# Research Report

**age**UK
Love later life

# Generation R: risk, resilience, ready for ageing?

## Acknowledgements

## Age UK Research

The Research Department at Age UK generates valid, reliable and sound evidence for the Age UK Group. It provides novel insights into older people's issues, providing a mandate of evidence for all that Age UK does. It also develops thought leadership for the future direction of Age UK's Charity, analysing trends and the latest developments in research. Finally, it plays a key role in knowledge transfer, translating research findings to create positive impact in the lives of older people.

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## Executive Summary

People in their 50s and early 60s, sometimes known as 'Baby Boomers', have been portrayed as a lucky generation who have benefited from the prevailing social and economic circumstances throughout their lives and are now enjoying high standards of living, at the expense of younger generations. This narrative presents the age cohort as a homogenous group and to explore the extent to which this is a true reflection, Age UK conducted statistical analysis on a sample of 4,547 people born between 1946 and 1960.

Using a range of indicators across economic, health, social and demographic domains, the analysis resulted in seven distinct clusters showing widely ranging income, wealth and health across the age group. This generation are the pensioners of tomorrow, with the prospect of longer lifespans than ever before. We investigated the extent to which they would be 'ready for ageing' by compiling an index of scores, via factor analysis, of each individual's health, disability and finances, hypothesising that these resources are indicative of future resilience to the shocks and challenges of ageing. Subsequent regression analysis of the socio demographic factors showed which of the factors were statistically related to our 'readiness for ageing' index.

Statistical analysis showed that:
1. There are distinct gender profiles for four of the most ready-for-ageing clusters; however readiness for ageing is not statistically related to gender.
2. Being married or cohabiting, compared to being single, widowed or divorced is associated with being more ready for ageing.
3. Economic activity is significantly related to readiness for ageing; being unemployed is associated with a low readiness for ageing score.
4. Having achieved higher levels of education is associated with being more ready for ageing.
5. Lacking property wealth was associated with low readiness for ageing; being a renter, as opposed to paying a mortgage or being an outright owner, was statistically associated with a low readiness score.
6. Compared to other indicators of wealth, pension wealth had a relatively low influence on readiness scores.
7. Poor health, disability and risky lifestyle factors had a negative impact on readiness for ageing.

We explored the experiences, opinions and attitudes of the clusters via qualitative research, which revealed both key, common attitudes across the whole age cohort and distinct characteristics according to circumstances.

Common attitudes across Generation R were:
- They consider theirs to be a resilient, hard-working generation that did not expect or rely on hand-outs and always 'made do' with what they had, rather than seeking loans or credit.
- They place great value on independence and self-sufficiency, desire for which is a strong deterrent to asking for or accepting help.
- Generally they agree that life was much simpler when they were growing up – having a mortgage and a pension is as far as 'planning' for the future went.

- All, even those worst off, felt that they were relatively lucky growing up as there were always jobs to be had, and that they would prefer to live in their own era rather than be growing up today.
- They thought of themselves as having had generally healthy lifestyles, having avoided junk food and been active (although some are finding it increasingly difficult to stay fit and healthy with age).
- For the most part they believed their health and finances to be largely beyond their personal control, leading to high levels of uncertainty about the future.

Notwithstanding the commonalities, there were differences between clusters and between the genders. Male participants appeared to be more confident and focused on planning for the future than did women, and this difference was most noticeable in those with modest resources which were sufficient at present but uncertain over the longer term. Men appeared more resistant to seeking advice than were women, being more likely to trust their own instincts in the face of disappointment arising from financial scandals of the past. Women were more open to talking frankly about their vulnerability and needs; this was most apparent in the least ready-for-ageing cluster. The all-male clusters had much higher pension wealth than the all-female clusters.

Each cluster had its own characteristics; Cluster 1, all male, was the most ready-for-ageing. They were very confident in their abilities to manage finances and health in the present but even this cluster was concerned about longer term health problems, particularly dementia. Cluster 2 (all women) was employed and enjoyed relatively high housing and material wealth, being mostly outright owners of property. However they had relatively low pension wealth and many found it difficult to thing about and plan for the future. Cluster 3 (all men) were the most likely to have children living at home. Largely employed or self-employed, and still paying mortgages, this group had low housing and material wealth and were very focused on providing for their families and working for as long as possible. Cluster 4, all women, were also economically active but with lower wealth than Clusters 1, 2 or 3. Like Cluster 1 men, they were very aware of health but whereas they knew there was more they could do to improve their lifestyle they found it difficult to change. Cluster 5, comprising both men and women, were all retired. There was a wider range of views across this cluster, some feeling very settled for the future and others quite uncertain and anxious. Cluster 6, also of mixed gender, were all unemployed, however many owned their property outright. They felt lucky in comparison to younger generations but were conscious of having very little in the way of savings for retirement. Cluster 7 also comprised men and women. They were mostly unemployed, with no private pension savings, low property and material wealth, low income and poor health and disabilities. There were key attitudinal differences between men and women in this cluster; the men were more likely to put on a 'brave face' whereas the women were more frank and open about vulnerabilities.

Our research illustrates the considerable diversity across this age group. We have named this age cohort 'Generation R' to reflect their risk, resilience and readiness for ageing.

## Introduction

The group of people born between 1946 and 1964 are sometimes labelled the UK's 'Baby Boomers' and characterised as the lucky generation. They are seen to have benefited from the NHS and welfare state, enjoyed free university education, affordable housing and a favourable job market. Homeowners from this generation gained from the housing boom and more employees had the advantage of defined benefit occupational pensions than following generations. Having "had it so good" from the start, they are widely associated with privilege, in stark contrast with younger generations, who are seen to be struggling financially with student debts, high levels of unemployment and difficulty getting on the housing ladder[1],[2].

However, the generation currently in their 50s and early 60s has also faced challenges. During their adult lives, they have experienced recessions in the 1980s and 1990s and the recent financial downturn has affected the income many can expect in later life. They may also see retirement receding as state pension age increases, which may provide welcome opportunities for those who have good health and work they enjoy. However for others who may have health problems, caring responsibilities or who are long term unemployed, the need to work for longer may be a burden.

Above all we must be careful about generalisations. University education may have been free for this generation, but fewer had the opportunity to go to university than among younger cohorts. Some are indeed looking forward to drawing a good occupational pension but many have seen the winding up of defined benefit schemes they were relying on and the dwindling of annuity rates. Others have had little opportunity to build up private pensions. For example around a fifth of men and two-fifths of women aged 55 to 64 have no private pension entitlement[3]. And half of women in this age group have a private pension fund of less than £22,000 – a level which would provide an annual pension of only around £1,300 a year[4].

Household wealth (property, savings, possessions and private pensions) is highest in the 55 to 64 age group. In 2006-08 median wealth in Great Britain was around £205,000 whereas it was £416,000 for the 55 to 64 age group[5]. However, this midpoint figure masks a very wide variation – the top 10 per cent of households aged 55 to 64 had more than £1.3 million while the bottom 10 per cent wealth of less than £28,000 (including personal possessions such as a car or furniture).

As we enter later life our accumulated financial resources, health, fitness and social networks are crucial to our ongoing quality of life and also to our ability to withstand shocks and difficulties. So just how resilient – or vulnerable – is this age cohort and what are their characteristics? Looking at economic, health and demographic data,

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[1] Willetts, D, 'The Pinch: How the Baby Boomers took their Children's Future – And why they should give it back' 2010, Atlantic, London

[2] Howker, E and Malik, S, 'Jilted Generation', 2010, Icon, London

[3] Office for National Statistics, 2012, *Chapter 4: Pension Wealth, 2008/10.*

[4] https://www.moneyadviceservice.org.uk/en/articles/retirement  Mid-range quote for flat-rate, single life annuity with no lump sum for someone approaching 65. November 2013.

[5] National Inequality Panel, 2010, *An anatomy of economic inequality in the UK* analysis of *the Wealth and Assets Survey 2006/8* Government Equalities Office.

Age UK conducted a statistical analysis of over 4,500 people aged between 50 and 64 who took part in the English Longitudinal Survey of Ageing (ELSA) between 2010 and 2012. We also carried out qualitative research which elucidated important similarities and differences in the attitudes and views across the cohort.

This detailed report provides a uniquely informed view of this age group whom we have called Generation R to reflect their resilience, risk and readiness for ageing.

## Methods

The sample set was taken from Wave 5 of the English Longitudinal Study on Ageing (ELSA). These data were collected by survey between 2010 and 2012. A total of 10,274 people aged over 50 and living in England were included in the survey and of these 4,574 were aged between 50 and 64 and had survey records which were complete enough to be included in the analysis.

ELSA covers a wide range of topics, including health, wealth and income. Key variables from the dataset were selected to cover three domains.
- Economic indicators such as economic activity, income, wealth and assets and housing tenure.
- Health indicators including presence of certain medical conditions, disabilities and behaviours or lifestyles known to be risky to health.
- Demographic and social indicators including age, gender, marital status and household size.

The statistical method of clustering[6] used for this analysis uses the idea of similarities and differences between individuals, across a range of different indicators, to arrive at distinct groups of people within the sample set. Put simply, those in a cluster are statistically similar to each other and different from those outside the cluster.

Having arrived at the distinct clusters, factor analysis was used to create an index of readiness for ageing. The factor analysis was based on six variables, four financial and two relating to health. The results (see Table 1 Appendix A) confirmed that the financial and the health variables correspond to two distinct and significant factors of one underlying variable, which we define as 'readiness for ageing'. This indicates the extent to which an individual would be more or less resilient to any financial or health-related misfortune. We then used regression analysis to explore the relationship between the other sociodemographic variables (such as marital status, educational attainment, etc) and readiness for ageing.

A more in depth understanding of the clusters was obtained via qualitative research which explored the experiences, attitudes and opinions of the cohort. We used a mixed methods approach which included discussion groups and in-depth, ethnographic interviews.

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[6] Henning, C. and T. Liao (2013). "How to find an appropriate clustering for mixed-type variables with application to socio-economy stratification", *Journal of Applied Statistics*, Vol. 62, Part 3, pp. 309-369

# Findings – quantitative analysis

**There is wide diversity in readiness for ageing across the 50-64 age cohort**
The readiness scores are derived from an individual's current status in terms of health, disability and finances, hypothesising that these current resources are indicative of that person's future resilience to the shocks and challenges of ageing. Factor analysis (see Table 1, App A) showed that income, housing wealth and material wealth, are approximately three times as important as pension wealth in explaining readiness for ageing. The readiness score is also negatively related to the number of disabilities and, to a lesser extent, the number of medical conditions a person has.

Our analysis revealed seven distinct clusters of people within the 50-64 year age cohort, with widely ranging readiness-for-ageing scores. For full quantification of the key aspects of the clusters, see Table 3 in Appendix A.

Figure 1 below shows the average 'readiness' score of all individuals within each of the seven clusters. We have numbered the clusters 1 – 7 with 7 being the least ready for ageing. The chart shows that Cluster 7 is highly vulnerable in comparison to the others.
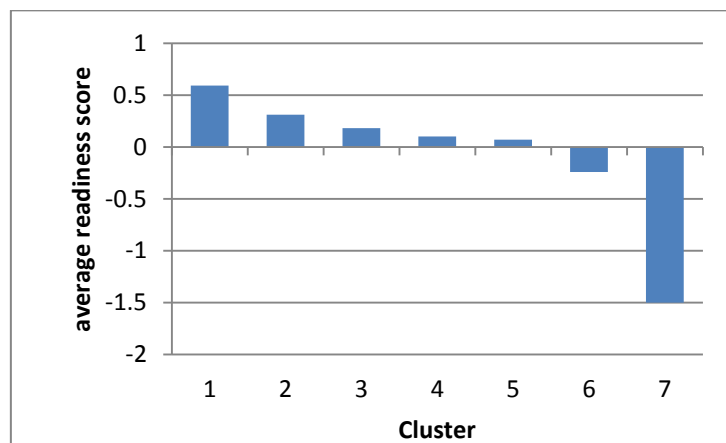


Figure 1 Readiness score by cluster

Looking at the relative proportions of the population within each cluster (Figure 2), we can see that the largest cluster is Cluster 5 at 19 per cent of the sample, and the smallest is Cluster 6 at nine per cent.

**There are distinct gender profiles for four of the most ready-for-ageing clusters**
Clusters 1 and 3 are exclusively male and clusters 2 and 4 female. The more vulnerable clusters have mixed gender profiles, but all are mostly female, with the most vulnerable Cluster 7 split most evenly between the genders. Gender was not significantly related to readiness for ageing.

Figure 2 Size and gender of clusters

**The majority of the age cohort were married or living with a partner**

Being married is common for this age group. According to the Office for National Statistics[7], 71 per cent of men and 68 per cent of women aged 50-64 in England are married. By cluster (Figure 3), we can see that all but the most vulnerable cluster were predominantly in a couple. Regression analysis showed that being in a couple was significantly related to being ready for ageing.
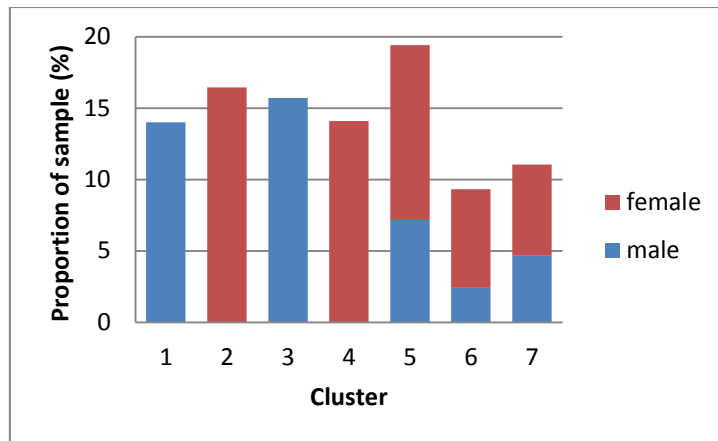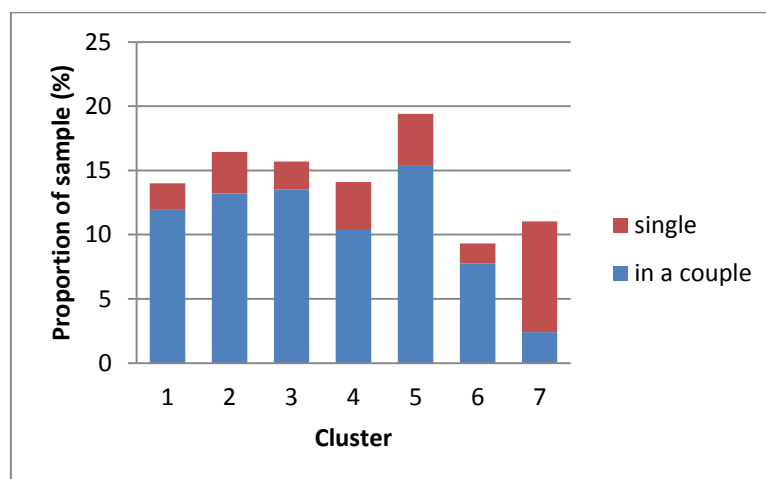


Figure 3 Partnership status by cluster

The English Longitudinal Study of Ageing sample includes a large proportion of married or cohabiting couples and in our sample there were 1,330 couples (ie 58 per cent of people in our sample were in a married or cohabiting partnership with each other). This allowed us to explore common pairings between the clusters, showing that Cluster 1 were commonly paired with Cluster 2 and Cluster 3 to Cluster 4. Clusters 5 and 6 men were commonly coupled with Cluster 2 women. Only 22 per cent of Cluster 7 men were in a couple at all within the dataset, but those that were in a couple were most commonly paired with either Cluster 2 women or Cluster 7

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[7] Office for National Statistics, Marital Status Population Estimates Including Marriages Abroad - Mid 2010, http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-231283 , downloaded 7 June 2012.

women.   Cluster 6 (mostly female) seemed to have a more even distribution across other clusters in terms of pairings.  There were no same sex pairings in the sample set.
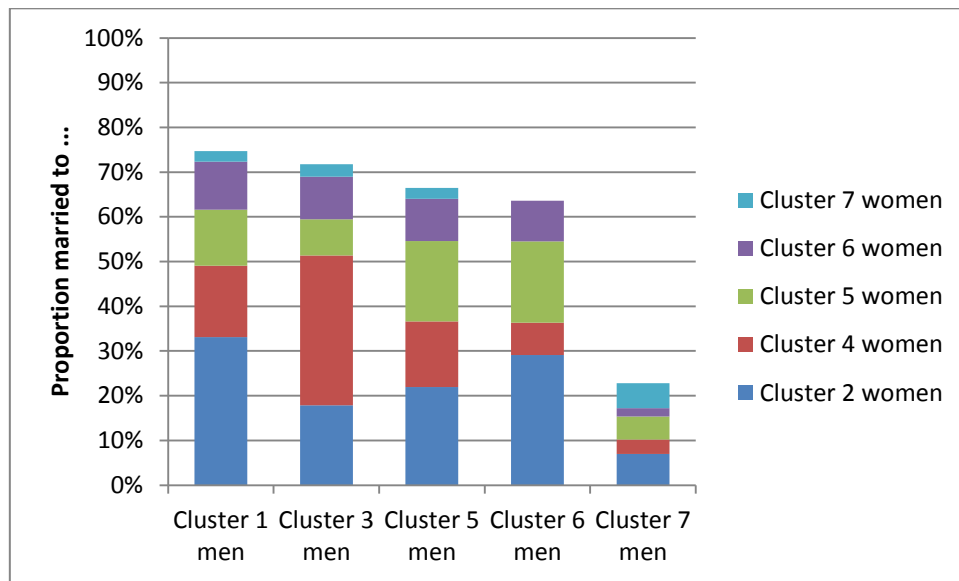


Figure 4 Marital pairings across clusters

**Economic activity is significantly related to readiness for ageing**
Looking at the clusters by economic activity, Figure 5 shows that the four most resilient are predominantly in employment or self-employment, in fact the two most resilient are all earning a salary.  Cluster 5 is all retired, Cluster 6 is all unemployed and Cluster 7 predominantly unemployed, with some in employment and a very small proportion retired.  Regression analysis showed that readiness for ageing decreased with increased probability of joblessness or retirement.
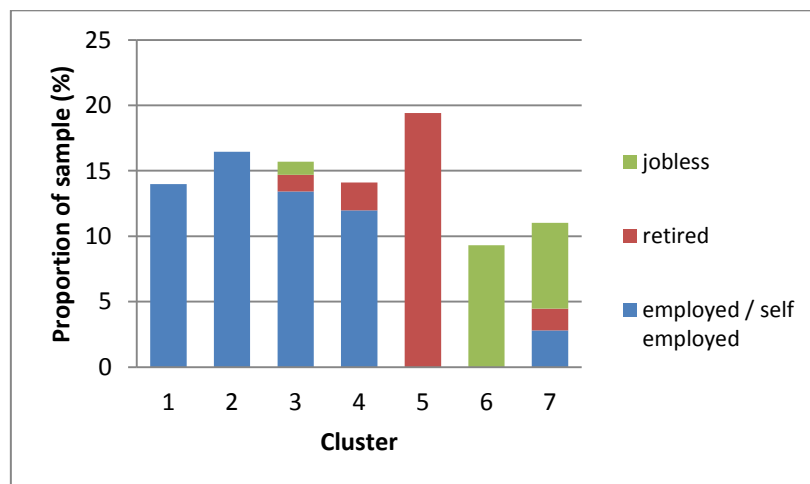


Figure 5 Employment status by cluster

Median equivalised (household)[8] income across the clusters mostly reflects economic activity. Cluster 6, although not in employment, benefit from relatively high household income compared to Cluster 7. As figures 3 and 4 show, 80 per cent of Cluster 6 are married or cohabiting, and mostly with better-off partners. Cluster 7, by contrast, are mostly single (78 per cent).
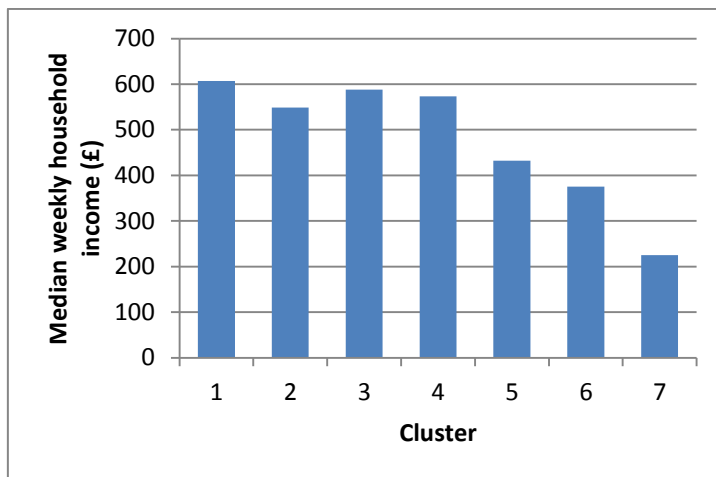


Figure 6 Weekly income by cluster

**People with a university degree were more likely to be ready for ageing**
Highest level of educational attainment also reflects current economic activity to some extent in that the most vulnerable clusters which are predominantly unemployed are the most likely to have no formal qualifications and the least likely to have reached degree level or higher.
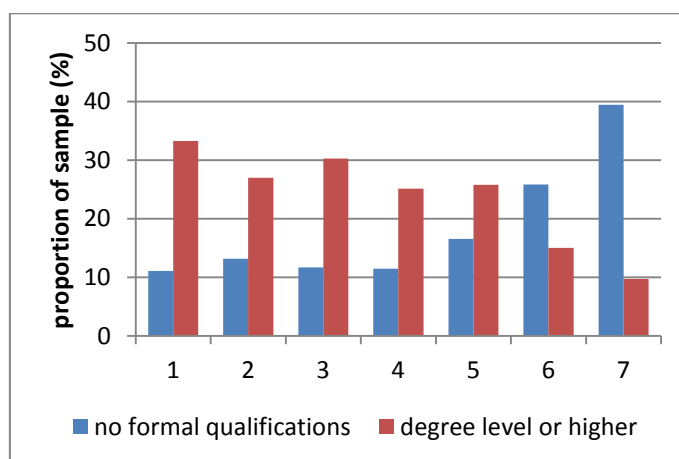


Figure 7 Educational attainment by cluster

Looking solely at economic activity might prompt the question of why Cluster 6 (all unemployed) appear to be much more ready for ageing than Cluster 7 (of whom a quarter are earning a wage). However, our analysis took a large number of variables into consideration and looking at wealth helps to explain the findings.

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[8] The income figure used is that for 'benefit unit', ie the same value for income is assigned to each member of a household, regardless of who earns that income.

**Housing tenure helps to explain the readiness scores**
Housing tenure impacts on net housing wealth, and being an outright owner of a property is significantly related to being ready for ageing.
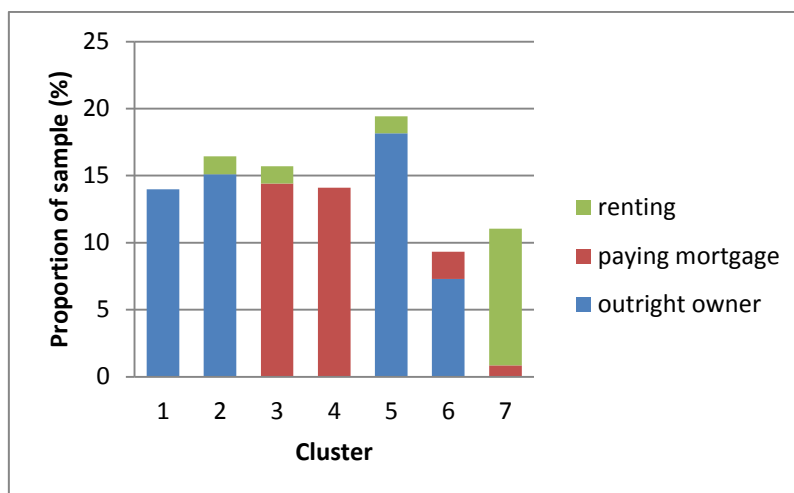


Figure 8 Housing tenure by cluster

Figure 8 shows that the two most ready clusters are all outright owners of their properties and consequently, as Figure 9 below shows, they have relatively high median housing wealth. The most vulnerable cluster has a median housing wealth of zero because they are predominantly renters. Cluster 6, although unemployed, are mostly outright owners of property and have higher median housing wealth than do clusters 3 and 4, who are still paying mortgages.
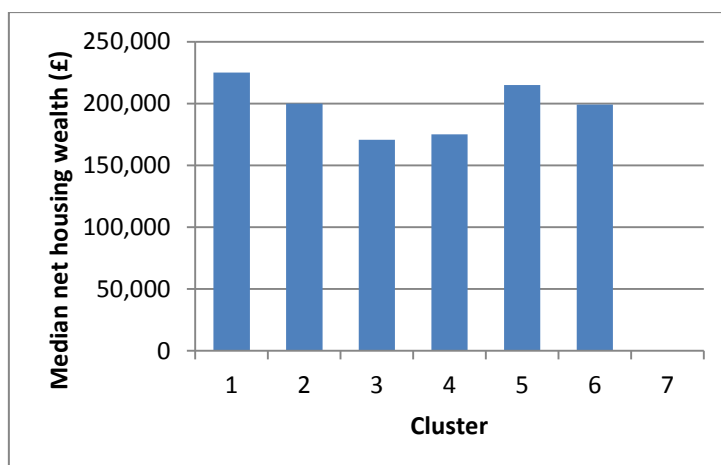


Figure 9 Net housing wealth by cluster

Besides wealth in property, pension and material wealth (assets such as savings, plus value of material goods such as furniture, vehicles, etc) show variation by cluster (figures 10 and 11). Material wealth has a similar weighting to net housing wealth in the factor analysis, and varies by cluster in a similar pattern, apart from Cluster 5, which has a much higher median level of material wealth than all other

clusters, including all four with higher readiness scores.  Cluster 5 also has the highest median age.
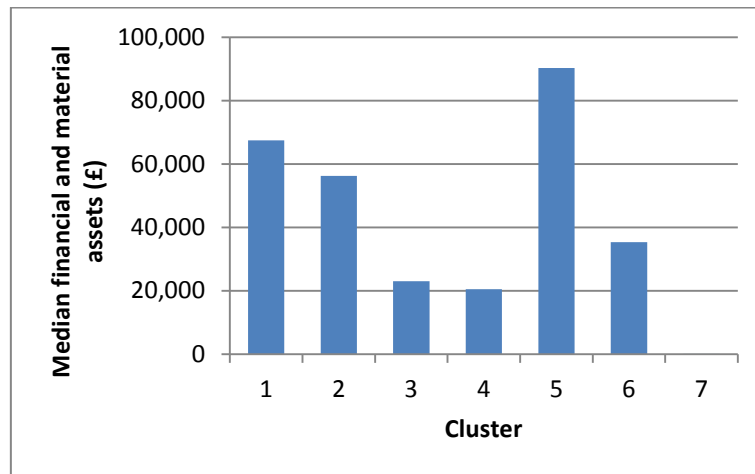


Figure 10 Material wealth by cluster

**Pension wealth had a comparatively low effect on readiness for ageing**
The factor analysis (Table 1 Appendix A) showed that pension wealth produced roughly one third of the effect of housing or material wealth on readiness for ageing. Figure 11 illustrates the large fluctuations in pension wealth across the clusters as readiness decreases.  Rather than readiness for ageing, the graph shows a striking pattern in pension wealth according to gender, with the all-male clusters 1 and 3 having markedly higher private pension wealth than the all-female clusters 2 and 4. As well as gender, birth cohort may also be influential with Cluster 5, being slightly older and already retired, potentially having benefited from Defined Benefit pension schemes.

Another point to note from the graph is the considerable contribution of State Pension to total pension wealth, even for those with high levels of private pension.



Figure 11 Pension wealth by cluster

**Poor health, disability and risky lifestyle reduce readiness for ageing**
We also included, as an important part of our clustering analysis, indicators of poor health and disability. Looking at the findings by cluster shows a not surprising picture of increasing vulnerability with:
a) worsening health (measured by number of medical conditions)
b) disability (measured by difficulties with activities of daily living (ADL) or instrumental activities of daily living (IADL), and
c) more risk factors (ie smoking, drinking more than recommended levels, eating an unhealthy diet, sedentary lifestyle or often feeling lonely)
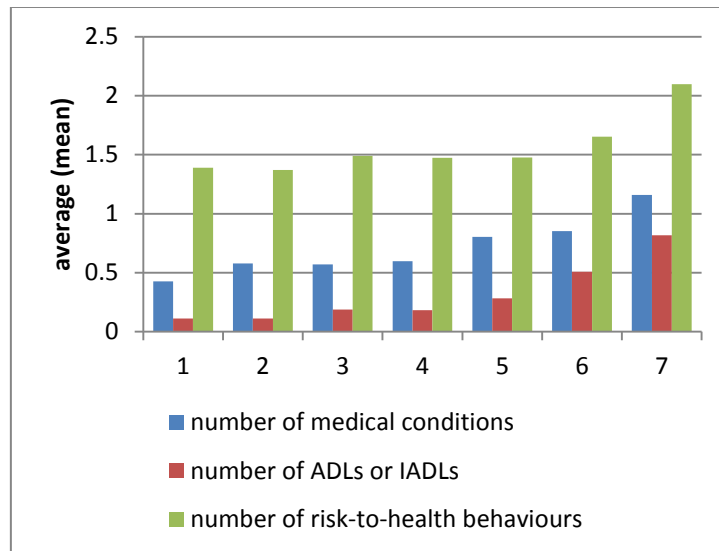


Figure 12 Health and disabilities across clusters

Although regression analysis showed that increasing age was related to decreasing readiness, it is interesting to note that Cluster 5, with the highest average age, nevertheless enjoys better health and lower rates of disability than the more vulnerable clusters 6 and 7. Poor health and disability may be factors which affect the high levels of unemployment in the more vulnerable clusters.
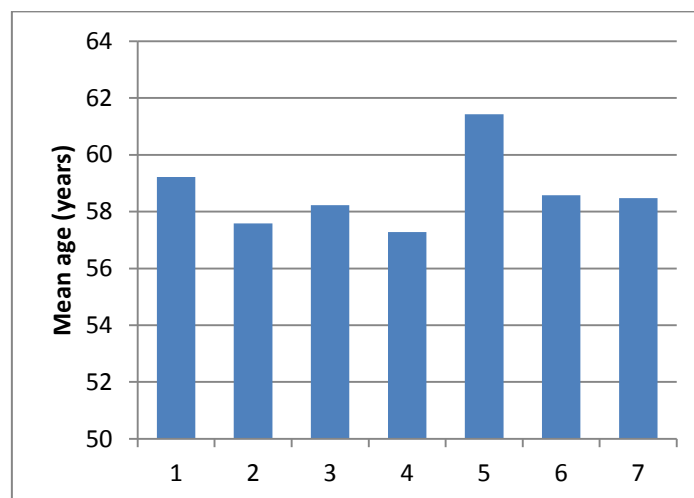


Figure 13 Mean age across cluster

**Summary of quantitative findings**

The readiness scores are derived from an individual's current status in terms of health, disability and finances, hypothesising that these resources are indicative of that person's future resilience to the shocks and challenges of ageing. This resource-based approach will benefit from future longitudinal analysis to investigate whether the different clusters fared as we might have expected considering their readiness scores.

The quantitative analysis currently indicates a wide diversity in 'readiness for ageing' across the cohort of people aged between 50 and 64 in England. It further shows that:

1. There are distinct gender profiles for four of the most ready-for-ageing clusters; however readiness for ageing is not statistically related to gender.
2. Being married or cohabiting, compared to being single, widowed or divorced is associated with being more ready for ageing.
3. Economic activity is significantly related to readiness for ageing; being unemployed is associated with a low readiness for ageing score.
4. Having achieved higher levels of education is associated with being more ready for ageing.
5. Lacking property wealth was associated with low readiness for ageing; being a renter, as opposed to paying a mortgage or being an outright owner, was statistically associated with a low readiness score.
6. Compared to other indicators of wealth, pension wealth had a relatively low influence on readiness scores.
7. Poor health, disability and risky lifestyle factors had a negative impact on readiness for ageing.

# Findings – qualitative research

The following section presents findings from qualitative research (discussion groups and individual interviews).

**Despite differences in individual circumstance, some attitudes endured across Generation R**.
Across the groups, all participants:-

- Consistently consider theirs to be a resilient, hard-working generation that did not expect or rely on hand-outs and always 'made do' with what they had, rather than seeking loans or credit.
- Place great value on independence and self-sufficiency, desire for which is a strong deterrent to asking for or accepting help.
- Agree that life was much simpler when they were growing up – having a mortgage and a pension is as far as 'planning' for the future went.
- Feel that they were relatively lucky growing up as there were always jobs to be had, and that they would prefer to live in their own era rather than be growing up today.
- Think of themselves as having had generally healthy lifestyles, having avoided junk food and been active (although some are finding it increasingly difficult to stay fit and healthy with age).
- Believe their health and finances to be largely beyond their personal control, leading to high levels of uncertainty about the future.

Perceptions of inability to control finances seemed to arise to some extent from experiences of adverse events such as reduced annuity rates, previous recessions, high interest rates in the 1980s and the recent economic downturn. Financial planning for this cohort had always been a relatively simple matter of joining a workplace pension scheme and taking out a mortgage. Many now felt that property was the most secure investment and did not place any confidence in other forms of saving.

**Some differences between genders became apparent**
Male participants of our research tended to be much more focused on planning their future finances than did women. This seemed to particularly affect those in Clusters 2 to 4 who had modest resources which were enough for security in the present but not enough to guarantee the future. Arguably, given that these groups are economically active they could benefit the most from some planning, however the two female groups seemed more inclined to live in the present and enjoy themselves rather than plan for the future than did the men.

Men also appeared more resistant to advice from others on planning for the future than were women. Members of the female clusters appeared to lack confidence in their ability to plan for the future and were more likely to listen to guidance from family and friends. Men were more likely to trust in their own instincts and make independent decisions.

Women were more open to talking about their vulnerability and needs than were men. This difference can be seen most clearly in the differences between the men

and women in Cluster 7.  Both genders were in similar, highly risky, circumstances in terms of their health and financial wellbeing.  However, men tended to be less forthcoming about negative details and to paint a vaguer, brighter picture of reality whereas women were more explicit in describing the problems and much more willing to admit the full extent of their vulnerability.

**Notwithstanding the commonalities each cluster had distinct characteristics**
We present the characteristics and brief vignettes associated with each cluster below.  The vignettes are composite case studies comprising attitudes and experiences across numerous people who fitted each cluster profile, and hence the 'people' named are fictitious.  However, any quotations are reported verbatim from the research.

**Cluster 1 is the most ready for ageing**
Cluster 1 (14 per cent of the population) consists entirely of men, with an average age of 59 years.  The large majority (85 per cent) are married or co-habiting, and they live in households of an average of 2.2 people.  One third of the cluster is highly educated, having a degree, equivalent or higher qualification.  Just over one in ten (11 per cent), however, have no formal qualifications.  All are in work, and one in four (24 per cent) are self-employed.  The median, gross household income across this cluster is £607 per week.  Everyone in this cluster owns their home outright, and their median housing wealth is £225,000.  In addition, they have total material wealth (including value of furniture, cars, etc) of £67,485.  They have the largest pension wealth of all the clusters, of £467,396 and 35 per cent have Defined Benefit schemes.  Cluster 1 men enjoy the best health profile of all the clusters, 66 per cent have no medical conditions and just six per cent have any disabilities.

Cluster 1 vignette – Michael
*Michael feels settled and sorted, but worries about falling ill.*

Outward appearances are very important to Michael and he prides himself on his ability to make wise financial and health-related choices.  He feels prepared and confident for the medium term future.  He has put his faith in property, investing in a second home, and feels that this is a guarantee of future security.  He will downsize when he retires, which will be in 10 to 15 years' time. Having lived through various financial scandals in the past such as the mis-selling of pensions and endowment mortgages, Michael does not now believe the advice of government or financial institutions, preferring to talk to friends and family and decide for himself.  He thinks it is up to each individual to be responsible for his or her own finances and not depend on others.

*'There's no substitute for learning by experience.  A lot of advice you get from every quarter is bad.'*

Beyond the midterm, he feels unable to plan for his whole retirement, which he realises may last twenty or even thirty years.  There are too many unknowns and he feels daunted.  Michael knows that his generation is set to live longer than his parents' generation but what this increased longevity will actually mean in terms of his health is a question in his mind.  He works hard to stay fit, going to the gym at

least once a week.  He recently joined a running club and is enjoying competing in half marathons.

Dementia, however, is something that he does not know how to plan against, and he perceives it to be a relatively modern disease resulting from longer life expectancy.

*'We'll all get dementia if we're not careful.  People are staying physically healthy longer but not mentally healthy. In the past what happened was you died at the age your body wore out.  Now what happens is that your body doesn't wear out, but your brain wears out.'*

**Cluster 2 comprises economically active women**.
With an average age of 57.5, some 82 per cent of Cluster 2 women are married or cohabiting and they live in households of  2.2 people on average. Making up 16 per cent of the population, just over a quarter (27 per cent) are educated to degree level or higher, but 13 per cent have no formal qualifications.  Similarly to Cluster 1, all the women of Cluster 2 are employed and 12 per cent self-employed.  They earn a median weekly income of £548.40.  The large majority, 90 per cent, own their home outright but one in ten are renters and thus have no housing wealth.  The median housing wealth for this cluster is £200,000 and in addition they have median material wealth of £56,250.  Their pension wealth is £236,733.  They have a good health profile, with 56 per cent having no medical conditions and seven per cent having any disabilities.

Cluster 2 vignette – Mary
*Mary is going to hang on to her job and try to have fun rather than make herself miserable saving.*

Mary feels it is very difficult to think about and plan for the future, preferring to 'live in the moment'.  She has some private pension wealth, but her key dilemma is whether to save for what will be at best a modest retirement income in later life or whether to enjoy the moment because the future looks so uncertain.  She watched her parents scrimp and save and feels she would like to enjoy life while she can.  However she feels confused over which path to take and lacks confidence in her own ability to make the right decision.  The result is an unwillingness to think about the future and anxiety about financial security in her old age.

'*Some people say pay into a private pension fund for my future, whereas others say "I'm spending my money now and travelling because I might drop dead tomorrow"'*

Mary is a Personal Assistant and returned to this profession after a 10 year break to raise three children.  Despite her successful career she doesn't feel confident about her own achievements, emphasising her children and partner instead.  One of the reasons for her uncertainty is having seen so many of her friends and peers being made redundant and having to retrain to find another job.

Mary feels a lot of pressure of expectation to look after ageing relatives in the near future, and worries about the impact this will have on her life.  The prospect of her

own later years provokes anxiety.  She is fearful of becoming dependent on others or living with a poor quality of life because of illness and disability.

*'We are living longer but we're not necessarily having better quality of life at the end of our lives.  My mum sits for days without doing anything.  What's the quality of life just sitting and staring at a wall?'*

She feels overwhelmed by information about financial planning and doesn't know whom to trust.


**Cluster 3 comprises men who live in the largest households**
At 19 per cent of the population, Cluster 3 has an average age of 58 years and everyone in this cluster is male.  They are mostly married or cohabiting (86 per cent), but tend to have larger households than other clusters (average 2.4 people), suggesting that they are more likely to have children living at home.  Some 30 per cent are educated to degree level or higher.  The large majority, 86 per cent, are employed, 21 per cent self-employed, six per cent are retired and eight per cent are unemployed.  Their median weekly income is £588.None of this cluster own their home outright, 90 per cent are paying a mortgage on their property.  One in ten are renters.  Median housing wealth across the cluster is just over £170,000.  They enjoy large pension pots, of average £418,000 (29 per cent have Defined Benefit schemes) but relatively low material wealth of other kinds, at £23,000.  They have good health, with 61 per cent having no medical conditions, although nine per cent have two or more disabilities.

Cluster 3 vignette - Robert
*Robert is going to keep providing for as long as he can, and focus on others, not himself*

Robert is quite open about the challenges he faces but despite this he stresses his resilience and ability to cope.  Robert feels the financial pressures of providing for his adult children and helping his ageing parents.  But unlike them, he has made no provision for the future other than signing up to a pension scheme, so he feels very uncertain about his later life.  He can't even imagine retirement – he has no sense of when he will retire and what his pension will be worth.

*'There is a lot of information out there but it's something that scares me.  I need to figure out what income my pension will generate for me and what I'll have to do to top that up.'*

His 'plan A' was to rely on the pension and to pay off the mortgage – now that the pension and his property are both worth less than they expected, 'plan B' is to keep working for as long as possible.  Robert thinks this time of his life is the most difficult so far.  He worries about the effect of the recession on his children and feels compelled to help in any way he can, while also supporting his parents who are struggling on their fixed incomes and low saving rates. His view is that he will be even worse off than his parents in old age.

So for Robert at the moment, financial worries outweigh concerns about health and he does not consider his diet or fitness.

*'You're coming to the end of your work life and you've got a lot more responsibility. Grandchildren, children. Your children might be struggling and you can't help but get involved.'*

*'I think we're going to struggle because we don't have the same pensions. And our parents didn't have to look after us the way we have to look after our children.'*

**Cluster 4 comprises working women with modest means**

This cluster (14 per cent of the population) consists entirely of women and has an average age of 57 years. One in four Cluster 4 women are single (27 per cent). Nevertheless they have an average household size of 2.2 people, suggesting that some have children living at home. A quarter has a degree or higher level of educational attainment and 12 per cent have no formal qualifications. Some 85 per cent are in employment or self-employed and 15 per cent are retired, there is no joblessness in this cluster. Their household gross weekly income is £573. All of Cluster 3 is paying a mortgage on their property and they have median, net housing wealth of £175,000. They have lower pension wealth than clusters 1 or 3, at £244,116 on average, and low material wealth of £20,511. More than one in ten (12 per cent) have unhealthy lifestyles with three or more risk-to-health habits such as smoking, drinking more frequently than recommended, eating a poor diet or sedentary lifestyle. Nevertheless, 57 per cent report no medical conditions and 89 per cent no disabilities.

Cluster 4 vignette – Patricia
*Patricia plans to keep on as before and hope for the best*

Patricia is open about the challenges she faces, without letting them get the better of her. She often refers to the fact that there are many people worse off than she is. However she does admit to feeling tired, providing for her children and looking after her parents with no sign of relief in the near future.

The rising cost of living and the recession have left Patricia worse off now than she expected to be a decade ago and she's worried about finances over the next decade and beyond. Like Robert and Linda, she has drifted through life to some extent without needing to plan. It hasn't been much of a concern until now, so she feels quite new to this. Her main option as she sees it is to work for the foreseeable future and hope that she can pay off her mortgage.

*'In my forties I was happy. Had my home, my kids, nice car, good holidays. My forties felt much better than my fifties have. We don't feel as financially secure now. We don't have that much in the budget anymore and we're still working full time.'*

Patricia worries as much about health as she does about finances. This might stem from being the main carer for her parents, both of whom have long term health problems and disabilities. As well as her own health, she worries about her husband's too. The prospect of being left alone is quite frightening to her.

*I worry about my husband. He works so hard in such a stressful job and he gets these terrible migraines. This year I've been to eight funerals and they're all younger men.'*

Whereas Patricia is aware that there is more she could be doing to improve her diet and lifestyle, she finds it quite hard to resist readily available treats.

*'Back when we were young we might have had a chocolate bar every few weeks. Now there is so much temptation.'*

Patricia feels some resentment that her generation is perceived to have had everything come easily to them with little recognition of the fact that they had to work hard and save to get to where they are now.

*'The media think we've had everything and we've pushed the house prices up.'*

## Cluster 5, all retired, forms the largest cluster

This cluster forms 19 per cent (just under one fifth) of the population. It is 37 per cent male, 63 per cent female. It is the eldest cluster with an average age of 61.5. Four out of five live with a partner, and their relatively small household size of two people suggests that any children have left home. Just over a quarter (26 per cent) have a degree or higher; one in six (17 per cent) have no formal qualifications. This entire cluster is retired and has a median weekly income of £432. The large majority (90 per cent) own their home outright and one in ten are renters. Accordingly, they have a relatively high average housing wealth of £215,000 compared to the other clusters. They also have pension wealth which is relatively high, at £406,763 on average, and a high level of material wealth, at £90,250. Some 12 per cent have unhealthy lifestyles and a slight majority (54 per cent) have at least one medical condition. In addition, 16 per cent have a disability.

Cluster 5 vignette – Linda
*Linda feels let down and anxious about the future but doesn't want to complain because things could be worse*

Linda is talkative and confident in her ability to be self-sufficient and fight her own corner. From leaving school after her 'O' levels until she retired a few years ago, Linda has worked hard to run a business with her husband. She loved working but felt that she was starting to lack the energy for full-time work and was looking forward to seeing more of her children and young grandchildren in retirement. Having paid off the mortgage on the family home, and also having saved into a private pension, Linda felt she had done all the right things to make sure her future retirement would be comfortable.

However, her husband fell ill and died soon after retirement and Linda found her income was lower than she was expecting. She hasn't had the chance to travel and enjoy some of the nicer things in life as she had thought she might. She has seen her home decrease significantly in value over the past 6 years. Unlike Mary, Linda

doesn't have the option of working for longer to counter the change in her economic circumstances and she feels cheated of the retirement she felt she deserved.

*'I've worked really hard since I was 14. I've worked up to 64, and worked long hours and since my husband's died it's been quite tough. And I really felt that coming up to 64, I need a little time for me. There's places I want to go. And suddenly I can't do that. It's all because of the recession. '*

Despite this she feels quite strongly that there are others less fortunate than she is and doesn't feel the need (or the right) to ask for handouts or support. After the death of her husband from cancer and seeing a number of her friends succumb to illnesses like multiple sclerosis, Linda says that things could be much worse.

*'Our generation were brought up to be really independent. You want to do it yourself.'*

Linda is proud of how she has adapted to being alone following the loss of her husband and sees herself as independent and competent. Despite the fact that she had to look after her own ageing parents, she is very scared of becoming dependent in old age. She'd hate for her children to have to do the same for her.

*'It's not death you worry about, it's illness. I wouldn't want anybody to look after me because it puts life on hold when somebody has to look after you. I wouldn't want anyone ruining their life because they have to look after me.'*


**Cluster 6 faces an uncertain future**

Cluster 6 is the smallest, at 9 per cent of the population. It is one quarter (26 per cent) male and three quarters female with an average age of 58.5 years. Four out of five are married or cohabiting and they have an average household size of 2.2 people. A quarter (26 per cent) of this cluster has no formal qualifications, whereas 15 per cent are educated to degree level or higher. Everyone in this cluster is unemployed and they live on a median weekly income of £375. However this cluster enjoys property wealth, none are renters. Some 80 per cent own their home outright and 20 per cent are still buying it with a mortgage. The median housing wealth is £199,925. Their pension wealth is low in comparison to other clusters, at £201,845 and their material wealth total £35,355 on average. One in five of this cluster has an unhealthy lifestyle, with three or more risk-to-health habits. Some 57 per cent have at least one medical condition and eight per cent have three or more. More than one in five (23 per cent) have two or more disabilities.

Cluster 6 vignette - Mina
*Life hasn't worked out as Mina expected, but she's thankful she's had the safety net of her property, friends and family.*

Mina is matter-of-fact rather than resentful about the fact that her life hasn't followed the path she expected. Having worked full time for nearly forty years, Mina was recently made redundant from her job as an administrator. As yet unable to find another job, Mina is beginning to feel under-qualified in comparison to the mostly

younger candidates for the roles she is applying for, and has found that her depression has returned.

*'I still get bad days, which I call 'blackies'. It's manageable but I still get it from time to time.'*

Mina says that she wouldn't have been able to get through the past few years without the support of her husband. She also takes pleasure in the successes of her two children and three grandchildren, whom she sees regularly and often looks after.

*'My husband is my rock. If I have any problems I discuss them with him.'*

*'OK, I'm not rich, but I've got wealth of other riches, like my kids and my grandkids, so I don't really think I would change anything.*

Compared to her children's generation, Mina feels that she's been very lucky to be able to buy a property on only a modest income. She and her husband bought an ex-council house in the 1980s, and had finished paying off the mortgage shortly before she was made redundant.

However, Mina is conscious that she has little in the way of savings, and had to cash in most of her small private pension when she first lost her job. She knows that things will be tight when her husband retires in a few years' time, but says 'at least we'll be in it together.'

**Cluster 7 is highly vulnerable and by far the least ready-for-ageing**
Of all clusters, this one is the least ready for ageing. At 11 per cent of the population, it contains the most equal gender split, with 43 per cent male and 57 per cent female and has an average age of 58.5 years. In stark contrast to the other clusters, the majority of Cluster 7 is single (78 per cent). Consequently it has the smallest household size at 1.8 people on average. Only one in ten is educated to degree level or higher, and a large proportion (39 per cent) have no formal qualifications. A quarter is employed, 15 per cent are retired and the majority, 59 per cent, are unemployed. Cluster 7 live on the lowest weekly income of all the clusters at an average of £225. With 90 per cent renting and 10 per cent paying a mortgage, the median housing wealth is zero. Their median private pension wealth is zero and material wealth is only £160. A relatively large proportion, 36 per cent, has an unhealthy lifestyle with three or more risk-to-health behaviours, 65 per cent have at least one medical condition and 17 per cent have three or more. More than two in five (43 per cent) have a disability and 38 per cent have two or more problems with activities of daily living.

Cluster 7 female vignette - Susan
*Susan can't think about next week, let alone retirement*

Susan is impeccably dressed in office clothes even though she has no job to go to. She is determined to ask for as little help as possible but she is honest and quick to share her feelings and experiences. Susan actively avoids thinking about the future and is very fearful of the current threat to the welfare and disability benefits that she

depends upon. She has faced a number of setbacks, including a divorce, a workplace injury some years ago which still prevents her from working, and she now has diabetes. As it is, the problems of today are enough to keep her occupied so thoughts of any other long-term issues that might play out over the coming decade or so are kept at bay. She believes that planning has not worked up to this point and is therefore a pointless exercise now.

*'I think things are changing too fast to make those long term goals. And you don't know if you'll ever get there or how much things will have changed by the time you get there.'*

Susan would really like to find a way to become less dependent on benefits but she can't see a way to achieve it. She feels down a lot of the time and, although she knows she spends too long sitting at home watching TV and eating too much of the wrong foods she can't summon the energy to exercise or diet. Susan thinks her generation is one that likes to stand on their own two feet and she is too ashamed to share too much about her situation with her family and friends.

'*You don't think in early life about the future you just cope day to day. A lot of the time it's a struggle anyway. You can be in work one week, out of work the next week. You just cope. You just get on. As you gradually get older and older in life, you suddenly think hang on I haven't done anything for the future. Some of my friends have, they've bought a house.'*

Loneliness and isolation scare her the most, especially with money from the Government and help from charities disappearing as funding is squeezed. She has had many positive experiences of charitable support in the past, including practical financial help and, importantly, emotional support through social networks.

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Cluster 7 – male vignette - John
*John doesn't think about the future because there's nothing he can do to change it*

John is concerned to put on his best face and appear undeterred by his challenges. Despite his cheerful words, John's body language and tone of voice suggest that life is a struggle.

He finds it hard to contemplate planning for the future and avoids doing so. He faces too many unknowns, particularly concerning his health, and there's no spare income to be able to plan with anyway.

*'You can only deal with this moment now. You've got to remain optimistic because if you don't, you drag yourself down.'*

John faces all of this with a strong sense of 'whatever will be, will be' and says it's fruitless to be too pessimistic about the future. He has serious health problems which have left him with disabilities and he is unemployed. Although he is many years from retirement, John does not expect to work again. Some of his friends, who are also unemployed, have small private pensions and own their homes, but John has neither of these assets, expecting to survive on his State Pension and benefits

when the time comes.  He had to sell his parents' property to pay for their care so he does not stand to inherit from them.

He focuses on living in the moment, so if he smokes and drinks a little too much or eats the wrong things it isn't something he worries about.

*'I don't know how my health is going to be.  Without sounding gloom and doom till I know if I've got a future, there's no point thinking about it.'*

John has had great support from charities who have given him advice about finances, entitlements and how to save money.

*'They sorted out a lot for me.  I would be a lot worse off if I hadn't had that advice.'*

**APPENDIX A**

Table 1 – Factor analysis weights

| | Weights Factor 1 | Weights Factor 2 |
|---|---|---|
| Net housing wealth (value minus outstanding mortgage) | 0.626 | -0.18 |
| Material wealth other than pension wealth | 0.625 | -0.01 |
| Income | 0.512 | -0.11 |
| Pension wealth | 0.188 | -0.09 |
| Number of problems with ADLs or IADLs | -0.11 | 0.634 |
| Number of medical conditions | -0.108 | 0.453 |

Table 2 – Regression analysis

| Variable | Estimate | Direction |
|---|---|---|
| Outright ownership | 1.116 | Readiness increases with likelihood of outright ownership |
| Paying mortgage | 0.833 | Readiness increases with likelihood of paying mortgage (compared to renting) |
| Educational attainment | 0.178 | Readiness increases with higher education levels |
| Age | -0.014 | Readiness decreases with increasing age |
| Joblessness | -0.725 | Readiness decreases with likelihood of being unemployed |
| Retirement | -0.333 | Readiness decreases with likelihood of being retired |
| Marital status | 0.366 | Readiness decreases with likelihood of being single (or divorced or widowed) |

**Table 3 – Full quantification of clusters**

| | Attribute | Cluster | | | | | | | Regression |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|---|---|---|---|---|---|---|---|---|
| *Cluster size* | Proportion of population | 14.0% | 16.4% | 15.7% | 14.1% | 19.4% | 9.3% | 11.0% | |
| *Gender* | Male | 100% | | 100% | | 37% | 26% | 43% | NS |
| | Female | | 100% | | 100% | 63% | 74% | 57% | |
| *Age* | Age (mean) | 59 | 57.5 | 58 | 57 | 61.5 | 58.5 | 58.5 | -0.012 |
| *Marital Status* | In couple | 85% | 82% | 86% | 73% | 79% | 80% | 22% | 0.310 |
| | Single | 15% | 18% | 14% | 27% | 21% | 20% | 78% | |
| *Household* | Household size | 2.2 | 2.2 | 2.4 | 2.2 | 2.0 | 2.2 | 1.8 | 0.077 |
| *Education level* | Degree or higher | 33.3% | 27.0% | 30.2% | 25.1 | 25.8% | 15.0% | 9.7% | 0.178 |
| | No qualifications | 11.1% | 13.2% | 11.7% | 11.5% | 16.6% | 25.8% | 39.4% | |
| *Economic activity* | Employed / self-employed | 100% | 100% | 86% | 85% | | | 25% | |
| | *(Self-employed only* | *24%* | *12%* | *21%* | *11%* | | | *3%)* | |
| | Retired | | | 6% | 15% | 100% | | 15% | -0.328 |
| | Jobless | | | 8% | | | 100% | 59% | -0.725 |
| *Housing tenure* | Owns home outright | 100% | 90% | | | 90% | 80% | | 1.116 |
| | Paying mortgage | | | 90% | 100% | | 20% | 10% | 0.821 |
| | Renting | | 10% | 10% | | 10% | | 90% | |
| *Financial* | Income (median) | £607 | £548 | £588 | £573 | £432 | £375 | £225 | |
| | Housing wealth (median) | £225,000 | £200,000 | £170,750 | £175,000 | £215,000 | £199,925 | £0 | |
| | Pension wealth (median) | £467,396 | £236,733 | £418,060 | £244,116 | £406,763 | £201,845 | £167,408 | |
| | Material wealth (median) | £67,485 | £56,250 | £23,000 | £20,511 | £90,250 | £35,355 | £160 | |
| *Health / disability* | No unhealthy habits | 9.1% | 9.6% | 5.0% | 8.7% | 8.0% | 7.5% | 1.8% | |
| | Three or more habits of risk to health | 7.5% | 8.1% | 8.9% | 11.5% | 11.7% | 20.9% | 36.4% | |
| | No medical conditions | 65.8% | 55.9% | 60.6% | 57.1% | 46.3% | 43.2% | 35.4% | |
| | Three or more medical conditions | 0.8% | 1.9% | 4.0% | 3.4% | 5.4% | 8.0% | 17.4% | |
| | No difficulties with daily living | 93.6% | 93.0% | 90.0% | 89.0% | 84.0% | 72.1% | 56.8% | |
| | Two or more difficulties with daily living | 4.8% | 4.1% | 8.6% | 7.3% | 12.3% | 22.8% | 38.4% | |
| *Resilience* | Resilience score | 0.59 | 0.31 | 0.18 | 0.10 | 0.07 | -0.24 | -1.50 | |