-year date-of-birth cohorts. Sample is individuals who are not yet retired. Source: Wealth and Assets Survey, waves 1–5.

Use of wealth in retirement

In the following sections we summarise our evidence on the actual use of primary housing wealth, financial wealth and second-home wealth (respectively) through retirement, and on bequests at the end of life. In Section 6 we draw the findings together and conclude.

2. Use of primary housing wealth

This section summarises research published in 'The use of housing wealth at older ages'.[1]

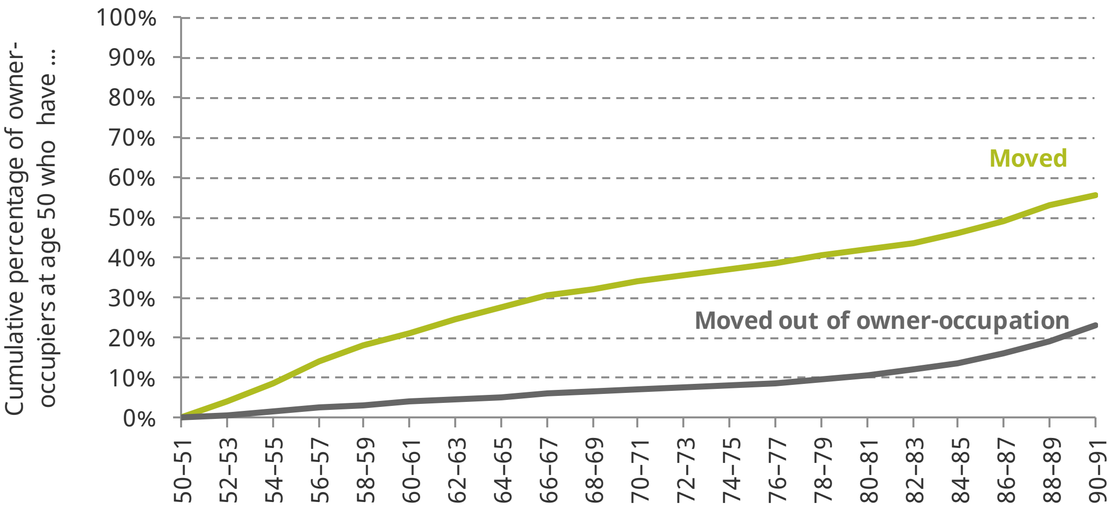
Primary housing is the largest component of wealth held by older households in England. Among those aged 50 and over in 2014–15, 80% were owner-occupiers, and the median level of equivalised housing wealth among owners was £150,000 (the mean was £190,000). Drawing on this wealth could significantly increase spending power in retirement.

How common is moving among older owner-occupiers?

We find that around 4% of English owner-occupiers aged 50+ move house over a two-year period. Moving is slightly more likely for those in their 50s and early 60s than for those in their late 60s and 70s – perhaps suggesting that moving home is done at the point of retirement. However, from age 80 onwards, the probability of moving starts to increase rapidly with age, driven by moves into institutions such as residential care homes.

If these recent moving rates persist, this suggests over 40% of those who are owner-occupiers at age 50 will move before death. Cumulating probabilities of moving across older ages suggests that over a third of owner-occupiers at age 50 would move by age 70, and over half would move by age 90, if they survive that long. This is illustrated in Figure 3.

Figure 3. Cumulative share of owner-occupiers who would have moved since age 50



Note: Estimated by cumulating the results of a probit regression of whether individual moves for the first time / moves out of owner-occupation since age 50 on two-year age bins and survey wave dummies. Source: Figures 4 and 7 of R. Crawford, 'The use of housing wealth at older ages', IFS Briefing Note BN235, 2018.

Why do individuals move?

For the most part, these moves are not reported to be motivated by financial reasons. The most common reasons for moving were to move to a more suitable home, to move closer to family or friends, health-related (particularly among older individuals) and to move to a better area (particularly among younger individuals). However, while less than 10% of people who move report doing so for financial reasons, that does not preclude people from releasing housing wealth while moving for other reasons.

[1] https://www.ifs.org.uk/publications/12956.

Are movers releasing housing wealth?

There are two ways movers can release wealth: moving out of owner-occupation and moving to a cheaper property ('downvaluing'). The majority of moves at older ages are not out of owner-occupation: 77% of moves (83% of non-institutional moves) are to another owner-occupied property. But a not insignificant minority of moves are out of owner-occupation. The probability of moving out of owner-occupation increases markedly from age 80, driven by moves into institutions, and in the late 80s even once institutional moves are excluded. If these rates of moving out of owner-occupation persist, this suggests 14% of those who are owner-occupiers at age 50 will move out of owner-occupation before death. The cumulative proportion who would have moved out of owner-occupation by each age (if they lived that long) is also shown in Figure 3.

On average, those who move to another owner-occupied property also release wealth by 'downvaluing'. The median wealth released (not accounting for any costs of moving) by those who moved but stayed owner-occupiers between 2002–03 and 2014–15 is estimated to be around £14,000 (or 9% of the property value). 'Downvaluing' is greater among older movers: among movers aged 50–59, the median wealth released was £4,000 (3%), compared with £49,000 (25%) among those aged 80+.

Who moves and who releases wealth?

There are some individual circumstances that are systematically associated with whether older owner-occupiers move and whether they access their housing wealth. Unsurprisingly, those who become separated, divorced or widowed are much more likely to move, move out of owner-occupation, and release wealth than those who remain married. The financial situation of the household is also strongly related to the use of housing wealth. Accessing housing wealth is positively correlated with financial 'demand' – in the sense that those with the lowest financial wealth, and greatest housing wealth to income ratio, on average release more wealth when they move; and with financial 'supply' – in the sense that those with the greatest housing wealth, on average, release more wealth (both in absolute and proportionate terms) when they move.

Summary

Accessing housing wealth at older ages is currently not an activity of the majority, but it is far from uncommon. There are also reasons to believe moving at older ages, and moving for financial reasons explicitly, may increase in future. A greater proportion of those on the eve of retirement think they will downsize to provide money in retirement (32% of homeowners aged 50–59 in 2012–14) than the proportion of currently older individuals that we find reporting having moved for financial reasons.

Implications

When thinking about the financial preparedness of future generations for retirement, housing wealth is an important part of individuals' portfolios that needs to be taken into account. Housing provides not just a flow of housing services (creating a considerable difference between the retirement income required by a homeowner and a non-homeowner), but also a source of wealth that can potentially be drawn on to fund other expenditure. The evidence presented here suggests individuals are likely to be prepared to do that. It is also easier to envisage the accessing of housing wealth becoming an activity of the many when 40% of owners already move during later life (even if they do not currently reduce their housing wealth) than if all homeowners currently stayed in their family home until death.

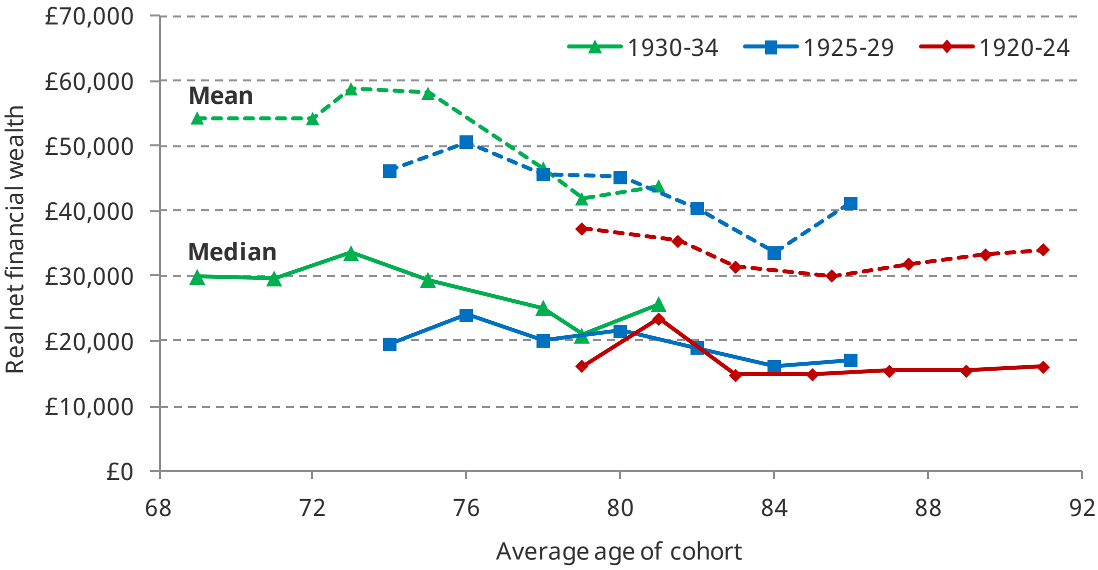
3. Use of financial wealth

This section summarises research published in 'The use of financial wealth in retirement'.[2]

Trajectory of financial wealth in retirement

On average, financial wealth is only drawn down very slowly in retirement. Figure 4 shows how average wealth evolved over the 12-year period 2002–03 to 2014–15 for individuals observed consistently over that period. Among those born in 1930–34 (who aged on average from 69 to 81), median real net financial wealth declined by 14%; among those born in 1925–29 (who aged on average from 74 to 86), it declined by 13%; and among those born in 1920–24 (who aged on average from 79 to 91), it declined by just 1%.

Figure 4. Mean and median net financial wealth by age, 12-year panel



Note: Dashed lines connect mean wealth, solid lines connect median wealth. Each point represents data from a particular wave of ELSA, with average wealth plotted against the average age for each five-year birth cohort. For the calculation of mean wealth, only the middle 90% of the wealth distribution is included. Source: Figure 3 of R. Crawford, 'The use of financial wealth in retirement', IFS Briefing Note BN236, 2018.

Assuming that the rate of drawdown at a given age does not differ between generations, this observed behaviour suggests that, on average, real net financial wealth is drawn down by (at most) 17% between ages 70 and 80, and 31% between ages 70 and 90. This is significantly slower than the decline in remaining life expectancy between these ages. Office for National Statistics projections indicate that expected remaining life declines by 75% between ages 70 and 90 for both men and women.

This suggests that, unless there are large costs at the end of life (and Section 5 will show that for many that is not the case), the majority of financial wealth among those currently retired is set to be bequeathed rather than used to finance retirement spending.

We cannot say whether individuals are making the correct trade-off between retirement spending, precautionary saving and the bequests they leave on death (all of which are presumably valued to some extent), or whether there are some constraints (such as imperfect information, or limited numerical ability or financial acuity) that is causing

[2] https://www.ifs.org.uk/publications/12957.

individuals to make poor decisions. However, there are some systematic differences in the rate at which financial wealth is drawn down according to individuals' characteristics.

How does drawdown differ by individual characteristics and circumstances?

We find that the amount of financial wealth held is an important driver of the rate of drawdown, with those who have higher levels of wealth drawing down their wealth more quickly. Estimates suggest that (all else equal) each additional £10,000 of financial wealth is associated with a 1 percentage point greater decline in wealth over six years. This is a pattern we would expect – those with relatively little financial wealth may wish to hold on to virtually all of it as precautionary saving against shocks such as unexpected domestic repairs. However, it is notable that even among wealthy individuals, the average rate of wealth drawdown is still much slower than the decline in remaining life expectancy.

We also find that having higher income, and holding other property wealth, are associated with slower financial wealth declines in retirement, while owner-occupation more generally is associated with faster financial wealth declines. Numeracy levels are also associated with different rates of financial wealth drawdown, but not in a linear way – those with the highest and lowest numeracy on average have slower wealth drawdown than those with mid levels of numeracy.

Particularly interestingly, expectations of moving into a nursing home in future are negatively correlated with the rate of wealth drawdown. Those reporting zero chance of moving into a nursing home in future saw a 14 percentage point *greater* decline in their wealth, on average, than those reporting a 1–49% chance. Those reporting a 50% or greater chance saw, on average, a 4 percentage point *smaller* fall in their financial wealth than those reporting a 1–49% chance. We cannot prove this is a causal relationship, but this finding lends more support to the idea that, on average, individuals are holding on to their wealth in order to pay for social care if they expect to need it, than to the idea that individuals are spending down their wealth in order to be eligible for state support.

Implications

These findings suggest that precautionary saving, bequest motives and financial acuity all play a role in individuals' choices. The result is that the majority of financial wealth is set to be bequeathed rather than spent during retirement. This has direct implications for younger generations – they are likely to inherit the majority of their parents' current financial wealth (in addition to other assets such as housing). Given wealth inequality, some individuals will inherit little, while others will inherit substantial sums.

These findings cannot tell us how individuals will respond to the introduction of 'pension freedoms', which allow individuals to run down their accumulated defined contribution (DC) pension pots how they wish rather than having to buy an annuity. Their behaviour with respect to their accumulated pension wealth, when it is their main source of retirement resource, may be very different from how they use their (much smaller) amounts of financial wealth when they have income from other sources. However, the fact that financial wealth is held on to in the way we have shown is likely to provide more reassurance to those concerned that retirees will spend their DC funds inappropriately quickly, than to those concerned that retirees will hold on to their funds too long and deny themselves higher living standards that could be afforded.

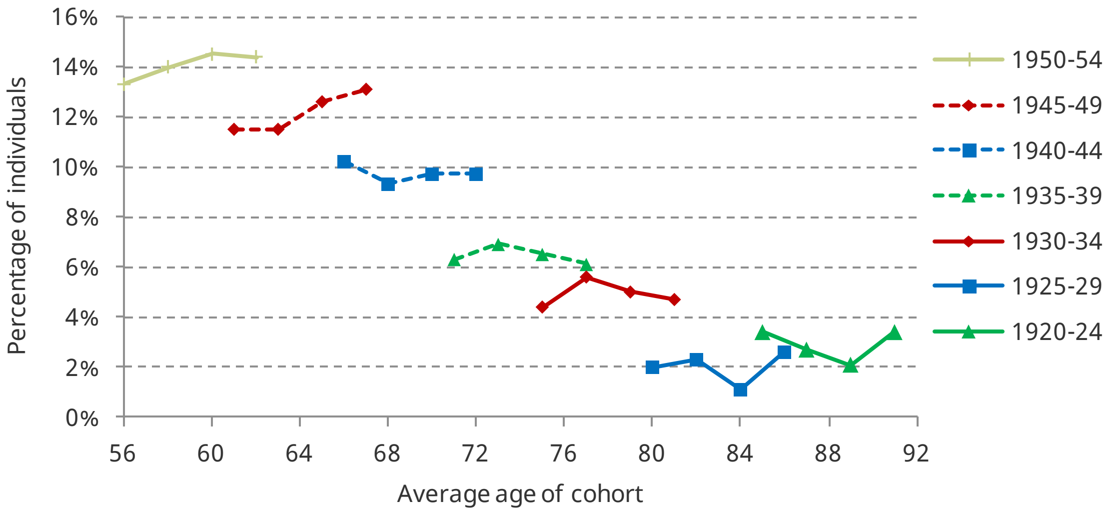
4. Wealth held in second homes

Outside of primary housing and financial wealth, the largest component of other wealth is that held in second homes – houses, flats or holiday homes (including timeshares). This amounted to 11% of wealth holdings among 55- to 64-year-olds in 2014–15 (shown in Figure 1). Around one-in-six (17%) of 55- to 64-year-olds in 2014–15 held such other property wealth.

Changes in second-home ownership at older ages

Figure 5 shows how the ownership of second homes (restricted here to those worth more than £50,000) changed over the period 2008–09 to 2014–15, among those individuals who responded to ELSA every two years during that period. Each line of four points is calculated for individuals from a particular date-of-birth cohort. The trajectory of each line therefore illustrates how ownership changed among that constant group of individuals as they aged; vertical differences between lines illustrate how ownership differs between generations when they are observed at the same age.

Figure 5. Prevalence of second-home ownership (worth more than £50,000)



Source: Author's calculations using ELSA 2008–09 to 2014–15.

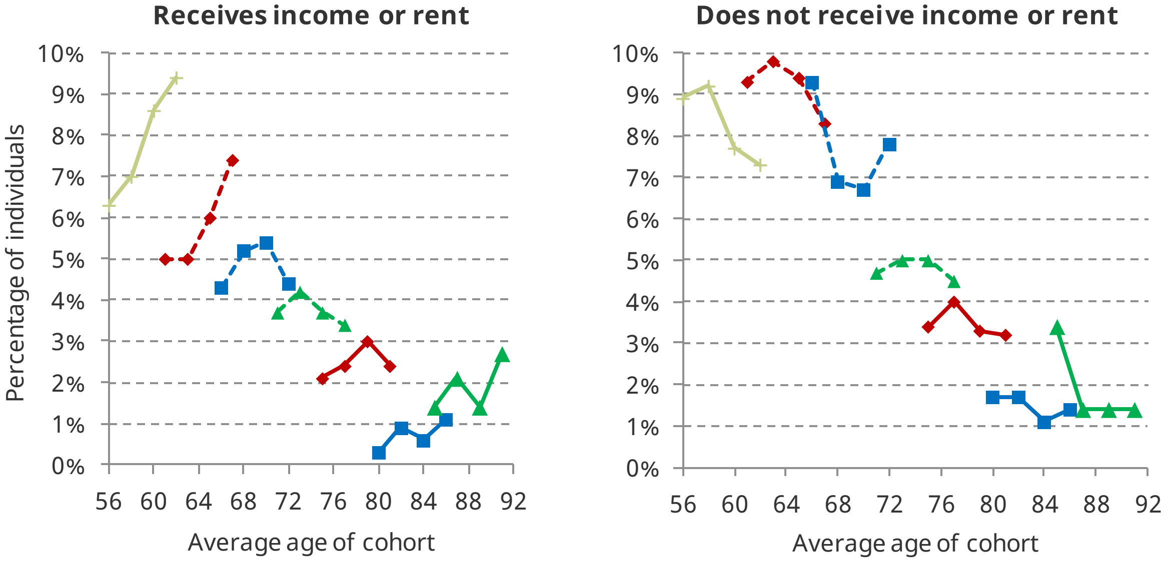
There are some significant differences between generations: second-home ownership is more common among younger generations. Among the youngest two generations, who are observed in their late 50s to late 60s, the prevalence of second-home ownership actually increases over the six-year period we examine. This could perhaps suggest that pension lump sums are being used to finance purchases of additional property. Among those observed at older ages, however, there is very little change in the prevalence of second homes as they age. This indicates that among currently retired older generations, wealth held in second homes is not being released and spent during retirement.

This measure of second homes includes properties that are being rented out (either as buy-to-let or holiday lets) and properties that are used as private second homes. We might expect individuals' holdings of these two types of asset to evolve differently through retirement, given that the former yields an income flow that can be used to finance other spending in retirement while the latter does not. (Of course, in both cases, there is a capital value that would also be realised on selling the property.) Figure 6 therefore illustrates separately ownership of properties from which individuals are receiving some income or rent (left-hand panel) and ownership of properties from which individuals report not receiving any income or rent (right-hand panel).

The picture for properties that yield income or rent is similar to the overall picture presented in Figure 5. There is no decline in ownership of these properties at later ages, but significant increases in ownership among the youngest two cohorts shown – among those born in 1950–54 and 1945–49, around 3% more individuals owned a second property from which they received income or rent in 2014–15 than in 2008–09.

The picture for properties that are reported not to be yielding any income or rent looks somewhat different. There is still in general no decline in prevalence at older ages, but there is a decline in prevalence among those in their 50s and 60s. This could suggest that some second properties that are not yielding an income are divested around the start of retirement, while individuals who continue to hold such properties into their 70s tend to hold them until death.

Figure 6. Prevalence of second-home ownership, by whether receive income or rent



Note: The cohorts are as labelled in Figure 5. Source: Author's calculations using ELSA 2008–09 to 2014–15.

Implications

These results indicate that, at least among older retired generations, second homes are not generally being sold to finance spending in retirement. The exception to this is second homes that are not yielding an income, around the time of retirement, when there is some decline in prevalence. This picture might look quite different for younger generations as they progress into and through retirement: with the prevalence of second homes being so much higher among younger generations, the way individuals use their wealth held in this form may change. However, it is worth noting that Figure 2 indicated that 10% of individuals on the eve of retirement expect to use second homes to provide money for retirement. This is not dissimilar to the proportion of those born 1950–54 who either own a second property that yields income by age 60, or stopped holding a property that did not yield an income around the time of retirement, suggesting the majority of second-home owners in younger generations may also be planning to hold on to them until death.

5. Bequests at the end of life

This section summarises research published in 'An overview of the ELSA "End of Life" data'.[3]

One unique feature of the English Longitudinal Study of Ageing is that after the death of a survey respondent, a final interview is attempted with a friend or relative. Such 'End of Life' (EoL) interviews are available for around one-third of ELSA respondents who died between 2002–03 and the end of 2012. We can use these data to examine (amongst other things) expenses around the end of life and what happened to the individual's estate.

Expenses around death

The research summarised in Sections 2–4 demonstrates that, on average, most wealth is not spent during retirement. This suggests that it will be bequeathed on death – unless there are large expenses associated with death itself that are funded out of wealth. The EoL data suggest that in England there are not such large expenses on average. Just 6% of individuals faced some out-of-pocket costs for medical treatment outside the NHS in the last year of life. We do not have data explicitly on social care expenses, but the EoL data do tell us that only around 7% of individuals received assistance with daily activities from a privately paid employee in the run-up to death. Some 21% did stay in a nursing or residential home in the last two years of their life (32% of these stayed for six months or more), but not all of these individuals would have paid for this care privately. The majority of individuals (82%) did not have full insurance for funeral costs, but the median out-of-pocket cost for funeral expenses was only £1,700 in 2002–03 (though this is increasing over time).

Assets on death

The EoL data indicate that over half of individuals (58%) had primary housing wealth when they died. The median value (among those where the value was known) was £170,000. Nearly 90% of individuals died with some other (i.e. financial) assets. The total value of these assets is not well recorded, as half of the inheritances received by a surviving partner are recorded as being of £0. This is likely to be because partners do not put an explicit value on jointly held assets that they 'inherit' when their partner dies. The median total value of financial bequests made to non-partners (among those where the total value was known) was £12,000 (the mean was £51,000). These findings are consistent with those in the previous sections, which indicated that individuals tend to hold on to significant sums of wealth through retirement until death.

Bequests and the division of the estate

A particular advantage of the EoL data is that they allow us to examine what happens to an individual's estate after their death. About half (49%) of the sample of deceased respondents were survived by a spouse or partner. Among these individuals, 86% of owner-occupiers left all their housing wealth to their partner. However, 4% left their housing wealth to their partner jointly with others and 10% left none of their housing wealth to their partner – the main recipients being children and grandchildren. Among those with financial assets who were survived by a partner, 15% gave some or all of their assets to children (90% had children), while 6% gave some or all of their assets to their grandchildren (83% had grandchildren). This indicates that only in a minority of cases are bequests made outside the current household when the first individual in a couple dies.

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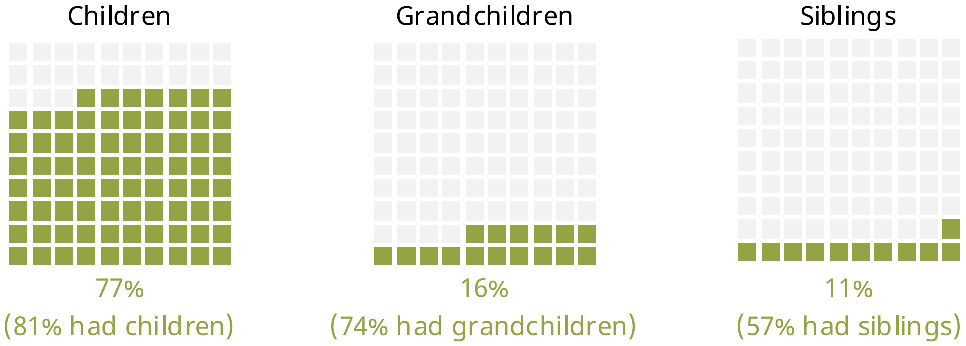
3 https://www.ifs.org.uk/publications/12960.

Where there is no surviving spouse, children were the most common beneficiaries of wealth. Among those with housing wealth, children inherited housing wealth from 75% of deceased respondents, while siblings inherited from 13% and grandchildren from 7% (78%, 59% and 71% had children, siblings and grandchildren respectively). Among individuals with financial assets who were not survived by a partner, 77% left an inheritance to children, 11% to one or more siblings and 16% to grandchildren (81%, 57% and 74% had children, siblings and grandchildren respectively) – shown in Figure 7. Children, and to a lesser extent other family members, are therefore much more likely to receive an inheritance when the last individual in a couple dies.

Figure 7. Percentage of individuals with (non-housing) assets and no surviving partner, who left inheritance to:



Source: R. Crawford and P. Mei, *An Overview of the ELSA 'End of Life' Data*, IFS Report R143, 2018.

It is perhaps obvious, but important to note, that bequests are normally made to multiple individuals. This means that the size of each inheritance received is only a fraction of the size of the deceased individual's estate. Among those with financial assets who were not survived by a partner, 32% left their (non-housing) assets to one individual, 24% left them to two individuals, 16% left them to three individuals, and 26% left them to four or more individuals. The median value of inherited financial assets at the individual recipient level (from those who died without a surviving spouse) was £3,000 and the mean was £17,000. Individuals also often leave their assets to multiple types of relatives. Among those who were not survived by a partner, 60% left their (non-housing) assets only to their children, while 13% left them to their children and grandchildren, and 25% left their assets to other combinations of relatives and friends.

Implications

The findings of Sections 2–4 suggest that most working-age individuals will inherit something from their parents in future, with many inheriting large amounts of housing and non-housing wealth. When thinking about inheritances likely to be received in future, it is not just parental wealth that matters, but also end-of-life costs and the number of inheritors. Bequests tend to be made to multiple individuals, and therefore inheritances received are generally considerably smaller than the size of individuals' estates on death.

In terms of timing, inheritances tend to be received only when the second parent dies. Inheritances are sometimes shared directly across multiple generations (for example, to both children and grandchildren), though this is the exception rather than the rule. This all indicates that inheritances will normally only be received at relatively older ages. Thus future generations will spend working life with the prospect of uncertain bequests in future potentially making them unwilling and, if they are credit constrained, unable to use any such future wealth to fund purchases, such as housing, made during working life.

6. Conclusions

Wealth is held very unequally among older individuals in England – 10% of individuals aged 55–64 are in households with virtually no non-pension wealth, while the richest 5% of individuals are in households with non-pension wealth in excess of £1 million. Most wealth is held in owner-occupied housing, which is typically thought of as very illiquid. Much less wealth, though still quite large amounts for some, is held in financial assets, while a significant – and in recent years growing – minority hold some wealth in second homes.

It is interesting to ask how this wealth is used at older ages. Many individuals in their late 50s report expecting to use these sources to provide money in retirement. Whether or not retired individuals indeed do so is important, with implications for younger generations both directly (through the inheritances they are likely to receive in future from these retired generations) and indirectly (through how policymakers may assess the adequacy of their wealth accumulation for retirement when they make comparisons between younger generations and their older counterparts).

In the research summarised in this briefing note, we have examined the extent to which retired individuals drew on their different sources of wealth over the period 2002–03 to 2014–15 using repeated observations of the same individuals over time from the English Longitudinal Study of Ageing.

We find that housing mobility among older households is not negligible. On recent trends, over 40% of owner-occupiers at 50 would be expected to move house before they die. Over the period we consider, these moves have for the most part not been motivated by financial considerations, but they do still on average release wealth.

Financial wealth, despite its liquidity, is not drawn down very rapidly at all. The rate of drawdown is greater for those with higher levels of wealth (which makes sense, if those with relatively little wealth need to hold on to all of it in order to provide insurance against unexpected expense shocks such as domestic repairs), but even among the wealthy the rate of drawdown is significantly slower than the decline in expected remaining life. This suggests that, unless there are large costs associated with the end of life, most financial wealth will be bequeathed rather than spent during retirement.

Our examination of the ELSA 'End of Life' interviews, which ask proxy respondents about the circumstances surrounding an ELSA respondent's death, suggests that there are not in general big expenses associated with death. Only a small minority of people pay out-of-pocket medical costs, a minority report assistance with daily activities from a privately paid employee, at most 7% spent more than six months in a nursing or residential home (not all of whom would have been paying for their care) and average funeral costs are small relative to average wealth holdings (although clearly they will account for much larger proportions of wealth among those who have relatively little).

This indicates that most financial wealth held at the start of retirement will be bequeathed rather than spent. This does not mean that it does not contribute to the living standards of retired households, or necessarily that younger generations would not want to accumulate similar sums. Holding wealth provides insurance against the risk of unexpected costs that is valuable in expectation even if those risks never materialise and the wealth is never used. Individuals also presumably derive some value from being able to pass on wealth to their heirs.

Individuals in younger cohorts will receive smaller inheritances than the level of wealth held by older generations, since our analysis shows that most estates are split between multiple recipients. Furthermore, children normally have to wait until their second parent dies before inheriting – it is relatively rare for bequests to be made outside the household when the deceased individual is survived by a spouse or partner (and for obvious reasons when so much wealth is tied up in owner-occupied housing). However, even so, ultimately bequests will have implications for the level and distribution of resources among current working-age individuals, in particular those with wealthy parents.

An obvious interest in this work on how wealth is used in retirement arises from the introduction of 'pension freedoms' (the ability for individuals to flexibly access their accumulated defined contribution pension funds). Our findings do not necessarily imply that individuals will hold on to their pension saving throughout retirement in the way they do their financial wealth. How individuals behave with respect to their accumulated pension wealth, when it is their main or only source of retirement resource, may be very different from how they use their (typically much smaller) amounts of financial wealth when they have secured income from other sources. However, our analysis is likely to provide more reassurance to those concerned that retirees will spend their DC funds inappropriately quickly and then regret that decision, than to those concerned that retirees will hold on to funds too long and deny themselves higher living standards that could be afforded.

Carefully studying how individuals' use of retirement resources evolves going forwards will be important. Future generations of retired individuals may behave quite differently: they have different levels, sources and distributions of wealth, have been used to different patterns of spending throughout working life, and have children who are perhaps facing greater – or at least different – financial difficulties than they themselves faced at similar ages. One area where there are clear cohort differences is the prevalence of second homes. Younger retired individuals are much more likely to own second homes than older generations, and these may be increasingly used as a source of retirement resource even though, to date, older retired households that own second homes have tended to hold on to them.

The retirement savings environment has changed markedly in recent decades, with individuals now facing increased responsibility for their own retirement resources, and considerably greater choice – in terms of how much they save, when they do so, and how they draw on that saving when the time comes. They also face different risks: stock market performance and longevity risk are more important, while final salary and pension tenure are less important. It is vital that policymakers pay attention to the drawdown phase of retirement, not just the accumulation phase, to ensure that individuals are coping appropriately with this responsibility and to be wise to any behaviour that may have implications for optimal government policy design.