



**Tulip Press Release Monday, 18<sup>th</sup> July, 2005**

## **HNW Retirement Income Gap Provides Market Opportunity for Financial Advisers**

Half of Britain's wealthiest HNW individuals<sup>1</sup> are retired: half are employed or work for themselves. Together they own more than £700 billion in liquid assets, over two thirds of the UK total. Yet the majority of working HNWs are seriously worried that their retirement incomes will not match their family needs (Table 1 Page 3) despite average liquid assets of £1 million and average incomes of £100,000. This contrasts with the views of already retired HNWs, most of whom are more than satisfied with their retirement incomes.

These findings come from a new survey by Tulip Financial Research Ltd<sup>2</sup> comparing the retirement incomes of HNWs born in the baby boom of the forties with the retirement income expectations of those born in the baby boom of the sixties.

### ***The Retirement Income Gap***

Why are HNWs approaching retirement worried? It is because although their average income is £98,000, their expected retirement income is £64,000, a drop of £34,000 or 35% (Table 2 Page 3). HNWs already in retirement suffered a drop in income of only £10,000 or 13% when they retired, a much more satisfactory experience. It is this widening gap between working and retirement incomes that disturbs high earners as retirement beckons in their late forties and early fifties. But why is the gap widening so fast?

### ***The Changing Sources of Retirement Income***

The critical problem facing new HNW retirees is the fast falling contribution of occupational pensions to retirement income. Today's retired HNWs get half (48%) of their retirement income from occupational pensions: new HNW retirees expect occupational pensions to contribute only a third (39%) of retirement income. This means more dependence on less guaranteed sources of income, on income from personal investments, from personal pension plans and, perhaps, from continuing to work in retirement.

HNWs approaching retirement now expect to get a fifth (17%) of their retirement income from a personal pension, a quarter (25%) from personal investments and the balance (7%) from working in retirement. And the major change (Table 3) is the expected contribution from personal pension plans – up from a 9% contribution for the current retired to 17% for new retirees - an increase of over 100%.

<sup>1</sup> Tulip's survey sample of 150 respondents was representative of all individuals with £150,000 or more in liquid assets. These 760,000 individuals own on average £1.03 million each in liquid assets. 48% of HNWs, average age 68, are retired; 52% of HNWs, average age 53, are either employed or work for themselves.

<sup>2</sup> "HNW & Ultra HNW Retirement Income & IHT Planning", Published July 2005, is available from Tulip Financial Research Ltd (020 7582 6870) and from Mintel International Group Ltd (020 7606 4533)



### ***The Financial Adviser Opportunity***

As previous Tulip studies have shown, many HNW individuals do not use professional financial advisers for investment advice. They believe they can manage their investments themselves. This study shows the same picture for retirement planning: only 60% are taking professional advice, 40% are making their own plans and decisions.

Yet do-it-yourself retirement planning looks like a bad move (Table 4, Page 3). The DIY retirement planners still anticipate that over half (53%) of their retirement income will come from an occupational pension. HNWs using advisers expect only a third (32%) to come from an occupational pension. The DIY retirement planners expect only 5% of retirement income to come from personal pension plans; this rises to 30% for those advised by professionals. And today only one in three (38%) of DIY retirement planners have any personal pension plan, compared with two out of three (65%) of those advised by professionals.

It is apparent that professional advisers are well aware of the “retirement income gap” and are ensuring that their clients take steps to minimise the gap with personal pension plans. The DIY retirees seem blind to the falling contribution of occupational pensions.

Commenting on these findings, John Clemens, Managing Partner of Tulip Financial Research, remarked:

*“Our research shows that the pensions crisis facing the UK does not exclude the wealthy. Many HNWs coming up to retirement face big drops in income that will make their current lifestyles insupportable unless they take steps to boost their retirement incomes via personal investments and personal pensions. Those taking professional advice have been made aware of this and are taking such steps; those not taking professional advice appear to be over-confident that occupational pensions will still bear the brunt.*

*There is now a great window of opportunity for financial advisers to publicise the retirement income gap, to gain new wealthy clients and to market to them financial products tailored to their retirement needs. The wealthy baby boomers of the sixties need good retirement advice – and it appears that today’s professional advisers are supplying it”.*

For more information call John Clemens, Managing Partner, Tulip Financial Research Limited on 020 7582 6870 or email [john.Clemens@tulipresearch.com](mailto:john.Clemens@tulipresearch.com)

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## Tables 1-4

Table 1: How satisfied are you that your retirement income will meet/now meets your financial needs?

	Working HNWs	Retired HNWs
	%	%
Satisfied	45	68
Dissatisfied	55	32

Table 2: The HNW Retirement Income Gap

	Working HNWs		Retired HNWs
Average Income	£98,000	Final Earned Income	£75,000
Anticipated Retirement Income	£64,000	Actual Retirement Income	£65,000
<b>The Income Gap</b>	<b>£34,000</b>	<b>The Income Gap</b>	<b>£10,000</b>

### 3. The Make-Up of Retirement Income

	Working HNWs	Retired HNWs
	%	%
Occupational Pension	39	48
Income from Investments	25	29
Personal Pension Plan	17	9
State Pensionj	11	13
Income from Part-time employment	7	1

### 4. The Value of Professional Advice

	Advised by Professional	DIY Investor: No Professional Adviser
	%	%
Occupational Pension	32	53
Income from Investments	24	29
Personal Pension Plan	29	5
State Pensionj	12	11
Income from Part-time employment	3	2