

December 2023
**Guide to The
Second 50**



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RE-THINKING OUR APPROACH TO LIVING LONGER

Until recently most of us have looked at life as being divided into three distinct phases: education, work and retirement.

Today, we are living longer, and often healthier lives, with the likelihood of living to 100 and beyond a distinct reality for an increasing proportion of people. This increase in lifespan is something that should be celebrated, but it also creates new risks and challenges. It is making traditional approaches to retirement increasingly outdated, driving a need to reframe the way we think about the second half of our lives.

Making the most of this wonderful gift of extra years will involve a fundamental rethink of our approach to life. We need to adapt to multi-stage lives, where we retrain, gain new skills and engage with new social groups, so we can enjoy a sense of purpose and reward through our work, play and rest time for as long as possible.

Many people remain unprepared for a longer life, and risk being poorer in terms of health, wealth and happiness as a result. Employers and their advisers have a key role in helping

employees understand the steps they can take to gain control over the 'Second 50' of what may prove to be a 100-year life.

Financial planning, through pension saving and other measures, is one obvious way employers already support staff in preparing for the Second 50. While money is clearly important, shifting employees' mindset towards an understanding of the value of investing in their own personal development, across work, training, health and wellbeing, is also key.

This may mean learning new skills and retraining, developing new hobbies and connecting with new communities. It also, of course, means supporting their physical and mental health. Encouraging staff to invest in training, fitness, social relationships and financial planning will put them on the right track towards making the most of the second half of their lives.

This guide brings together ideas, perspectives and opinions from thought leaders, experts and industry bodies, on how to support employees in making the most of their Second 50.



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THE SECOND 50 IN NUMBERS

WE'RE ALL LIVING LONGER



Average life expectancy of baby 70 years ago:

68.9 years

Average life expectancy of baby today:



Girl

91 years



Boy

88 years

Chance of 1-year-old reaching: 100th birthday

20%

14%

One in four chance of reaching:



Baby girl

99 years



Baby boy

97 years

Chance of reaching 95

68%

64%

Girls

Boys

Source ONS



Three years per decade
Improvement in life expectancy 1910-2010

11,000,000

people in UK aged 65 or older

527,900

people in UK aged 90 or older

% of population over 65 in 2011

16.4%

% of population over 65 in 2021

18.6%

Source ONS

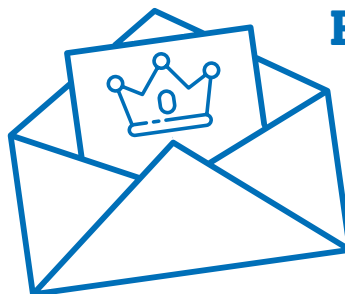
BIRTHDAY CARDS FROM THE MONARCH

number of people aged 100 or over in UK

479 - 1961

6,619 - 1991

13,924 - 2021



MID-LIFE MOT

£22m

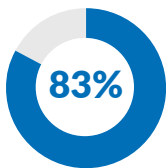
amount funding Department of Work & Pensions Mid-Life MOT - designed to help over 50s find retrain, find new careers, review their retirement finances and evaluate health and wellbeing

Ratio of 20 to 64-year olds: 65+
(OECD economies)

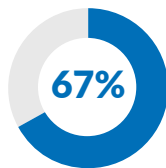
1:3 - today / **1:2** - 2050

LACK OF TRAINING OPPORTUNITIES FOR OLDER WORKERS

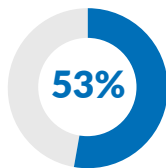
Taken part in formal workplace training in past five years



15-35
year olds



36-54
year olds



55 years
and older

Source City & Guilds (2021)

HOW MUCH MONEY IS NEEDED IN RETIREMENT

Minimum living standard:

£12,800 a year

Moderate living standard:

£23,300 a year

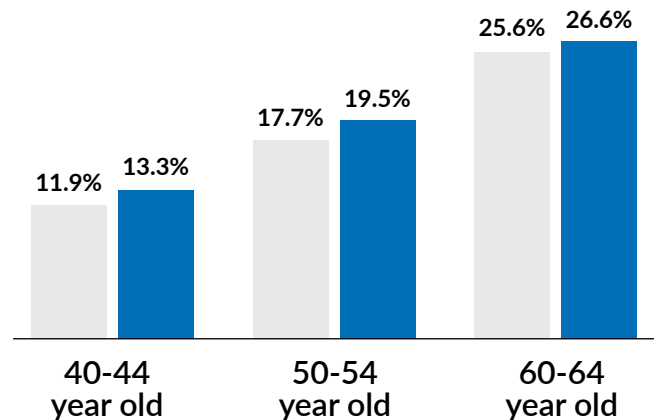
Comfortable living standard:

£37,300 a year



PERCENTAGE OF OLDER WORKFORCE AFFECTED BY HEALTH PROBLEMS

■ ill health affects TYPE of work can do
■ ill health affects AMOUNT of work can do



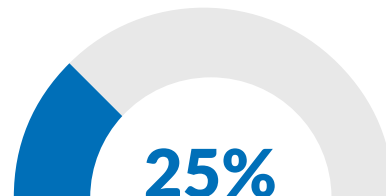
Source: CIPD



1 in 10

Proportion of women with menopause who have left a job due to symptoms

HEALTHY LIFE = BIGGER SAVINGS TARGET



extra savings required from mid life onwards for someone at the upper end of the life expectancy spectrum

LIVING LONGER LIVES

Life expectancy has been increasing steadily for more than a century, increasing by almost three years each decade. A baby born in the UK in 1950 could expect on average to live to 68.9 years. One-year-old baby girls today can expect to live to 91, while baby boys can expect to make it to 88, according to the Office for National Statistics, if longevity continues to improve as expected.

The impact of longer lives means individuals, employers, politicians and the financial services industry need to rethink the traditional three-part life – education, work and retirement – and replace it with a more flexible approach that embraces the demands, needs and opportunities this increased lifespan presents.

These longevity figures are averages and many people will live significantly longer than this. A staggering 68 per cent of

today's baby girls can expect to reach age 95, while one in five will make it to 100 – figures for males are only slightly lower.

This increased longevity is already filtering through into the statistics for those smashing the 100-year life barrier. In 2021 – at the time of the last ONS census – there were 13,924 centenarians living in England and Wales. This is more than twice the 6,619 people who celebrated their 100th birthday 30-years earlier in 1991. Thirty years prior to that, the 1961 census recorded just 479 people aged 100 or over. It is a trend that is predicted to continue.

The increase in longevity has been driven by significant advances in healthcare and public health measures in the latter half the 20th century, including improved air quality and working conditions, safety measures and campaigns against smoking.

While the the proportion of people living to 100 today is relatively small, the population as a whole is ageing, with a significantly higher percentage of people over 65 years of age alive now than a decade ago. ONS figures show there are 11m people in England and Wales aged 65 or older, and half a million people who are at least 90 years of age. In 2021, 18.6 per cent of the population were 65 or older, compared to 16.4 per cent in 2011.

The rising number and proportion of people who are living and enjoying life well into their 80s, 90s and beyond makes it important that we all look ahead, and plan how we are going to make the most of our longer lives. For individuals in their 40s, 50s and 60s it is crucial to think about what they need to put in place to have the best chance of securing a healthier, wealthier and happier retirement.



COVID-19 AND LIFE EXPECTANCY

The Covid pandemic caused a dip in the longer-term trend of increases in life expectancy in the UK. From 2011 life expectancy was increasing, albeit at a slower rate than the previous few decades. However the Covid pandemic did cause life expectancy to fall by 1.3 years for men, to 78.6 years and by 1 year for women, to 82.6 years. This is the biggest fall in life expectancy since the Second World War, and the result of the far greater number of deaths recorded in 2020 and 2021 during pandemic, particularly of older people.



AGEING COMMUNITIES

While life expectancy has improved significantly in recent decades, this does obscure significant differences of experience for people from different regions and in different income categories – both of which have been exacerbated by the Covid pandemic.

The population across the UK is ageing, but those approaching the second half of their life remain a diverse group, with a range of individual needs, in terms of their mental and physical health, their wealth, their ability to work, their

independence and whether they are caring for others or may be in need of care themselves. These factors need to be taken into consideration when planning for the future.

Certain parts of the country have a higher proportion of older people than others.

Census data shows that rural and coastal areas typically have higher populations of those aged 65 and over, when compared to urban areas.

Local authorities with highest proportion of older residents (65+):

- North Norfolk (33.5%)
- Rother – East Sussex (32.4%)
- East Lindsey – Lincs (30.4%)

Local authorities with lowest proportion of older residents

- Tower Hamlets, London (5.6%)
- Newham, London (7.2%)
- Hackney, London (7.9%)



UNDERSTANDING YOUR PERSONAL LONGEVITY RISK

It is important not to underestimate your own life expectancy and the factors that can influence it

Mark Sharkey, head of pensions strategy, global, Club Vita

“ Longevity has rarely been far from the news headlines in recent years, as the direct impact of the Covid-19 virus, coupled with the lingering after effects of the pandemic have weighed on the global population.

Children born today are expected to live much longer than the generations before them – an increase in current (period) life expectancy at birth of around 8 years for males and 6 years for females compared to those born in the early 1980s.

‘Longevity pessimism’

With such rapid increases in life expectancy during the lifetime of those approaching retirement, it is no surprise that many people materially underestimate how long they are actually likely to live. Our research has found that UK women exhibit greater “longevity pessimism” than men, underestimating how long they will live by an average of 7.9 years compared to 3.4 years for men.

Which statistics?

Deciding which of the many life expectancy figures in the public domain are appropriate for retirement planning is complex. Most of the headlines will tend to focus on life expectancy at birth, which could be misleading for individuals in retirement. Life expectancy at birth will incorporate all the

risks of dying before reaching retirement, whilst life expectancy at 60 or 65 allows for the fact that you’ve already made it that far and will give a clearer understanding of post-retirement time horizons. This can be surprising – my grandmother in her 70s had some extra venom in her golf swing the day I informed her that she had a higher probability of reaching 80 than I did!

But the age at which life expectancy is calculated isn’t the only stumbling block. The ONS quotes two different life expectancies for 65-year-old males (84 or 85) and a longevity actuary will tell you that both are correct. The higher number refers to cohort life expectancy, which allows for continued improvements in longevity, whilst the lower number refers only to mortality rates that persist today, termed period life expectancy.

Finally, it is important to think not just in terms of life expectancy, but also about longevity risk. The ONS Life Expectancy Calculator shows a figure of 85 for males aged 65, which is predicated on a best estimate basis with 50 per cent probability. But there is also a 10 per cent chance of reaching 96 and a 3 per cent chance of celebrating your hundredth birthday. The real risk here is to aim your retirement income spending towards the average but end up amongst the “fortunate” 3 per cent with your retirement pot long gone.

Postcode lottery

Statistics on the average of the general population from the ONS is a good starting point for assessing longevity risk. But most people planning how to spend significant retirement savings will come from higher socio-economic groups and will live longer lives than the average.

To improve understanding of longevity risk in retirement, it is possible to explore the life expectancies that more closely match the demographics of the individual planning their retirement. Postcodes can actually be used as a useful proxy for socio-economic factors that typically drive life expectancy.

Our modelling shows the “longevity gap” for retirees can be significant. Male retirees at age 65 in an area within the BS13 postcode sector of Bristol are expected to live to 84.3, whereas another retiree of the same age and gender living in the SK9 area of Cheshire can expect to reach 89.5, with equivalent female figures a little closer together. Understanding this longevity gap and how much of it to incorporate into retirement planning will be crucial in helping pensioners manage their pension.

The financial consequences of mispricing your own longevity risk

As dependence on defined benefit (DB) pensions reduces, the bulk of longevity risk formerly shouldered by DB schemes shifts to the individual members of defined contribution (DC) arrangements. The financial consequences of mis-pricing individual longevity risk shifts too.

Our longevity analysis highlights the scale of the issue. A 60-year-old man at the upper end of the life expectancy spectrum would have had to boost contributions by an additional 5 per cent a year from the outset or an additional 25 per cent a year from the mid-point of his savings journey, just to offset his longer expected time in retirement.

With more than 15,000 centenarians currently living in the UK, now is the time to consider the second 50 years when planning for retirement. ■



AN EVOLVING WORKFORCE

As we live longer, people will need to retire later if they are to spend the same proportion of their life in work. This means moving beyond the traditional concept of retiring at 60 or 65.

State pension age has been increasing for some time now, rising from 66 now to 67 between 2026 and 2028. Current legislation dictates that it will rise to 68 between 2044 and 2046.

This increase may force some people to work later, but if individuals are to make the most of the extra years of life they can expect in future, a different approach to work is needed.

For many individuals working longer can provide a sense of purpose and fulfilment, particularly while they remain in good health. This becomes more important as people age, with work being a major source of interaction and social connection.

There are also financial reasons why people are choosing to stay in the workforce longer. Working longer, enables people to save more into pensions – an issue that has

become more critical thanks to the switch from DB to DC pensions.

But longer working lives don't just benefit the employee – there are advantages for employers too. Businesses looking to actively move older workers out of the workforce with attractive early retirement packages are increasingly rare.

Today, many companies are grappling with skill and labour shortages, leading to significant recruitment and retention issues in many sectors – an issue that has been exacerbated by more restrictive immigration policies.

Rather than be seen as a drag on productivity, older workers can offer employers a rich source of talent and

experience. Evidence suggests those in the 50-plus age cohort switch jobs less frequently than younger colleagues, helping build a more stable and reliable workforce. Research has shown that age diversity within a workforce can also support innovation.

Employers looking to build multi-generational, inclusive workforces need to ensure that they are appealing to the specific needs of this cohort if they want to attract and recruit these workers, while also developing and retaining their current employees as they age.

This means looking at a number of specific areas: workplace culture, working hours and flexibility, skills and training, and health and wellbeing policies.

**RATHER THAN BEEN SEEN AS A DRAG
ON PRODUCTIVITY, OLDER WORKERS CAN
OFFER EMPLOYERS A RICH SOURCE OF
TALENT AND EXPERIENCE**



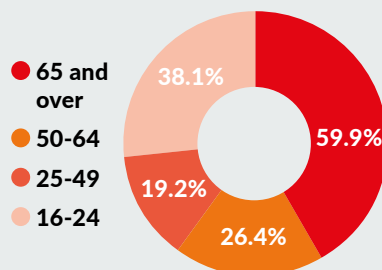
WHAT DO OLDER WORKERS WANT?

Research by the Chartered Institute of Personal and Development (CIPD), the professional body for HR and people development, indicates that older workers have the highest levels of part-time working. But many would prefer shorter hours, suggesting there is still not enough flexibility to cater for their needs. The CIPD recommends employers looking to retain older workers should consider requests for reduced hours.

Part-time working, by age group

Since the pandemic there has been a significant increase in the number of employees of all ages working from home — at least for part of the week. However CIPD figures show that prior to Covid older employees were more likely than younger colleagues to work from home. The CIPD data

Part-time working by age group



2019) shows the proportion of employees working from home increases steadily with each age band.

Allied to this is the time spent commuting, with older workers having the shortest commute of any age group, bar the 16-19 year-olds. Workers in their mid-30s have the longest commutes on average — reflecting a willingness to travel for the right job opportunity.



WORKING CULTURE

Several research reports conclude that older workers are increasingly seeking positions that offer more fulfilling work opportunities, rather than simply chasing the highest salary. Increasingly they are looking for roles that provide them with a sense of purpose but that also foster social connections.

Research from the Institute of Employment Studies (IES) found evidence that older workers specifically value:

- Meaningful work that is interesting, stretches them, and makes use of their skills and experience
- Varied work, rather than repetitive tasks
- Autonomy over how, when and what kind of tasks they do
- Opportunities for training and to learn new skills
- Opportunities to work in teams and to collaborate with colleagues/members of the public

Taken together these signal the employer's respect and confidence in an individual's experience, ability and judgement.

The IES research says older workers seek organisations whose cultures are open, inclusive and whose values align with their own. They also want to be managed as individuals, where specific issues such as health, may be taken into account. But they also want to work in mixed-age teams.

THE SECOND 50: FIVE KEY FACTORS

Employers have a key role to play in supporting older employees in equipping themselves to make the most of the second half of their lives.



■ **WORK:** Many people want, and need to work for longer. But are they able to do this in their current job? Does a career change beckon later in life – perhaps from more manual work to something less physically demanding, or to take a step back from a high-pressure stressful role? What does working longer look like? Does this involve part-time work, working from home or self-employment? Why do people work longer – is it about the income or the other wellbeing benefits that come from being economically productive?



■ **TRAINING:** Are the skills learned at school or in an early career still relevant for the workplace today? Or have technological advances means further training is required to future-proof careers? Many people will look to retrain to stay in the workplace, and employers are increasingly looking at these options to help retain employees for longer. Learning new skills isn't just about work – it can also be an effective way for people to stay mentally and physically active as they age.



■ **MONEY:** For many people the financial risk is not about dying young but outlasting savings by living too long. Financial planning needs to start early and encompass more than just pensions. The key goal should be adequacy, ensuring there are sufficient funds to maintain comfortable living standards. People will increasingly need flexible financial solutions, that reflect the changing nature of retirement.



■ **PURPOSE:** What do people want from the Second 50. Often people need to change their mindset when it comes to thinking about ageing. Rather than negative connotations, they may need to engage with what it means to live a meaningful longer life, that promotes physical, mental and social wellbeing.



■ **HEALTH:** Physical and mental health underpin all other areas of later life wellbeing. Workplace health initiatives can support older workers in being more productive, staying in the workforce longer and improving their physical and mental wellbeing.

“ A global demographic shift is underway, signifying that in the future businesses will rely more heavily on older workers. The United Nations predicts that the number of people aged 65 and older worldwide will double, from 761 million in 2021 to 1.6 billion in 2050. This shift, accompanied by declining fertility rates and a decrease in younger populations, will have profound implications on workforces. Employers who fail to adapt to these demographic changes will risk missing out on a wealth of talent.

The increasing cost of living and rising retirement age are making it increasingly challenging for people to retire, resulting in workplaces that may have four different generations working together. Each generation brings unique skills, assets, and work-related attitudes. However, to manage multigenerational teams successfully can be a challenge and companies need to consider carefully how they manage the diverse needs of all these generations, from training to employee benefits, working hours, and how teams comprised of individuals of all ages can work most effectively together.

Leveraging the generational diversity

The key question is: How can businesses harness and embrace the diverse skills, experiences, and attitudes of each generation to benefit their organisation?

To achieve this successfully, it is firstly essential businesses recognise how the mindsets and life experiences of different generations influence their approach to work and collaboration.

The gulf between the digital generations born post-1980 and their analogue predecessors is significant and should not be underestimated. Therefore, employers must anticipate potential discord and proactively address the individual needs of each employee.

Levelling the playing field for every generation

From an employee's perspective, work-life balance has become paramount, especially



EMBRACING MULTIGENERATIONAL WORKFORCES: A BLUEPRINT FOR EMPLOYERS

Employers have a big role to play in supporting staff in extending their working lives

Steve Butler, CEO, Punter Southall Aspire

for younger generations. However, older workers who are keen on remaining in the workforce also seek this balance. Companies should understand that it is not solely about the salary; it's about ensuring that the employee value proposition aligns with expectations.

Flexible working is an area where organisations can level the playing field across generations. Individuals of all ages often need to accommodate various life pressures and activities.

Younger workers are juggling childcare responsibilities, while older workers may be caring for ageing parents or even raising children later in life.

Offering greater flexibility, such as hybrid working, term-time contracts, part-time working or compressed hours, can enable employees to work around their other commitments. For instance, compressed hours, such as a nine-day fortnight, can be particularly appealing to those with young families.

Term-time contracts that allow individuals to take extended summer holidays in one chunk are another attractive option. Hybrid working is now a common practice and is popular with employees of all ages. Moreover, offering sabbaticals to long-serving workers can

rejuvenate them and foster personal and professional growth.

Creating an age-diverse culture

Addressing age diversity and viewing it as a positive thing is important. Employers should strive to create an age-diverse culture that embraces this diversity which includes educating employees about the

grow, and develop new skills is paramount. While some jobs may become obsolete in the future, businesses should aim to retain loyal and talented staff. Budgets often favour younger generations, but older workers also have a thirst for learning and advancement. By offering training and development to older workers, employers can extend their careers and reduce the need for costly recruitment and training. Moreover, older employees can be valuable coaches and mentors for younger colleagues, transferring their knowledge and experience.

Tailoring employee benefits

When it comes to employee benefits, businesses should acknowledge every employee is unique, with distinct needs and aspirations. Understanding intergenerational differences is crucial for offering the right employee benefits and attracting talent. A one-size-fits-all approach doesn't work, and instead we recommend that companies identify which benefits will appeal to different generations and tailor their packages accordingly.

In conclusion

Multigenerational teams bring both challenges and opportunities to businesses. As older and younger generations increasingly work together

FLEXIBLE WORKING IS AN AREA WHERE ORGANISATIONS CAN LEVEL THE PLAYING FIELD ACROSS GENERATIONS. INDIVIDUALS OF ALL AGES OFTEN NEED TO ACCOMMODATE VARIOUS LIFE PRESSURES AND ACTIVITIES

immense benefits of working in a multi-generational environment, where people may work differently. It's essential not to make assumptions. Age should never be a barrier when recruiting, and neither should work gaps or experience in different spheres.

Investing in training and providing opportunities for all employees to learn,

and the workplace becomes more age-diverse, employers need to prepare. There is now a huge opportunity for companies to re-think their working environment and culture and make changes that will better support workers at different stages in their career, creating a cohesive and harmonious workforce for the benefit of all. ■



TRAINING AND EDUCATION

Education, training and upskilling should be an imperative for individuals and organisations as part of the transition to a society that supports multi-stage lives. Individuals cannot expect to rely on the skills they learnt in their teens and 20s if they are to have meaningful and rewarding work up to and beyond their 70th birthday.

If employers want to retain and recruit older workers they need to make significant investments in training to ensure this cohort can continue to adapt and to thrive in an evolving workplace. This is particularly important given the accelerating digital and technological changes that are transforming businesses and working practices in many areas – not just those companies operating in the IT and tech sectors.

Government data suggests that older workers do not have the same training options and career development opportunities when compared to younger employees. Employers addressing this problem by investing in training opportunities and career options for an older demographic will be better placed to harness the potential of this part of their workforce.

This is particularly true for employers

who have a proportion of their workforce in manual roles, where retraining and up-skilling may enable them to move across into less physically demanding roles, enabling them to stay in the workforce for longer.

Training opportunities for the over 50s

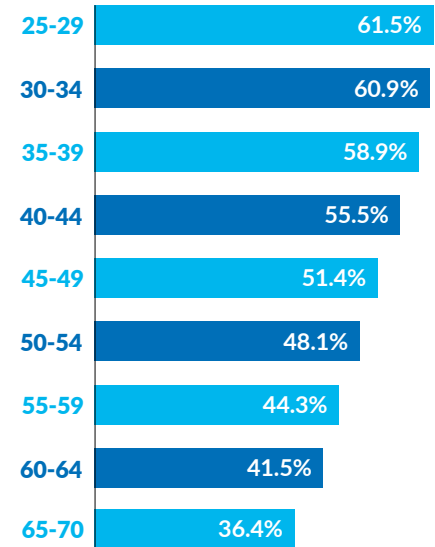
The government's Labour Force Survey, compiled by the ONS, highlights the lack of career progression support in UK organisations. Those in their early 20s are significantly more likely to see their current job as offering personal development opportunities as those in their 50s.

This is not just a perception issue. A study by City & Guilds Group in 2021 found that only half of those aged 55 or over had taken part in formal workplace training in the previous five years, a significantly lower figure than for younger age groups.

This data is backed up by more recent research by Business in the Community. It found that only one in five (21 per cent) of workers aged 50-plus report that their employer encourages them to 'upskill' at work. This compares to 56 per cent of those aged 18 to 29.

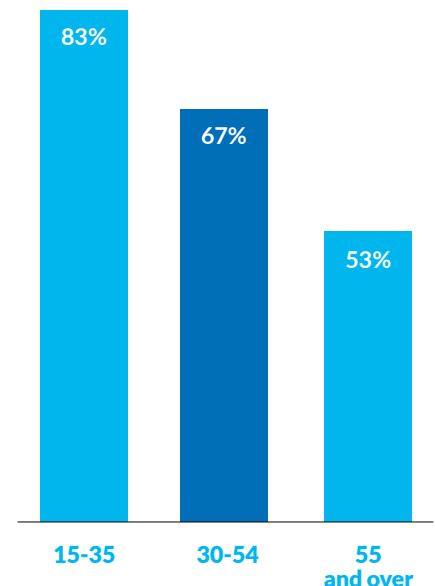
'My job offers good opportunities for career progression'

% 'agree' or 'strongly agree'



Source: ONS/CIPD

Taken part in formal workplace training in past five years





WHY EMPLOYERS NEED OLDER WORKERS

Companies that take a more age-friendly approach can benefit from improved productivity and innovation

Dr Carole Easton OBE, chief executive, Centre for Ageing Better

“For employers, there is much to gain from having more older workers to recruit from in the talent pool. Multigenerational workforces have been proven to drive productivity and innovation. Studies have shown that businesses with a 10 per cent higher share of workers aged 50+ compared to the average are 1.1 per cent more productive, and companies with a multigenerational workforce have been found to be more innovative than those without.

But as the proportion of the workforce becomes older, hopefully the esteem and value placed on the contributions of older workers will also grow. And as older workers become more in demand, employers will have to be sure they have the right culture and policies to attract them to a variety of roles.

The employers who will be best placed to maximise the benefit of this shift will be age-friendly employers, those who can actively demonstrate their commitment to improving the recruitment, retention and development of workers over 50.

Age inclusivity

Older workers face many barriers when seeking employment, and we know that more than one in three (36 per cent) of 50-70-year olds feel at a disadvantage applying for jobs due to their age.

Many job adverts are targeted at

younger people. However, research conducted by the Centre for Ageing Better shows that making adverts more appealing to older workers does not deter younger people from applying. This can be done by avoiding terms such as ‘energetic’ and ensuring that age-inclusivity is a part of the diversity statement.

Another important aspect of recruiting and retaining older workers is to ensure that flexible work is welcomed for any reason. With many people dealing with care responsibilities or poor health, flexible work accommodates their changing needs. Age-friendly employers should mention flexible work in job adverts and it should not be something that employees only feel able to raise once they’ve got their feet under the table.

Health support

Not everyone who is in their 50s and 60s has a health condition or disability – but health issues become a bigger factor as we age. In many cases, small adjustments can make a big difference, and help keep valuable staff in the workforce.

Conversations about health must include conversations about menopause. A recent survey by the Fawcett Society revealed that one in ten women who worked during the menopause have left a job due to their symptoms. Training should be provided to staff of all ages and genders regarding the effects of menopause and

how they can be managed, for example providing extra fans for those that need them. Small adjustments such as these can make a big difference to people’s health – both mental and physical.

Career development

Career development is a crucial aspect of job satisfaction at all ages. Despite this, workers aged 50 and above are less likely to receive on-the-job training. This leads to reduced job satisfaction and productivity and is counterproductive to the retention of older workers.

As well as open conversations about health, employers should encourage open conversations about career development and ensure that employees across their organisation have access to training. One way age-friendly employers can do this is through the introduction of mid-life MOTs which support individuals to be proactive about their career, health and finances, by providing a framework for structured conversations with staff in their 40s, 50s and beyond. When implemented well, they can create an action plan for the employer and employee to help each individual continue to develop and thrive.

Age-friendly culture

An age-friendly culture ensures that all the above measures succeed. By analysing the age-breakdown of their workforce, employers can begin to assess if their workplace is age-friendly, or if they favour one demographic over another. Culture change such as this starts from the top. It requires senior leadership to demonstrate their recognition of the essential contribution of older workers.

Age-friendly Employer Pledge

For more information on how to become an age-friendly employer, businesses and organisations are welcome to sign up to our Age-friendly Employer Pledge – www.ageing-better.org.uk. More than 270 organisations from across 30 sectors have signed the pledge within its first year and are already seeing practical benefits. Employers can learn more about age-friendly recruitment through our Good Recruitment for Older Workers (GROW) guide. ■



For financial advisers only

Together we can help people transition into later life

We want to help people better understand and navigate the later life landscape.

Each successive generation is, on average, living longer, which is something to celebrate. The opportunities living longer presents are many and varied. We now have more choices in how we live our lives as the world around us is ever-changing.

We're here to help support you and your clients on their journey, find out more at aegon.co.uk





PREPARING LATER LIFE WORKERS FOR THE FINANCIAL ROAD AHEAD

We cannot afford to overlook the need to support older workers through financial advice and wellbeing support

Tish Hanifan & Jane Finnerty, joint chair Society of Later Life Advisers (SOLLA)

“ Like the rest of the working population, the over 55s are changing how they work, save, and earn. Older workers are often blamed for shortages in the skilled workforce and yet the employment rate of those aged 65 and above has doubled over the past quarter of a century.

Whilst employers recognise financial wellbeing is more than just paying employees and providing some benefits, developing a workforce financial wellbeing policy is the least common area included in HR planning.

Helping employers to ensure their employees secure a good financial future is important, especially when it comes to older staff who do not have as much time to plan or to put right poor decisions. Lacking confidence about savings levels and feeling unsure your income will be enough to retire on or to last throughout a long later life can be a major source of worry.

Financial hardship for those in work affects one in eight workers according to the Joseph Rowntree Foundation, and those approaching retirement are rarely prepared for the changes in income and spending that come with this life change with many needing to remain in the workforce for longer. The cost-of-living crisis not only affects savings levels but

also impacts on expenditure on personal financial planning such as protection and pension contributions. A third of UK workers have looked to reduce or pause their pension contributions in the past two years, due to their income no longer covering monthly expenditure.

Anxiety is at record highs and a major indicator of becoming potentially vulnerable. With mortgage payments spiralling and inflation hitting the value of

often despite ongoing health issues and caring responsibilities. Employers who support a good work and personal life balance, and recognise older employees also need more flexible work practices, will find it both easier to recruit and retain their older workforce.

Older employees may need extra training to update their skills or learn new ones including adapting to remote working, online platforms, and other

MANY OLDER PEOPLE WANT TO WORK AND FIND NEW OPPORTUNITIES, OFTEN DESPITE ONGOING HEALTH ISSUES AND CARING RESPONSIBILITIES

incomes, we know there are many older borrowers with interest-only mortgages that urgently need advice. The FCA highlights increasing financial hardship in their Financial Lives Report 2023 and expects advisers to be showing how they are addressing this in their response to Consumer Duty.

On a positive note, many older people want to work and find new opportunities,

technology. Most now will have used online meeting technologies in their professional or personal lives and are increasingly comfortable using it.

In advising corporate clients, being able to demonstrate an understanding of the issues their older employees will be experiencing is a key part of an advice firm's offering as well as a potential commercial opportunity. ■

FINANCING THE SECOND 50

The almost complete disappearance of defined benefit (DB) pensions from private sector employers has made the challenge of funding longer lives considerably harder for millions. The defined contribution (DC) pensions that have replaced them are generally less well funded, and employees shoulder all the investment risk.

Employees need to understand that they carry the responsibility for ensuring their retirement plans are on track and making sure they have enough set aside to maintain the lifestyle they want.

How much employees need

The Pension and Lifetime Savings Association (PLSA) has devised a series of three income levels – basic, moderate and comfortable – to give people a guide as to how much money they will need to enjoy a particular standard of living in retirement.

Currently, the state pension is worth £10,600.20, rising to £11,502.24 in 2024. This goes a long way to meeting basic living standards. But for anyone wanting more than this, a considerable amount of personal retirement provision, through either workplace or private pension or other savings or income, will be needed.

The state pension will be the foundation of most people's retirement income. As life expectancy increases, the amount needed to fund a comfortable retirement has also increased. For some, the figures may seem overwhelmingly high, so it is important to communicate to staff the benefits of starting saving as soon as possible, increasing contributions and extending their working life.

The big impact of small changes

Projected income of a female 40-year-old with median earnings of £40,000 who already has a £50,000 pot and who has a employer 3 per cent/employee 5 per cent pension contribution: Projected income:

Retire at 64: £4,702, rising to **£14,849** from 68 when state pension kicks in.

Retire at 68: **£16,543**

Retire at 68 and increase employee contribution to 8%: **£19,847**

Retire at 70: **£19,237**

Retire at 70 and increase employee contribution to 8%: **£21,160**

Helping employees plan for the future

- Communicate the impact of the increase in state pension age, using the 'Check your State Pension age' calculator on the gov.uk website
- Encourage staff to see retirement as a process rather than a cliff-edge once-and-done event. Explain flexible retirement and pension withdrawal options
- Explain increase in the age pension can be accessed – rising from 55 to 57 from 2028, in most circumstances
- Offer financial coaching to staff to help them engage with their finances
- Offer a 'mid-life MOT' using resources from gov.uk
- Direct staff to online financial wellbeing tools offered by providers
- Signpost employees to the government's Retirement Income Planner, MoneyHelper and Pension Wise services
- Establish employer networks for older workers
- Direct older staff to relevant healthcare and wellbeing benefits already offered by the employer
- Support employees with discounted or tax-relieved financial advice

PLSA RETIREMENT LIVING STANDARDS

MINIMUM:

Single: £12,800 a year
Couple: £19,900 a year

Covers all basic needs with a small amount left over for fun. Covers: essential bills, including £54 a week on food, cost of one UK-based holiday per year, plus weekend away, £580 for

clothing costs, help for essential DIY maintenance, small amount for family birthday/ Christmas presents (£20 per gift).

MODERATE:

Single: £23,300 a year
Couple: £34,000 a year

More financial security and flexibility: Covers: essential bills including £74 a week on food, three-year-old car replaced every 10 years, two-week holiday a year in Europe plus long weekend

in UK, up to £791 a year for clothing costs, help with maintenance and decorating each year, modest amount for family birthday / Christmas presents (£32 per gift).

COMFORTABLE:

Single: £37,300 a year
Couple: £54,500 a year

More financial freedom and some luxuries. Covers: essential bills plus £144 a week on food, cost of three weeks in Europe every

year, up to £1,500 on new clothing each year, essential DIY maintenance plus replacement of kitchen and bathroom every 10 to 15 years, amount of family birthday and Christmas present (£56 per gift).

Housing costs are not included. These guidelines are based on people who own their home outright. Those with mortgages or paying rent will need considerably more income to meet these standards.

HEALTHIER, HAPPIER LIVES

People are not only living longer, they are typically staying healthier for longer too. This is enabling more people to stay in the workplace. Ill-health has typically been the biggest single reason for people leaving work in their 50s and 60s. Good health is also enabling people to enjoy more active retirements, particularly in the earlier years.

At the same time, the reality is that people are more likely to suffer from a range of health conditions as they get older. Ageing is often accompanied with a decline of functions such as hearing and eyesight, while mental health issues can also become more prevalent. Loneliness and isolation can be issues for an ageing population, particularly those who are bereaved and who have less social interaction.

Poor health is not inevitable as people age, and there is strong evidence that adopting a healthier lifestyle in middle age, in terms of diet and exercise, can help prevent many of these conditions, and ensure people stay fitter, both physically and mentally, for longer.

Five Pillars of Healthy Ageing

To support the government's Mid-Life MOT initiative, the Open University proposed five pillars to support healthy ageing:

■ **GOOD NUTRITION:** A good diet plays an important role in promoting a person's overall wellbeing during their senior years. Maintaining a health BMI can reduce obesity-related diseases such as diabetes as well as cancer risk

■ **EFFECTIVE HYDRATION:** The changes ageing brings about affect what people need on a daily basis in terms of hydration. People should aim to drink at least 1.5l of water a day, and those on certain medications may need to drink more. Failing to hydrate properly can further slow metabolic processes in the body — already declining with age — and negatively influence muscle function and neural systems

■ **PHYSICAL ACTIVITY:** Activity levels tend to decline as people get older, yet older people should be not only physically active, but engaging in activities that

improve strength, balance and flexibility at least two days a week. Regular exercise helps prevent muscle wastage, strengthen bones and has a proven positive effect on mental wellbeing

■ **COGNITIVE STIMULATION:** As people age they need to essentially exercise their brain to keep its plasticity and capacity for as long as possible.

■ **SOCIAL ENGAGEMENT:** Social stimulation enhances cognitive functions and supports older workers in staying in good physical and mental health for longer.

Health and work

Health conditions can affect people of all ages. But as people age certain conditions become more prevalent which can impact both the amount and type of work they can do. For example musculoskeletal problems among older workers can limit their ability to undertake certain manual tasks.

Research from the CIPD shows the percentage of people in the workforce affected by ill health increases with age, with the most significant increases happening when people reach their mid 50s. But a far smaller percentage of those working beyond state pension age report that ill-health limits or affects the type of work they do — presumably reflecting the fact that those with health problems have already left the workforce.

Building healthier workplaces

Employers have an important role to play supporting the health and wellbeing of their workforce, with a particular focus on

older workers, where issues are more likely to occur.

Health and wellbeing programmes can play a vital part, helping people spot problems early on, through regular check-ups, hearing and eye tests and the monitoring of common health markers such as BMI and blood pressure. Access to private or virtual GPs can also be significant in helping identify issues and ensuring these are referred for appropriate medical treatment.

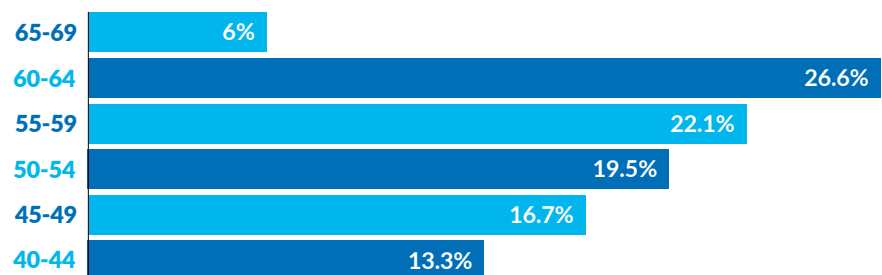
Many wellbeing programmes will also have access to apps which offer mental health support and information designed to encourage healthier diet and exercise habits.

Despite these interventions, not all older people in the workforce will remain in perfect health. Employers have a role to play in providing effective occupational health services and making reasonable adjustments and adaptations to working practices to enable those living with long-term health conditions or disability to stay in the workplace. This is likely to have a positive impact on their overall financial and mental wellbeing.

Flexible working arrangements or reduced hours can also help encourage more older workers, particularly those with modest health issues, to stay in work. This may need to be coupled with computer training and ICT support - to help people to work from home.

There is strong evidence that reducing commuting time helps older employees remain in the workforce.

% of workforce saying ill-health affects type of work they can do





HAPPINESS THEORY IS THE KEY TO FINANCIAL WELLBEING

Creating a life with meaning and purpose, with strong social relationships, is the key to enduring wellbeing

Initiative for Financial Wellbeing founder Chris Budd

“ The size of a person’s pension fund when they reach age 65 is one of the least interesting topics for a 25-year-old. It is likely to be one of the most important topics for a 55-year-old. Yet they are the same person.

Worries about money dominate our thinking. Worrying about how to get it, how to keep it, or how to spend it. Wealth, or perhaps more accurately, the absence of it, occupies centre space in our Western society. The closer you get to that time when your lifestyle relies upon how much money you have managed to save, the greater the worries.

The trouble is, we are just not designed to be good at thinking about financial planning. Why?

In order to be motivated to do something, we need three things:

- We need to be **good** at it
- We need to have **control** of it
- We need to see the **impact** it will make

The more these are present, the more likely we are to be motivated and engaged. But if we are forced to do something where these are not present, and we are therefore not motivated and engaged, this will make us unhappy.

When it comes to creating a clear path to identifiable objectives – one of the pillars of financial wellbeing – these three requirements are not met.

Forecasting your financial future means understanding issues such as growth assumptions and tax. Non-financial experts are not **good** at understanding this, nor topics such as investment and risk.

Feeling in control of our financial futures is also very difficult to achieve. A common question in financial planning is: How much is enough? Some will ask “What is your number?” The trouble is, there is

typically no answer to these questions, other than: more. We do not feel in **control** of something which has no end point.

As for **impact**, the person who benefits most from financial planning is our future selves. Our difficulty in connecting with our future selves also means that ‘now me’ almost always gets preferential treatment over ‘future me’. We struggle to see the impact on ‘future me’ of financial plans that ‘now me’ creates.

For this 50-year-old, the importance of getting their finances right will be of an

ever increasing priority. The fact that they are not capable of being good at financial planning, yet must engage with it, will therefore be making them unhappy and causing stress.

For this demographic, financial wellbeing programmes that focus on managing money and dealing with debt are likely to have a lower impact.

The answer lies in those three components of how to be motivated.

Financial education should start with teaching people the sources of wellbeing. Research tells us that living a life with meaning and purpose, and the quality of social relationships, are the two biggest contributing factors to wellbeing. Seeking self worth from external sources, such as status and the approval of others, is a very short term and therefore poor source of wellbeing.

Financial wellbeing programmes should start with happiness theory, not financial management, to help people feel more in control.

The next step is to help people understand how this happiness theory applies to them – a process I call ‘Know Thyself’. This will create a stronger connection to their future selves.

Most people had given little thought to

RESEARCH TELLS US THAT LIVING A LIFE WITH MEANING AND PURPOSE, AND THE QUALITY OF SOCIAL RELATIONSHIPS, ARE THE TWO BIGGEST CONTRIBUTING FACTORS TO WELLBEING

what they would do in retirement. Most people would like to travel, but this is unlikely to bring much in the way of purpose or social connections.

If people have a better understanding of what will make anyone happy, then what will make them happy, they will be then able to see the impact good financial decisions will have on their future selves. This will make them feel more in control, and thereby more motivated to work along that clear path to a future filled with wellbeing. ■

LIVING LONGER IS CHANGING OUR RELATIONSHIP WITH WORK – EMPLOYERS MUST BE READY TO ACT

» Steven Cameron, pension director, Aegon



On average, across the UK, people are living longer than ever before.

Reaching the fabled 100-year milestone is no longer reserved for a tiny handful, and as the numbers continue to rise, the gift of more time will bring new opportunities and challenges for our society – from the halls of government, to individuals and their families, and the workplaces who employ them.

Nowhere will the impact of our improving longevity be felt stronger than among those who are currently in work and inching ever closer to ‘retirement’. Presented with an expectation that they’ll have more time to fill and fund, but with the world around us so different from past generations and no playbook to act as a guide, it’s fair to describe the second half of modern life as uncharted territory.

The recent pandemic and ongoing cost of living crisis have only made it harder for over-50 workers to navigate this new landscape, with changing needs and goals leading to an even greater re-boot in our relationship with employment and retirement from it.

Employers have already seen the world of people management change vastly over the last decade. With your support, many have successfully established new internal cultures and benefits packages that centre on holistic employee wellbeing, grounded in an understanding of what workers need, aspire to and are concerned by.

With employees over 50 being the fastest growing segment of the UK’s workforce, the skills and experience they offer are unrivalled. However, by living and working for longer, their needs are also changing. As company advisers, you are best-placed to support employers through what is shaping up to be another dramatic shift within the modern workplace.

What is the Second 50 and how is our relationship with work changing?

Driven by rising life expectancy, the traditional three-stage life of ‘education, employment, retirement’ has become increasingly uncommon, and arguably obsolete. In fact, we’re now living longer, highly personal ‘multi-stage’ lives that are defined by many varied and, at times, overlapping situations and responsibilities, as well as a constant need to gain new skills, experiences and knowledge.

For those who are coming up to or are already beyond 50, the second half of what could be a 100 year life – or the ‘Second 50’ as we like to call it at Aegon – presents a particularly immediate and unknown landscape. This is especially evident in their relationship with employment, as their own longevity, changing family dynamics, new work patterns and greater financial needs lead to a re-think in career and retirement plans.

For example – with many becoming parents later and seeing their own parents live longer, 1.3 million people in the UK (mostly aged 35-54) now bear caring responsibilities to both children and parents. Like many other changes in circumstance, this is likely to create a range of multi-dimensional pressures that require us to adapt how we think and act. Some may need to move to part-time work to free up more hours, while others may be financially stretched at a time when their parents were putting money aside. Exacerbated by economic uncertainty and the ongoing cost-of-living crisis, the result is more people returning to work having previously stopped and many taking the decision to continue working deeper into later life, with the number of 65+ workers in the UK more than doubling between 1998 and today.

With so many responsibilities to juggle over an increasing number of years, it should be no surprise that over-50s present a changing relationship with their work. As more people in their Second 50 join or stay within the workforce, the important thing for employers, and you as their advisers, is to recognise these developments and implement structures that enable them to perform to the best of their abilities.

What are employees’ aspirations and concerns for work and retirement in later life?

When it comes to performance, making employees feel empowered and supported



can make a huge difference. And enabling over-50s workers starts with understanding what their needs, aspirations and concerns are.

As further evidence of their changing relationship with work, Aegon found that only 27 per cent of workers expect to make a clean break from full-time employment into full-time retirement. Instead, 37 per cent see themselves making a gradual transition out of the workplace, utilising more flexible and part-time options over a greater number of years. Even more significantly, over a quarter (27 per cent) of people now expect to never fully retire, maintaining some level of paid employment all the way through later life.

However, despite their intention to work longer and having a range of skills and experience to back them, these over-50 workers also appear to be struggling with their confidence. Particularly worryingly, a huge 54 per cent of 50 to 59-year-olds who had previously stopped working believe that their skills are no longer relevant to a modern workplace. Given this group's desire to return to employment and a concerted

effort from the Government to get them to do so, such low confidence in their own abilities could be massively damaging to their prospects of maintaining or finding new work throughout their later years.

What does it mean for employers and advisers?

Following legislative and cultural shifts, the role of an employer and the nature by which they manage their employees, has changed dramatically over the past decade.

There is now significant competitive advantage to be gained from adopting a more wellbeing-led approach, focusing on holistic employee outcomes that inspire staff to engage and develop within their workplace, reduce the costly impacts of absenteeism and presenteeism, and attract talented individuals to the company.

Employees who are already in their Second 50, or those who hope to join or remain in the workforce as they enter it, often possess incredibly valuable skills and experience, with ambitious goals to match. However, they also have a number of work and retirement concerns.

Worries about the relevance of their skills and experience in a modern workplace are often misguided. Helping staff to overcome these concerns, or even better avoiding them forming in the first place, may require employers to offer more training and up-skilling opportunities – relating to both current roles and other business areas that employees may be interested in.

Although not all pandemic changes have stayed, the concept of flexibility has remained important for many workers and companies. In the context of the Second 50, the need to look after parents or manage our own health may lead to employers experiencing greater demand for flexible work patterns, such as hybrid working or adapted hours. This idea carries over into established plans for a more gradual transition to retirement. In an effort to retain or attract key skills, employers may seek to better accommodate older workers by offering more part-time roles, or adopting leave policies that focus on later-life challenges.

Lastly, with more over-50s seeking to move job or return to work, it's important to

ensure that employers avoid conscious and unconscious biases slipping into recruitment and management decisions. When advertising vacancies, role descriptions should avoid discouraging people of a certain age. While managers should try not to judge older candidates or workers unfairly in terms of dynamism or length of future tenure. We know they have the skills to succeed – and they can be very loyal!

Understanding these insights and opportunities, and turning them into tailored internal structures will define how your clients successfully manage and grow with their evolving workforce. The result should be positive steps forward in the recruitment, retention and satisfaction of talented over-50s staff, leading to greater diversity, productivity and achievement of business goals.

What's next?

In summary, living and working for longer is changing the way we approach modern life. Nowhere is this more evident than within our Second 50, in which the lives of over-50s are becoming increasingly defined by greater choices and responsibilities, unexpected shifts and ever-changing needs.

The outcome is a vastly different relationship with work from what we've seen before, creating new opportunities and challenges for employers to manage. Thankfully, you've already supported many companies in laying a healthy foundation from which to build a better, more inclusive and diverse workforce.

Greater recognition of the skills and experiences that those in or approaching later life can bring, will help employers, your clients, to move forward in creating a truly modern workplace. And for employees, that should mean a truly rewarding Second 50 too. ■





For financial advisers only

Helping people live their best lives

**Supporting you and your clients with
the evolving needs of modern life.**

People are living longer and we're excited by
the opportunities this brings.

We're here for everyone who wants to make
the most of their time on the planet, helping to
leave it a little better than they found it.

**We're here to help support you and your clients on their
journey, find out more at aegon.co.uk**

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TIME TO TALK ABOUT THE SECOND 50

» Nick Roy director, client & partnership development at Aegon



Increased longevity is creating challenges and opportunities in the workplace. EBCs and advisers should be talking to corporates about making sure benefit strategies support later life employee wellbeing and the transition from work to retirement

How is the fact that people are living longer impacting retirement plans?

People are living longer, healthier lives and this is changing the way they think about work and retirement. More people are now choosing to work for longer - some because they cannot afford to retire, others so they can save more to improve their standard of living in retirement. There are also those making a positive decision to stay in the workforce because of the enjoyment and sense of purpose it gives them. This means retirement for many is no longer a one-off event but a transition, where they move gradually from full-time to part-time work and then into full-time retirement. This process may take years, and may not always be linear as we are seeing some people returning to work, after retiring from their main career. So companies need to look at how they can support employees in this process.

What can older workers offer employers – and what should companies do to attract them?

Many employers are starting to recognise the benefits of having a multi-generational workforce, and are not only looking to retain older and more experienced employees but actively recruit in the over-45 age group. Younger workers typically change jobs more frequently, so having a larger cohort of older workers can ensure a more stable workforce. Anecdotal evidence suggests this cohort is reliable, hard-working and resilient. People

are not just living longer, but are healthier for longer too, so there are no longer necessarily the same concerns about older workers taking more time off than their younger counterparts.

If employers want to attract older workers they need to consider what people's priorities are as they approach and enter their Second 50 – and ensure workplace benefits reflect this. Not surprisingly Aegon's research shows that as people approach their 50th birthday they are, more focused on pension benefits, building up savings and getting access to financial education and planning tools. Conversely there is less demand for benefits like flexible working, as this group is less likely to have younger children. That said, there will be a number of these workers in that 'sandwich generation', juggling the demands of teenagers and ageing parents. As ever there needs to be some flexibility in benefits provision to meet the needs of a diverse group.

How can employers support their workers as they approach the Second 50?

At Aegon, we've seen the advantage of starting retirement journeys earlier. Rather than wait until people are five years from retirement it helps to start engaging on this issue from the age of 45 onwards. This is likely to be far more successful if it isn't just about wealth and pensions, but also focuses on health and wellbeing, alongside future employment prospects. Do employees foresee themselves working in their current role for the next 20 years? Is there a need for retraining, or moving towards less stressful and time-demanding roles? Starting this conversation early can benefit both employer and employee, particularly if it helps valued members of staff reappraise

career options and as a result stay in the workforce for longer. This can be particularly relevant for employers with a higher proportion of employees in more physically demanding or manual jobs.

What role does financial education play?

There is no doubt that money and financial wellbeing play a critical part in people making the most of their Second 50. We know employers are doing a lot to support their staff in the current cost-of-living crisis, but many are going further and offering financial education to help ensure their employees' financial future is just as resilient. We've seen a lot of success with financial education being delivered via wellbeing hubs, but we are also seeing employers team up with corporate advisers to offer face-to-face guidance as well as access to financial advice. This isn't just about pensions, but getting people to think about all aspects of the next 50 years: such as future health and care needs. These initiatives can help people better visualise the future and to understand the steps they need to take to achieve the retirement they want. It is about changing people's mindset and thinking positively about the future. It is a really useful way to get people to engage with their finances and the wider issues around retirement. ■





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