



Summary

- According to the ONS, the UK's aged over-85 population is projected to double over the next 25 years.
- Shifting demographics mean retirees face extended 'middle age' financial pressures, such as supporting relatives and paying rent.
- Healthy life expectancy is declining and the increased risk of cognitive decline in old age can complicate individuals' pension management.
- The pensions industry may need to transition toward offering active, lifelong guidance and personalised tools rather than just pre-retirement support.

A new lease of life

➤ **For many, getting older also drives the need to become financially wiser. How can the pensions industry assist an ageing population through the challenges of retirement?**

We're all getting older. That's a fact of life, and to reach old age is a privilege.

Indeed, more of us in the UK are set to reach this milestone, as Office for National Statistics (ONS) figures released earlier this year show that the older population – those aged over 85 – is projected to double over the next 25 years.

According to the data, there were 1.75 million people aged 85 and over in mid-2024, accounting for 2.5 per cent of the population. This figure is expected to rise to 3.6 million, or 4.9 per cent, by mid-2049. Over the same period, the number of people of pensionable age was projected to increase from 12.4 million to 15.3 million, driven by longer life expectancy, the ageing of larger cohorts born in the 1960s, and lower birth rates.

Expanding middle age

The earliest age someone can access their pension savings in the UK is 55 (rising to 57 in April 2028) and their state pension from age 66-67 currently. May's

ONS figures show that people aged 65 could, on average, live for a further 20 years or more.

"People now spend longer in retirement than previous generations," Aviva managing director of wealth, Michele Golunska, says. "Greater longevity is something to celebrate, but it means retirement is increasingly becoming a decades-long journey. People's financial, health and wellbeing needs can change significantly over that time, yet support tends to focus on the years leading up to retirement rather than the years that follow."

But does increasing longevity mean those extra years being spent having a longer, stereotypical 'retirement', or are people actually experiencing more of an extended 'middle age'? After all, "challenges that might traditionally be associated with mid-life don't disappear when people retire – for many, they continue well into later life," Golunska says.

As Cartwright Employee Rewards group risk and healthcare consultant, John Mullally, explains, more people are

having children at a later age due to career and financial reasons. "As such, people are having to look after young children into their 40s rather than 30s. Equally, this is potentially creating a 'sandwich generation' who may have to look after parents who are older and living longer than their parents' generation."

"The boundaries around what we used to call 'middle age' are shifting," RBC Brewin Dolphin head of intermediaries, Ian Kloss, agrees. "People in their third quarter of life, aged 45 to 75, may now have 30 or 40 years to plan for after they stop full-time work, and those years rarely unfold in a straight line," he says. "Supporting children or grandchildren, caring for ageing parents, meeting housing costs and continuing to work are increasingly extending into what were once typical retirement ages. Retirement is no longer a single, clearly defined stage at the end of working life."

The cost of this extended 'middle age' could be significant. For instance, grandparents expecting to provide regular financial support to their grandchildren could need an extra £58,000 in pension savings to maintain a moderate standard of living in retirement, analysis in July by Skipton Building Society found. The research found those who plan to offer financial support expect to begin doing so at the age of 65 on average.

Meanwhile, research from the Association of British Insurers (ABI) in July found that more than one in three pensioner households – two million more – could be renting their home by 2044. Social renting among pensioner households is also projected to increase, while owner-occupation is expected to fall from the current 79 per cent to 64 per cent by 2044. It noted that renting a two-bedroom home privately throughout retirement could cost between £200,000 and £400,000, depending on location. By comparison, median private pension wealth among those aged 60-64 is around £154,000, falling to around £105,000 for women.

Health issues

Adding to the challenge of extended ‘middle age’ responsibilities is that while the desire to remain ‘forever young’ may remain, the mind and body may not always play ball. In fact, while the old-age population is expected to double, the number of years spent in good health is declining.

According to the ONS, for 2022-2024 men can expect to spend 60.7 years, or 77 per cent of their life, in good health, while women can expect 60.9 years (73 per cent) of good health. These figures represented decreases of 1.8 years for men and 2.5 years for women compared to 2019-21.

“While longevity has increased, healthy life expectancy has not always kept pace, leaving many people facing longer retirements alongside potential health challenges,” Royal London workplace pensions director, Rory Marsh, says. “Retirement planning has also become increasingly complex, often requiring decisions about contributions, investments, tax, drawdown and sustainable income. Evidence suggests these are often being made at a stage of life when complex financial decision-making can become more difficult,” he adds.

Indeed, research from the Institute

for Fiscal Studies (IFS), published in December 2025, found older people who experience cognitive decline face ‘sizeable and lasting’ reductions in their financial wealth. It discovered that memory and cognitive scores begin to fall steadily from the late 60s, with sharp drops from the mid-70s onwards. By their late 80s, more than 40 per cent of older adults record what the IFS defines as ‘low cognitive function’. According to the research, eight to 10 years after first experiencing low cognitive function, individuals had around £30,000 less in net financial wealth than similarly aged people whose cognition did not deteriorate.

“An increasingly ageing society will change what retirement looks like, and what the retirement industry looks like too”

Financial strain

Managing finances may become a greater struggle as we age, not just due to health factors, but also because DC pots will need to be stretched out further as people live for longer. Squire Patton Boggs pensions practice partner, Simon James, notes that “no one knows how long their retirement will last, yet DC savers have a finite pot to fund it”.

“Asking individuals to manage that risk inevitably involves difficult trade-offs between adequacy and security of income during retirement. Working longer or flexibly into retirement might offer solutions for some people but that depends on the availability of work and might not be possible or practical for everyone,” he adds.

Indeed, “not everyone has that option due to health conditions, caring responsibilities or barriers in the labour market”, Marsh says. “This means retirement planning increasingly needs to account for this uncertainty and offer a range of different pathways into later

life, rather than assuming a traditional retirement model.”

Especially with the reduction in the ‘traditional’ DB pension model and greater dominance of DC schemes meaning “people are not going to be retiring as comfortably as their predecessors did”, Mullally adds. “This is creating a segment of people who are semi-retiring at ‘retirement’ so they can maintain a reasonable level of income at their age, as well as put themselves in a position whereby they can have a pension pot that gives them the best annuity as possible, for as long as possible”.

Research backs this up, with a Standard Life study published in April finding that one in six retirees have either returned to work or are considering doing so as rising living costs continue to squeeze retirement incomes. Standard Life’s findings also showed that 30 per cent of retirees believed their standard of living had worsened since leaving work, compared to just 22 per cent who said it had improved. It also highlighted the impact of inflation on pensioner incomes, with analysis indicating that £100 in 2020 was now worth just £78.25 in real terms, significantly eroding spending power over a short period.

Also, a freedom of information request from LCP last month discovered that frozen income tax thresholds, combined with rising state and private pension incomes, had led to the number of pensioners paying income tax at 40 per cent or above doubling over the past five years.

The latest Pensions UK Retirement Living Standards estimates that a minimum standard of living in retirement would cost £13,900 for a single person and £22,500 for a couple. A ‘moderate’ standard of living in retirement would cost £32,700 a year for one person and £45,400 for a two-person household.

Pensioner poverty has also risen steadily over the past decade after reaching a low point in 2013/14, with the increase driven almost entirely by

single pensioners, as single women face the greatest risk, according to LCP. Its research published in August revealed the number of divorced single pensioners in England and Wales has trebled since 2002, rising by more than a million people to 1.5 million in 2024.

Looking specifically at low-income pensioners, the Living Wage Foundation's September 2025 research found that 54 per cent find it difficult to pay bills and credit commitments, leaving hundreds of thousands on a 'poverty pension'. As a result of these financial constraints, 14 per cent reported falling behind with bills or rent, turning to payday loans, struggling to heat their homes or regularly skipping meals over the past year.

Given this hardship, retirement is far from the 'golden years' many pensioners hope for, the IFS said, as nearly half (48 per cent) of low-income pensioners have cut back on hobbies and entertainment

and 24 per cent rarely, if ever, afford the non-essentials "that make life enjoyable".

Industry support

So, how can the pensions industry support people through a very variable and different nature of retirement-age years than what had previously been the case?

According to Marsh, the industry needs to make retirement support "more accessible, personalised and easier to engage with, particularly for those with lower incomes, disrupted savings histories, customer vulnerabilities, or more complex financial circumstances".

One such example is Aviva and Age UK's aim to address the lack of structured financial support available to people after retirement though piloting a mid-



retirement MOT service. It will support people aged between 72 and 76 who have DC pension savings by providing a practical and holistic review covering whether their pension savings are likely to last, the options available to support their income and any state benefits to which they may be entitled.

As People's Pension proposition director, Kirsty Ross, says, "we are pension providers so we should not stop supporting members when they start to access their pension". She highlights regulation such as default decumulation as a good example of regulatory acknowledgement of the importance of supporting customers through retirement, as well as the FCA Consumer Duty reinforcing the expectation that firms focus on good customer outcomes across the entire customer journey, including retirement.

"The future is likely to involve far more guided and supported retirement journeys rather than expecting individuals to navigate complex choices alone," Ross says. "Digital tools, targeted communications and personalised guidance can play a significant role in helping members understand their options. Providers should focus on simplifying complex decisions and presenting information in ways that members can readily understand and act upon."

Looking ahead, "an increasingly ageing society will change what retirement looks like, and what the retirement industry looks like too", Kloss states. "Planning will need to move beyond 'will my money last?' to 'what do I want my money to make possible?' That means treating wealth, health and purpose as one connected picture, building in flexibility from the outset, and engaging clients earlier, before life events force their hand. The industry needs to continue to evolve to help turn longevity from a potential risk into an opportunity."

 **Written by Laura Blows**

Implications for the UK

While living longer may have benefits and challenges for the individual, for the country as a whole, an ageing population can have severe ramifications. Commenting at the time on the Office for National Statistics (ONS) figures released in April, PensionBee VP personal finance, Maike Currie, noted that between mid-2024 and mid-2034, the number of people of pensionable age is set to rise by 1.8 million to 14.2 million – one in five of the population, taking into account the planned increase in the state pension age to 67. Meanwhile, over the same period, the number of children is expected to fall from 12.6 million to 11 million, making up just 15.5 per cent of the population by mid-2034.

"For the pension system, this means fewer future workers supporting more retirees. With earlier figures showing a third of those leaving the UK, aged 16 to 34, the pension system faces a double hit: fewer contributors and more retirees, putting real strain on the state pension and long-term investment flows," she said.

People's Pension proposition director, Kirsty Ross, notes that a larger retired population places greater pressure on public finances, healthcare systems and social care provision. "Equally, longer retirements reinforce the need to prioritise ensuring individuals have sufficient private savings alongside their state pension. Workforce participation among older workers will become increasingly important to economic growth and productivity," she adds.

While an ageing population may bring strain on public finances, healthcare systems, social care provision and pension sustainability, "at the same time, older people make substantial contributions to society through work, volunteering, caring responsibilities and spending power", Royal London workplace pensions director, Rory Marsh, says. "The key challenge for policymakers is ensuring people remain financially resilient and economically engaged for longer, while creating a retirement system capable of supporting a larger and longer-lived population."