Who wins retirement?

Each generation faces unique advantages and disadvantages compared to other generations when it comes to planning for and being in retirement. Paige Perrin examines how each generation has it better or worse in retirement

Intergenerational debates often centre on which generation has it tougher or easier than the one before. So, what's the viewpoint when looking at retirement? Baby Boomers (those born between 1946 and 1964) generally benefitted from generous defined benefit (DB) pensions and earlier state retirement ages. In contrast, Gen X (born between 1965 and 1980) were the 'missed out generation', too young to benefit from DB schemes and too old to fully feel the effects of auto-enrolment (AE), introduced in 2012. Millennials (born between 1981 and 1996) and Gen Z (born between 1997 and 2010) face similar challenges when it comes to their retirement. They are the first generations to benefit from AE, but also face a changing work landscape where job switching can negatively impact retirement savings. They also face a challenge when it comes to housing, getting on the property ladder at a later age, if at all, and may therefore be paying rent or a mortgage post-retirement. Ultimately, while older generations created retirement wealth through homeownership and guaranteed incomes, younger generations must rely on personal savings.

Baby Boomers

"As a generation, Baby Boomers have been in the fortunate position of benefiting from good employer pension provision as many of them have had defined benefit (DB) pension schemes," AJ Bell head of public policy, Rachel Vahey, says.

However, Just Group group communications director, Stephen Lowe, notes this experience has not been universal and that, even at their peak, DB pensions only applied to about half of workers, leaving many Baby Boomers with little or no private pension.

Given this, Lowe emphasises that the state pension is "still so important" for those who "missed out" on a DB pension.

State pension policy has indeed played a significant role in supporting this generation. In particular, they have benefited from the triple lock, a policy that ensures the state pension rises in line with the highest of inflation, earnings growth or 2.5 per cent.

While many Boomers are already seeing the benefits of this policy in retirement, there are growing concerns about its long-term sustainability, meaning similar support may not be available to younger generations.

Taken together, these factors help explain why retirement confidence levels among older workers are relatively high. Nucleus technical director, Andrew Tulley, highlights that those aged over 55 have the highest confidence in their retirement prospects of any generation. "These people are more likely to have the generous DB pensions for at least part of their career and may be more confident around what they will get in terms of the state pension as they are close to or already receiving it," he states.

In addition to DB schemes and state pension benefits, homeownership has further strengthened many Baby Boomers' financial positions.

Both Tulley and Vahey stress the fortunate position this generation is in if they are homeowners, with research from Just Group finding that 80 per cent of this generation own their own homes.

Tulley notes that many may have benefited from the "significant increase" in UK property prices, while Vahey adds that those who bought property earlier in life have likely seen its value "soar".

Despite these advantages, financial security in later life is not guaranteed. Even with many in this generation already retired, serious financial hurdles lie ahead for both current pensioners and those of this generation yet to retire.

Rathbones financial planner, Rebecca Williams, highlights that there are risks associated with longevity and potential high costs of later-life care.

Similarly, Penfold CEO and co-founder, Chris Eastwood, says Baby Boomers are now facing "the sharp end" of longevity and inflation risk, with many having to navigate complex retirement decisions for the first time "without the comfort of a guaranteed, inflation-proof income".

Generation X

Caught between two major pension regimes, Generation X has emerged as the "missed-out generation", says Vahey.

"Most *[of Generation X are]* too young to really benefit from private sector DB schemes, but also too old to really feel the benefits of automatic enrolment into pensions. Instead, they have mainly been on their own when it comes to saving for a pension," she explains.

As this generation doesn't have widespread access to DB schemes like the previous generation, most are reliant on defined contribution (DC) schemes. And being too old to feel the benefits of automatic enrolment can put them in an inferior position when they retire. Additionally, saving into a DC pension can result in retirement outcomes being more sensitive to market performance, charges and investment decisions.

Interactive Investor's research shows that Generation X expects to have an average pension pot of just £150,000. However, this generation estimates they would need £350,000 to feel 'comfortable' in retirement under Pension UK's Retirement Living Standards.

Many in Generation X are at their peak earning years, an advantage that is frequently eroded by competing financial pressures such as mortgage repayments, funding their children's education, and increasingly providing support for ageing parents. As Eastwood notes, this cohort is often described as the "squeezed middle", caught between prolonged financial responsibility for their children and growing care-giving demands from parents.

Vahey also points out that this generation is "facing the big decision" about how to turn their pensions into an income and said that, since pension freedoms, there has been little help for those struggling to do this on their own.

However, she said that this is slowly changing. Several policies were announced as part of the Pension Schemes Bill that could help this generation, including the Financial Conduct Authority's targeted support. Standard Life retirement savings director, Mike Ambery, notes that the targeted support proposals could be a "game-changer", and could enable "scalable, personalised help for those who might otherwise fall through the cracks".

Millennials

Millennials are the first generation to be "auto-enrolment native", according to Eastwood.

"The big advantage they have is that, for many, regular pension saving started automatically in their 20s, with an employer contribution on top," he adds.

As a result, this group has typically been saving into a pension for longer than any preceding generation at the same age.

Despite this structural advantage, this generation is not guaranteed a comfortable retirement. Hargreaves Lansdown head of retirement analysis, Helen Morrissey, cautions that while Millennials have benefited from being auto-enrolled into a workplace pension throughout much of their working lives, whether the amounts saved under current contribution levels will be enough to ensure an adequate retirement is "open to debate".

Many pension professionals argue that the current minimum auto-enrolment contribution level of 8 per cent is insufficient and suggest that a minimum of 12 per cent is needed to achieve a comfortable standard of living in retirement.

Eastwood also highlights a cultural shift among Millennials, noting that they are "highly digital and increasingly interested in how and where their money is invested".

This awareness and interest in environmental, social and governance (ESG) issues, alongside the ability to track investments online, can act as a powerful driver of engagement with pensions. For providers and employers, this presents an opportunity to improve long-term outcomes by aligning pension offerings with savers' values and preferences.

Despite this potential for engagement, Williams emphasises that Millennials face the "heaviest near-term headwinds" that "push pensions down the priority list".

In particular, Williams highlights student debt, high childcare costs, and housing affordability as the main factors that decrease the importance of pensions and savings for retirement.

Vahey echoes this view, pointing out that many Millennials are at a stage in life where disposable income is stretched.

"This is the time of their lives where they are settling down," she says, "and buying houses and having children are expensive pursuits."

Housing, in particular, is a top priority for this generation, with research from Standard Life showing that mortgage repayments are the top financial priority for 18 per cent of Millennials this year – the highest of any generation.

Despite this being a priority, a significant portion of this generation remains locked out of the property market. Ambery reinforces this, noting that for those approaching mid-life, homeownership often becomes an "urgent goal".

This struggle is underscored by data from the Resolution Foundation, which reveals that 30-year-olds today are only half as likely to own a home compared to Baby Boomers at the same age.

Gen Z

The biggest structural advantage for Gen Z is automatic enrolment, which has been in place for their entire working lives. "Many will be auto-enrolled into a pension from their very first job, giving them more years of compounding than any previous generation," Eastwood states.

Vahey describes Gen Z as, "the digital generation", noting that they "often turn to their phones to solve problems".

"They may have already learnt good savings habits, and bank budgeting tools and other technology have helped them keep track of day-to-day spending," she adds.

This digital fluency might have also contributed to a growing interest in investing. Ambery says: "They're also more open to investment risk – our *Retirement Voice 2025* research found 48 per cent say they are prepared to take more risk, and a quarter already back stocks, shares or crypto."

Despite early access to pension saving and digital fluency, Gen Z faces several long-term challenges. The frequency with which they are likely to change jobs is a big one. The average person is expected to have around 11 different jobs over their working life, creating a trail of small pension pots that will need to be managed and consolidated.

This issue is likely to be more pronounced for Gen Z than other generations, as they are expected to have longer working lives due to rising life expectancy and a higher state pension age.

Yet many in this generation are cynical about retiring at all, with research showing that most of Gen Z don't expect the state pension to still exist by the time they retire. Indeed, a report released last year by the Pensions Policy Institute, commissioned by the Institute and Faculty of Actuaries, found that 46 per cent of Gen Z believe the state pension will not exist by the time they retire.

Like Millennials, Gen Z also faces significant housing affordability challenges and are more likely to delay traditional milestones such as marriage and having children. Research from Standard Life found that 35 per cent of Gen Z prefer to 'live for today than plan for tomorrow' and that their financial priorities focus on immediate needs.

Eastwood warns that "financial insecurity, high rents and student debt could push retirement so far down the priority list that they disengage altogether, especially if their first interaction with a pension is confusing or full of jargon".

However, he argues that if the industry can better align pensions with Gen Z's values – including climate change and social impact – this generation may come to see pensions "as something powerful rather than boring".

What can be done?

Each generation faces different challenges, making a one-size-fits-all retirement solution difficult. However, industry experts have suggested three interventions from policymakers and industry could help address challenges across generations. These include strengthening automatic enrolment, improving financial literacy, and providing certainty over the state pension.

Arguably, the main challenge with automatic enrolment is that many people are not saving enough, while others are excluded due to earning below the threshold or being too young.

Tulley says that gradual increases to pension contribution rates over time are "worth considering". He also argues that it is worth considering how to bring in those groups currently missing out (women, the self-employed, part-time workers and ethnic minorities).

"While now may not be an ideal time to introduce increases, plans and timetables need to be considered so people and their employers know of these longer-term objectives," he says.

Several industry experts stress the importance of financial education. In particular, Annuity Ready director, Sarah Lloyd, says: "We know that education is such a fundamental part of pension preparedness, and the earlier we can get people the information they need to start planning for retirement, the better."

But Lloyd emphasises that in the meantime, it's also important that the industry remembers to "continue supporting the older generations who did not receive this level of financial literacy in school, and who are fast approaching retirement and other pivotal financial moments in their lives".

Additionally, Tulley highlights "widespread concern" about the sustainability of the state pension's future, a crucial component of retirement income for many.

"The state pension remains the cornerstone of retirement income for millions, yet confidence in its future is collapsing. People deserve clarity and consistency. They need to know what they'll receive and when. Without that certainty, it's almost impossible to plan effectively for the rest of their lives," he says.

While a universal fix is difficult, implementing stronger auto-enrolment, comprehensive financial education for all ages, and clarity on the state pension are arguably the essential steps needed to secure retirement adequacy across generations.

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