Shy of retiring

Addressing under-saving among self-employed people

citizens advice

Contents

Executive summary

While many self-employed people are happy in their work, we found that most hadn't given a great deal of thought to when, if and how they might retire. We found that many assume they will continue to work (either full, or part-time) long past retirement age. While for some this is due to having a strong sense of ownership of their work, others, less positively, have little provision for retirement and so feel they have no choice but to continue working.

While the number of people in self-employment has increased in recent years, at the same time the number of self-employed people saving into a pension has halved[1]. This may be partially explained by the rise in part-time working and the drop in median income, which means that for many self-employed people, saving may simply be unviable. But this does not tell the whole story; self-employed people tend to start saving into a pension later than their employed counterparts, and only 24% of self-employed people with a household income of £1,000 or more a week are paying into a pension.

So why are so few self-employed people contributing to a pension? There is no evidence to support the idea they are relying on cash savings instead - cash savings accounts (including ISAs) are equally popular with self-employed people and employees, and among most age groups, the value of their savings are similar.

Self-employed people are, however, slightly more likely to own property than employees (which may reflect the older age profile of the self-employed population). Our discussion groups also revealed that they are very keen to own property - their own and as an investment. Property is considered to offer both safety and consistent returns in a way that pensions do not. A lack of information, and mistrust of pensions mean they do not compare favourably, and are considered to be a risky investment. Many of these issues are explored in depth for all consumers in our report, *Approaching Retirement*[2].

Pensions are also not perceived to offer good value for money. Our research reveals widespread misunderstanding of the tax breaks associated with pensions among self-employed people and employees alike - seven in ten (69%) do not understand the tax breaks provided by a pension. This, coupled with the lack of an employer contribution leaves many feeling that pensions are not a worthwhile investment.

This is compounded by both a lack of trust and lack of information. For instance, many are unaware of the flexibility offered by most pension providers - they believe that they would need to continue to pay into their pension, even if their income dropped or if they stopped working. Furthermore, while employees tend to

[1] Labour Market Statistics & ONS Personal Pensions Statistics 2015
[2] Citizens Advice. *Approaching Retirement*. 2015

get information about pensions from their employer, self-employed people have to be pro-active and seek this out from other sources. As such, self-employed people can feel isolated in terms of not receiving information and advice about their options, resulting in bewilderment and inertia[3]. A self-employed person will not make the pro-active decision to contribute unless they both understand and trust pension products: a double barrier.

Automatic enrolment into occupational pensions has brought a pension to many employees who may never have had one previously. We found that self-employed people were generally open to the idea of an 'opt-in/out' system, administered via self-assessment. This may help to overcome the inertia and make the process easier for those who are currently put off by the perception that pensions are difficult and time-consuming.

The recommendations that we make in this report focus on the creation and expansion of initiatives aimed at encouraging self-employed people to save for their future, would help ensure some security for self-employed people at retirement.

Recommendations:

1. Government should create an opt-in pensions system on self-assessment returns
2. Government, pension providers and advice bodies should increase information and advice to self-employed people about pension options
3. Government should provide more education on the value and rules of the State Retirement Pension for self-employed people
4. Pensions providers should expand flexible pension products that enable self-employed people to save at their own pace
5. Government and pension providers should work together to create and expand easy-to-use dashboards for self-employed people to use to see the value and trajectory of their pension
6. Government should match pensions contributions up to a level of 1% of gross income.

[3] Further information about lack of access to advice can be found at Citizens Advice. https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Fouradvicegaps.pdf. 2015

Introduction

Self-employment has both diversified and increased across the labour market in recent years - more people are entering self-employment later in life and they are remaining in self-employment for longer. Against this backdrop our recent publication *'Who are the self-employed?'* found that although self-employment has increased almost 40%[4] since 2000, the number of self-employed people paying into a pension has halved during the same period[5]. We also found a significant savings gap among self-employed people - fewer than a third of families where someone is self-employed have savings of £8,000 or more.

This all raises questions about security for self-employed people at retirement. We wanted to find out more about what it's like to be self-employed and the impact this has on people's lives, with a view to helping ensure that self-employment is a secure, viable option for those who pursue it.

Specifically this series of reports set out to explore self-employment and:

- family life
- pensions; and
- debt

This report, exploring attitudes towards pensions, is the second in this series. We wanted to find out more about how self-employed people feel about, and save for, their future, and to explore the barriers - real and perceived - to pension take-up. From this, we sought to find out what may encourage self-employed people to save into a pension, with a view to helping ensure that self-employed people have some security in their retirement. Our report seeks to explore the ways in which self-employed people are saving for retirement, why they are less likely to pay into a pension and to identify areas in which they could be better supported to save for their future.

In order to explore these issues we commissioned the New Policy Institute (NPI) to conduct fresh analysis of large, national datasets such as Understanding Society and the Labour Force Survey. We also commissioned polling research among employees and self-employed people and conducted qualitative research among self-employed people.

[4] NPI & Citizens Advice. *Who are the self-employed?* 2015
[5] Labour Market Statistics & ONS Personal Pensions Statistics 2015

Throughout the report, unless otherwise specified, use of the word ‘pensions’, refers to private pensions rather than workplace pension schemes or the State Retirement Pension.

Acknowledgements

We would like to thank the New Policy Institute (NPI) for their analysis and YouGov for carrying out the polling. We would like to thank colleagues at Citizens Advice and from local citizens advice offices who provided input, advice and guidance especially Thomas Brooks and Helen Dreyfuss for their expertise.

We would also like to thank all respondents to the surveys and those who participated in the focus groups, without whom this research would not have been possible.

Methodology

This report is the second in a series of three. Our first report[6] explored the impact that being self-employed can have on family life, and the final report in this series will look at experiences of debt. This will be published in February.

Aims and objectives

This study used a mixture of quantitative and qualitative research in order to fully explore the ways in which self-employed people feel about retirement and pensions. Specifically it aimed to explore:

- When and how self-employed people planned to stop work;
- Where self-employed people chose to invest for their future;
- How self-employed people planned to fund their later life; and
- Attitudes to pensions and the reasons for the low take-up of pension products by self-employed people.

Quantitative approach

Citizens Advice commissioned the New Policy Institute (NPI), to analyse national data relating to self-employment. The following datasets were used in this report: the Labour Force Survey (ONS, 2014/15), Personal Pensions Statistics (ONS, 2015), Family Resource Survey (DWP, 2013/14) and Wealth and Assets Survey (ONS, 2010/12)

Citizens Advice also commissioned YouGov to undertake an online poll of 1,303 working adults between the 9th and 15th November, 2015. The achieved sample consists of 653 employees and 650 self-employed people, enabling us to compare findings between the two samples.

To help ensure robustness of the sample, YouGov set quotas on age, gender and region for the self-employed sample, and on gender and type of business (private / public / voluntary sector) among employees. Data were not weighted.

Our questionnaire asked respondents about:

- Their preferred investment options for the future;
- To what extent they trust pensions as a safe place to put their money;
- To what extent they felt pensions offered good value for money;
- Sources of information and advice regarding pensions; and
- Whether they would be more likely to save into a pension if the government were to match their pension contribution.

[6] Citizens Advice. *Who's the Boss?* 2015

Qualitative approach

In addition to the quantitative work, to explore these issues in more detail we undertook 6 discussion groups[7] among self-employed people. All groups took place between August and October 2015, each group consisted of 5 or 6 people and lasted 90 minutes. Please see the appendix for a breakdown of participant demographics.

Qualitative research is intended to be illustrative rather than statistically representative - it is not, and cannot attempt to be, representative of any given population. However using quota sampling, participants were carefully recruited to *reflect* the characteristics of the self-employed population as much as possible. To further help ensure robustness of the sample, all participants were recruited by Criteria Fieldwork. All participants were members of the public who had not necessarily had prior contact with Citizens Advice.

The groups were clustered in three regions to ensure a reasonable geographical spread: London, Nottingham and south Wales.

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1: Self-employment and attitudes towards retirement

Following a brief outline of the motivations that people have for becoming self-employed, this chapter draws on our qualitative research to explore self-employed people's attitudes towards retiring, including whether, how and when they plan to stop working.

Being self-employed

As discussed in our recent report, *Going Solo*[8], people's motivations for becoming self-employed tend to fall into three broad categories; an informed positive choice, an unexpected opportunity or a lack of other options.

Reflecting findings from our previous report and other research, most participants spoke positively about their experiences of self-employment, in particular, the flexibility and control that self-employment gave them.

'I love it. Just feels like I'm in control completely of my life, whether it's my working life or anything, it just feels like I have no one to answer to'
35-55, mixed level earnings focus group, London

Despite this positivity, participants were aware of and experienced the drawbacks of self-employment. Lack of sick pay and holiday pay were frequently spontaneously cited along with the administrative burden, instability in earnings and workload. The lack of employer pension contributions was also mentioned spontaneously by some.

"We aren't allowed to be ill. We are never ill." **35-55, low earner, no assets, Cardiff**

"I think self-employment is a risk, as you don't know if you have a pay packet at the end of the month" **55+, mid earners, Cardiff**

Despite the drawbacks, most participants enjoyed their work and for them, self-employment was not considered to be a stop-gap option, but rather as a long-term career into which most were making future plans.

With this in mind, many felt they would continue to work well past the state retirement age. With a few exceptions, participants wanted to continue working in self-employment for as long as they were able. This was especially true of older people, regardless of their level of earnings. Some of the reasons that participants gave for wanting to continue to work are common to both self-employed people and employees, such as loving their work or wanting to stay active in older age.

[8] Citizens Advice, *Going Solo*. 2015

However, other reasons were more salient for self-employed people, such as high level of commitment to their business, and having a strong sense of ownership or, less positively, the worry that they will need to continue to work as they have little or no financial provision for retirement. There was general pessimism relating to the future of the State Retirement Pension (SRP) and many thought that it would not provide sufficient replacement income in older age (see chapter 2 for details).

"I will carry on as long as anyone will have me. I love what I do and when you have a passion for something, you want to do [it]. I will do it voluntarily if no one will pay me"
55+, mixed earners, all with assets, Nottingham

" I don't want to work until I am 70 but I am going to have to. Because of how I struggle now, I will probably struggle all the way through."

55+, mid earner, Cardiff

Stopping work

Those who did not want to work past state retirement age tended to be younger. Their frames of reference were formed from the people they know nearing retirement such as parents and other family members, and they assumed they would retire at a similar age.

"I look at my own parents and see how their health is changing – 60 is the benchmark for when your body stops being able to do what it used to do"
Under 35, mid earners, Nottingham

Mostly, those who felt they would cut back on work in retirement had savings and wanted the opportunity to enjoy them. This was reflected in our recent report '*Approaching Retirement*'.

'I want to retire to go and see the world while I am fit and healthy.'
Under 35, mid earners, Nottingham

While a few participants thought they might retire early due to past or current health concerns, among those with current good health, staying healthy and able to work was somewhat taken for granted. There was an assumption that they would remain healthy and able to continue to work indefinitely. Very little consideration was given to what would happen if this was no longer possible[9].

"I think I will have to work forever. The state pension will be worth 30p a week so I will need to keep working." **55+, mid earners, Cardiff**

[9] The disability-free life expectancy in England is, on average, 64 years (as of 2011), meaning that many self-employed people may not be able to continue to work past the state retirement age. See ONS. *Disability Free Life Expectancy.* 2014

2: Funding Retirement

This chapter begins with NPI's new analysis of data which explores the decline in the number of self-employed people paying into a pension in recent years, and discusses current levels of pension participation by age and earnings. Following this it turns to the qualitative evidence to discuss self-employed people's attitudes towards the State Retirement Pension (SRP) and their preferences for funding their retirement.

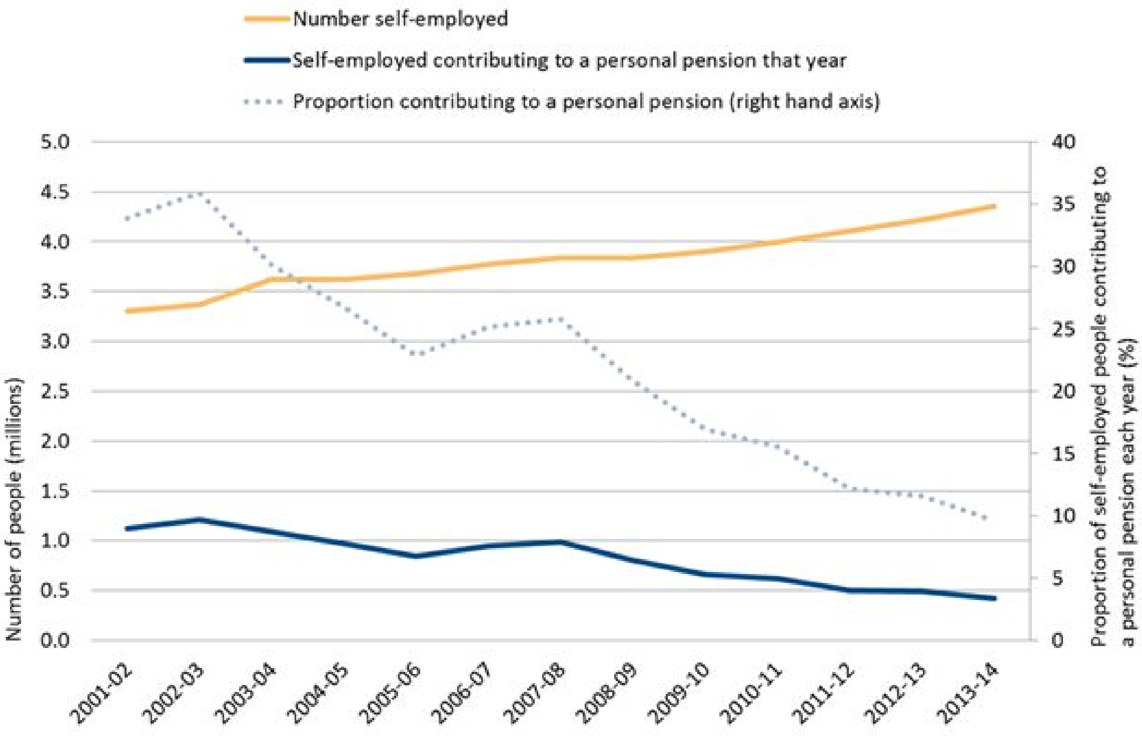
The Pensions gap

Despite the rise in self-employment in recent years there has been a marked decline in the number of self-employed people paying into a personal pension. In 2003-04, 1.1 million self-employed people were contributing to a personal pension [10] but since then this has more than halved to just 450,000 in 2013-14.

What is particularly striking about the decline is that it happened *as the number of people that were self-employed was on the increase*, as Figure 1 shows. Just 10% of self-employed people were actively contributing to a personal pension in 2013/14, down from 30% in 2003/04. There could be many explanations for this, including an increase in the proportion of older people becoming self-employed (who may think it is too late for them to contribute meaningfully to a pension), the increase in part-time workers, or lower levels of trust in financial services following the financial crisis of 2008.

[10] The employment status that is recorded for people contributing to a pension is based on the information provided in the original pension application. Subsequent changes in employment status are not recorded. This means that people who began paying into a pension when they were employed and then became self-employed but continued contributing to the same personal pension would not be included in this data.

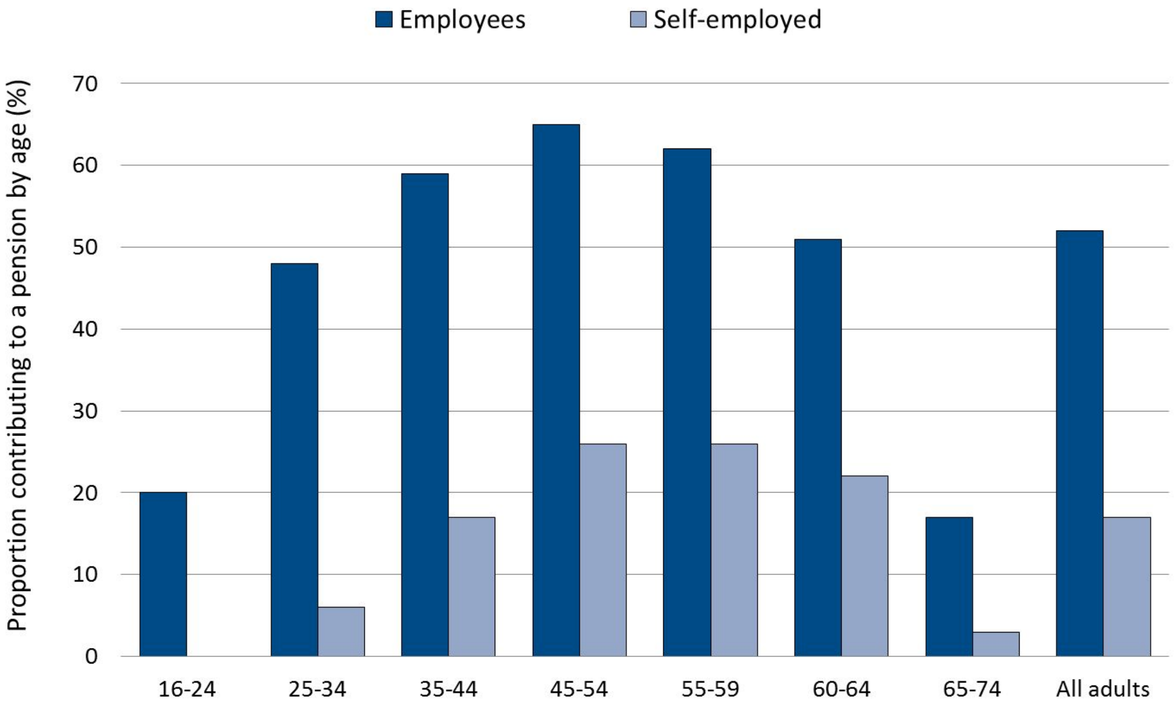
Figure 1: Number of self-employed contributing to personal pensions (stakeholder and non-stakeholder), 2003/04 to 2013/14



Source: NPI analysis for Citizens Advice: Labour Market Statistics and DWP Personal Pensions Statistics 2015.

Furthermore, Figure 2 shows that employees are significantly more likely to be contributing to a pension than self-employed people across all age groups. The proportion of self-employed adults paying into a pension peaks at just 26% (from age 45-59).

Figure 2: Proportion contributing to a pension by age and employment status

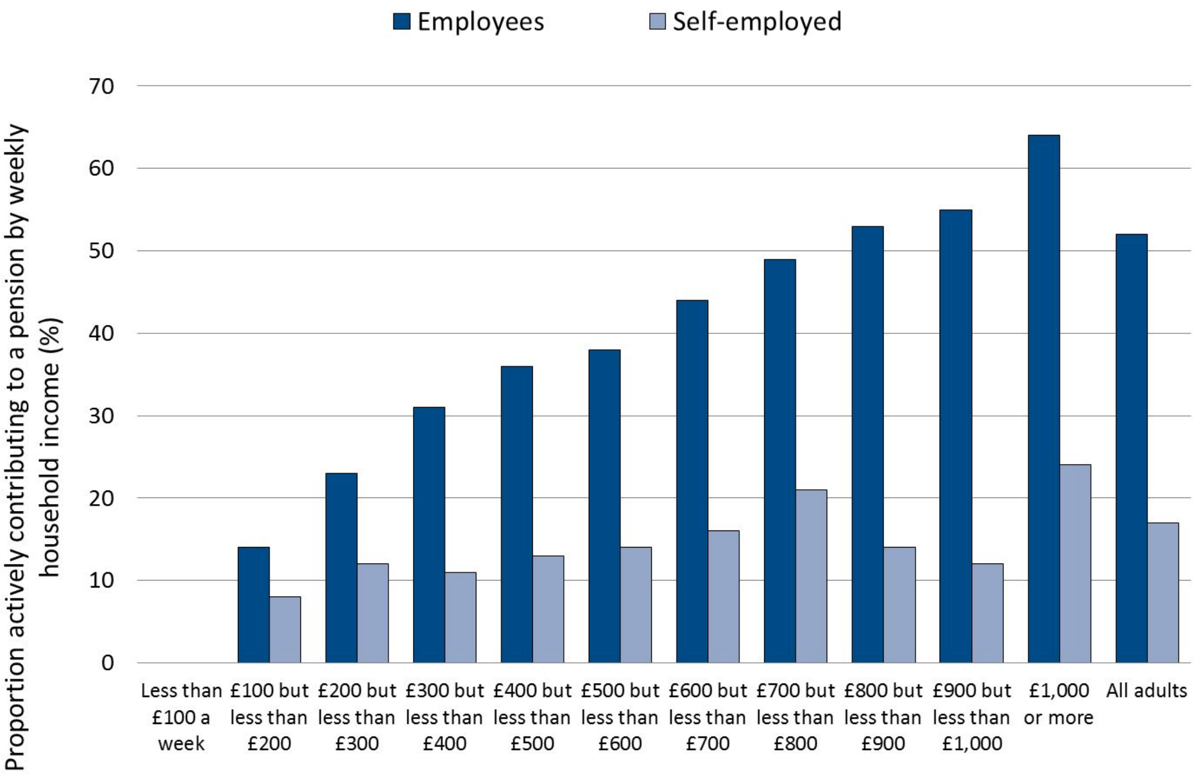


Source: NPI analysis for Citizens Advice. Family Resources Survey, DWP. Data is for 2013/14. Estimates for 16-24 year old self-employed people are not reported due to small sample sizes.

Young adults are generally poorly represented in terms of pension participation, but this increases dramatically for employees aged 25 to 34, with just under half (48%) paying into a pension in 2013/14, compared to just 6% of the self-employed in this age group.

There is also a clear income effect for employees - figure 3 shows that those with a higher household income are more likely to contribute to a pension. However, among self-employed people income has little impact - the proportion contributing to a pension even drops as income increases to between £800 and £1,000 per week. Indeed, pension participation among self-employed people is rarely more than half the rate of employees.

Figure 3: Proportion contributing to a pension by weekly household income and employment status, 2013/14



Source: NPI analysis for Citizens Advice. Family Resources Survey, DWP. Estimates for adults in households with an income of less than £100 are not presented due to small sample sizes.

In 2013/14, 8% of self-employed adults with some of the lowest levels of household income (£100 to just under £200) were contributing to a pension. This is low but understandable given their limited income. However, this rises to just one in five (21%) amongst self-employed adults with a household income of between £700 and £800 per week.

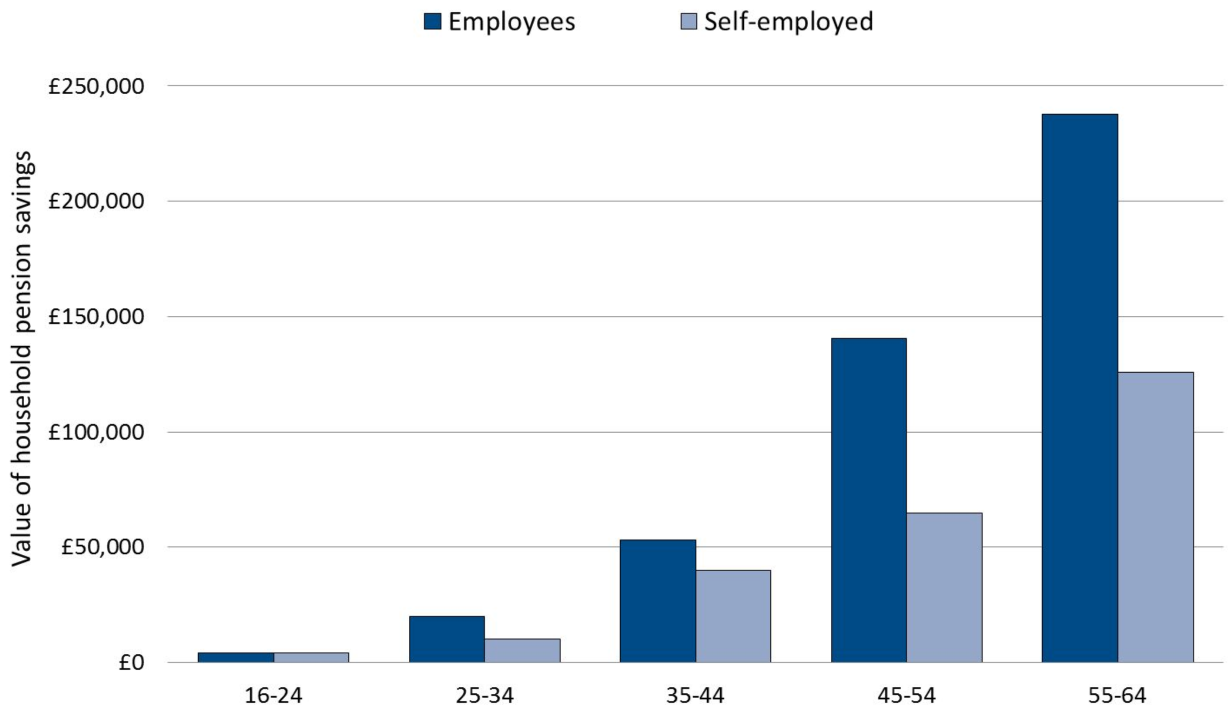
Beyond this income level the pattern is less clear, though pension coverage among self-employed people increases again for those with a household income of £1,000 or more, peaking at just 24%. This is still strikingly low, given the rate for their employed counterparts is 64%.

While some self-employed people rely on their partner to provide them with pension coverage (the share of self-employed people with no coverage drops by 20 percentage points when the partner is taken into account) There still remain 63% of self-employed people who neither have their own pension nor a partner paying into a pension in 2013/14, compared to 39% of employees.

Perhaps of even greater concern is the fact that 35% of self-employed people were aged over 44, and neither contributing to a pension nor living with a partner who had a pension. Some 1.3 million were in this precarious situation in 2013/14. In contrast, only 12% of employees were in a similar position.

As Figure 4, below, shows even those self-employed people who are managing to save into a pension typically have much less put aside than their employed counterparts. There is a clear gap between the value of pensions of self-employed people and employees. For over 45s the median value of employee savings is £140,000, more than double that of the self-employed (£65,000). Among those closest to retirement, median pension savings among the self-employed are around £125,000, just over half that of employees (£235,000).

Figure 4: Value of pension savings by age and employment status of household head



Source: Wealth and Assets Survey 2010/12

As discussed above, this may, in part, be accounted for by the number of self-employed people who are not saving into a pension at all. In addition to this, even when self-employed people do begin to save, they do so later in life, thus affecting the value of their pension at retirement.

If most self-employed people are not paying into a pension, and those who are saving are putting aside relatively little, what, if any, provision are they making for later life? The rest of this report considers the reasons why self-employed people are less likely to be saving into a pension and explores their attitudes towards pensions and other forms of investment.

Provision for retirement?

With a few exceptions, discussion group participants were not currently paying into a pension, although some had paid into a pension when they were employed. While most have given some thought to funding their retirement, and have chosen to prioritise other options such as building up savings or investing in property, some participants were not planning at all for later life.

"At the end of the day, when you are self-employed, it is not easy to save money. You earn money every day and it goes one way or the other way".
55+, mid earners, , Cardiff

Some of those approaching retirement age felt regret that it was too late to start saving in any meaningful way, and for some of the younger participants retirement felt too far away from their more immediate concerns of saving to buying a home and building their business.

"At my age, I worry that it's too late to do it." **55+, mid earners, Cardiff**

"My biggest regret is not having a pension. If you start young enough, you are only paying a small amount, but you have to start paying when you are about 25."
55+, mid earners, Cardiff

Others had made a conscious decision not to plan for, or worry about, the future and post-rationalised their decision not to save by suggesting that doing so would prevent them from enjoying their lives.

"You might as well enjoy your life" **55+, mid earners, Cardiff**

"I live for the moment, at the moment. I was asked at 18 if I wanted to join a pension. I thought 'I'm 18!'" **35-55, low earners, no assets, Cardiff**

Attitudes towards the State Retirement Pension (SRP)

The qualitative work revealed that almost all participants underestimated the current rate of the State Retirement Pension (SRP)[11]. The mean estimate was £103 per week, which is just two-thirds of the typical minimum rate of the New State Pension at £155 per week (for those who have 35 years of national insurance payments). Overall, there was optimism amongst participants when they were told the rate. Initially, many thought it was quite generous and felt that they would be happy to live on it. This stemmed largely from a feeling that they would have fewer outgoings in retirement, and for most, rested largely on the assumption that they will own their own property outright.

[11] The new State Pension will come into force in April 2016 to replace the current two-tier system. The minimum payment will be £155.65 for those who have 35 years of national insurance payments. Under the current system, the basic state pension was £115.95 in 2015/16. Self-employed people have never been eligible for the additional state pension.

"I won't be paying rent.... That's 600 quid a month - just to splurge. What are you gonna buy?! When I'm old... I won't be going down the pub and stuff."
Under 35, mid earners, no assets, London

"I would basically need enough for a bit of food, utilities and a TV licence"
35-55, low earners, no assets, Cardiff

Others - in particular those who had no assets[12] - felt that while their outgoings in retirement may be lower, they would probably still need to cut back on their spending in order to manage on the state pension alone.

"[Your] standard of living is going to change when you retire so you just have to adjust to what you will get from the government. You can't shop at Marks and Spencer, you have to go to Aldi." **35-55, low earners, no assets, Cardiff**

"You don't know what you have to cut back on before it happens... It is hard to get into that mind-set. If it's not real, it's hard to put yourself in that place." **35-55, low earners, no assets, Cardiff**

Indeed, upon reflection, most participants tended to think that the SRP alone would not be enough to live comfortably on. As such, many of our participants spoke of planning to continue self-employment part-time in order to "top-up" their state pension. This was popular among participants; they believed it would allow them to manage well financially, and as mentioned in the previous chapter many are keen to continue to work at least part-time beyond the age of retirement. However, again this rests not only on the assumption of good health, but that they continue to be willing and able to work until the end of their lives.

'A hundred and fifty pound topped up with a couple of days work would be fine for me... you do manage, you live within your means'. **35-55, mixed level earnings focus group, London**

Others however, did not believe that SRP would exist by the time they retire. This was evident even among participants who had fewer than 20 years left before they became eligible to claim it.

"By the time we retire, our state pension won't come out until I am 70. Who knows if the state pension will still be going." **35-55, low earners, no assets, Cardiff**

"£150 is quite good, but I wonder how much it will be in 20 years time?" **35-55, low earners, no assets, Cardiff**

We discovered some widespread misconceptions regarding SRP entitlement. Most notably, there was a fairly widespread misconception that the SRP is either partially or fully means or wealth-tested rather than contribution-based, meaning that if

[12] In this report, "assets" are defined as owning a property outright, having more than £16,000 in savings and/or having any other assets worth £16,000 or more, such as pensions or shares.

someone receiving SRP had savings, this would automatically reduce their pension entitlement. The basic state pension entitlement has never been means tested (although Pension Credit is) and the new, single-tier pension is a further move away from means testing. While this is a positive move, many self-employed people are not aware of this and so are still put off contributing to a personal pension in order to ensure they receive their full state pension.

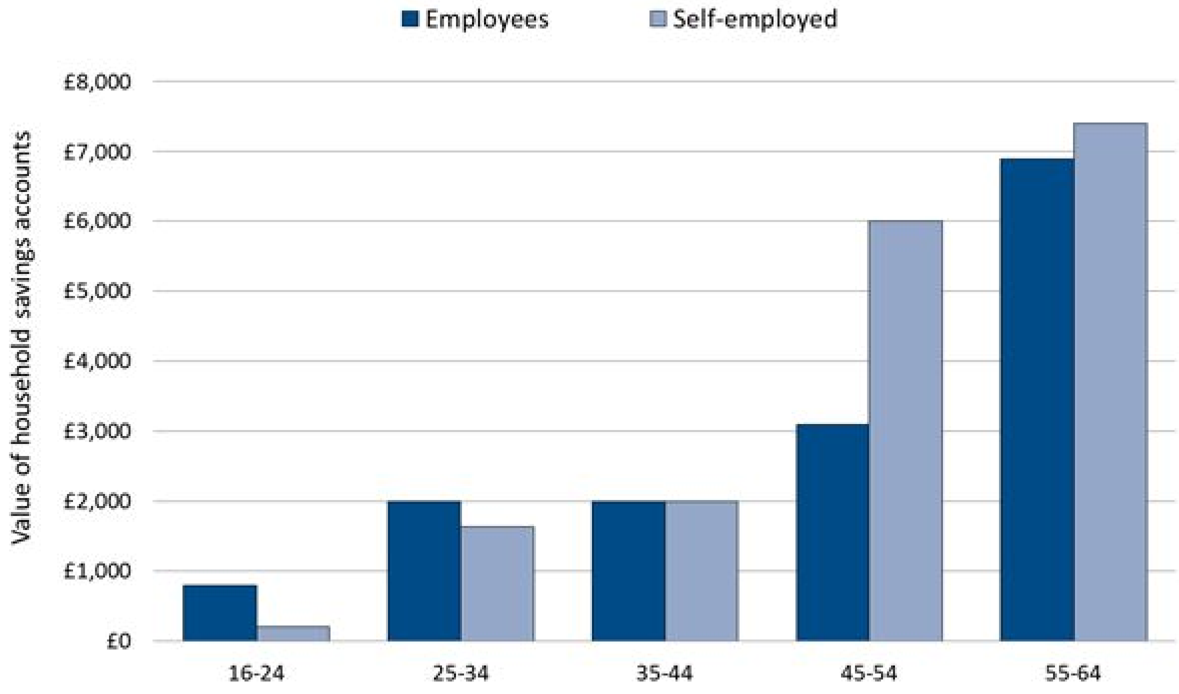
Given the misconceptions surrounding state retirement pension entitlement we recommend that government provide more education on the value and rules of the SRP for self-employed people.

Current savings provision

Given the general pessimism regarding the capacity of the state pension to provide adequate replacement income, what measures are self-employed people taking to ensure they have sufficient funds for retirement?

There is no evidence to support the idea that pension savings are low among self-employed people because they have adequate cash savings to fall back on. Figure 5 shows that for most age groups, the value of cash savings tends to be similar for self-employed people and employees. It may suggest, however, that some self-employed people are taking advantage of ISAs as savings vehicles in addition to having most of their money invested in property (their own home or a buy to let investment).

Figure 5: Value of household savings by age and employment status of household head, 2010/12



Source: NPI analysis for Citizens Advice. Wealth and Assets Survey 2010/12

The difference between self-employed and employee households is much less clear for cash savings than for pension savings. Among younger age groups, savings are low and there is no difference between employment statuses. Among those aged 45-54, savings in self-employed families are, at £6,000, twice as high as among employee families. At age 55-64, the gap closes; both have average savings of around £7,000.

The qualitative work suggested that participants considered cash savings to be a method of saving for the shorter-term. They were unlikely to use these accounts to save for the long-term and instead dipped in, using the money when they needed it.

"I had [an ISA] set up but closed it - I'd had the investment out of it and needed to spend the money." **Under 35, mid earners, Nottingham**

Investment preferences

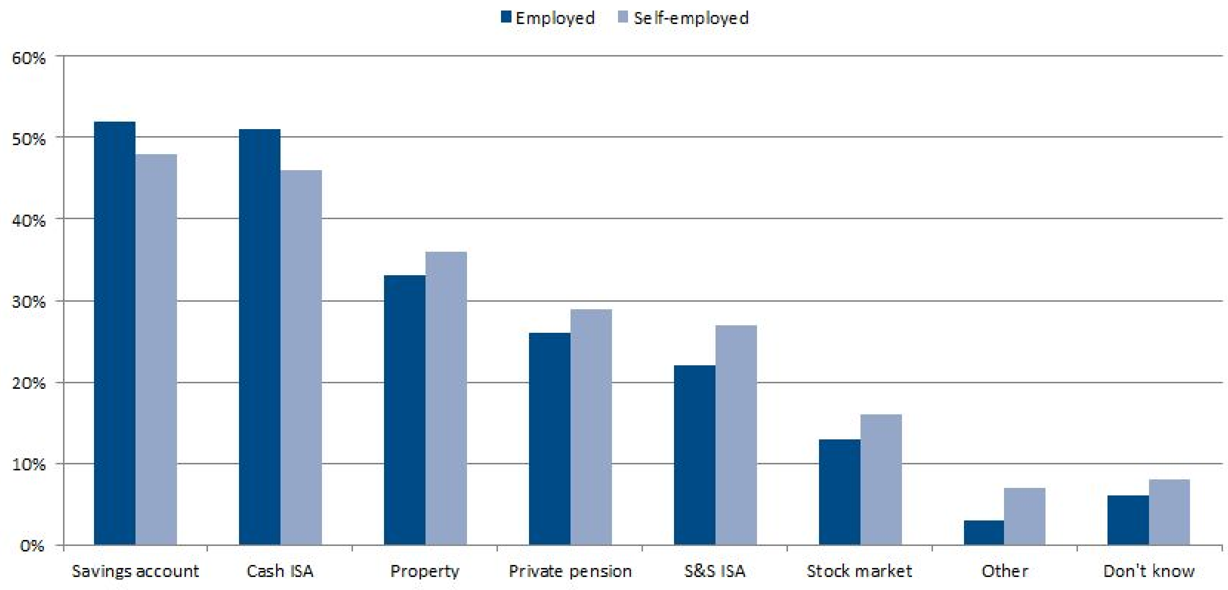
Many of those we spoke to - especially the lower earners, felt that they were simply not earning enough to be able to make a regular contribution to a pension (and any employees earning under £10,000 a year - the level at which auto-enrolment applies - are likely to feel the same).

We therefore gave employees and self-employed people a hypothetical scenario to consider, where we asked them to imagine they regularly had some extra money to put aside for their future.

Our polling reveals similar patterns in attitudes towards investments between self-employed people and employees. Figure six shows that savings accounts and cash ISAs emerge as by far the most popular forms of investment among both. These accounts are familiar, easily understood, tend to be trusted, and give flexible access to cash savings.

Figure 6: Choices for setting money aside to save for the future by employment status

Q: Please imagine that you regularly had some extra money which you wanted to put aside to save for your future. Which, if any, of the following methods of investment would you choose? Please select all that apply.



Survey conducted by YouGov on 9-15 November 2015 Base: 653 employed, 650 self-employed

After cash savings, investing in property is the next most popular among both employees and self-employed people although it is more likely to be prioritised by self-employed people (40% of full-time self-employed people would choose this compared to 32% of full-time employees). Following this, pensions and stocks and shares ISAs appeal to between and quarter and a third of both employees and self-employed people.

3: Attitudes towards pensions

This chapter uses evidence from the discussion groups to explore the reasons why self-employed people are less likely than their employed counterparts to contribute to a pension. A lack of trust and misinformation contributes to pensions being considered a 'risky' investment option compared to other preferred forms of investment such as ISAs and property. This is compounded by a lack of employer contribution for self-employed people and a lack of understanding of the tax-breaks associated with pensions. The chapter finishes by exploring the potential for increasing the proportion of self-employed people contributing to a pension.

Trust and misinformation

Half (50%) of self-employed people surveyed say they do not trust pensions as a safe place to invest their money (compared to 42% of employees). Among those who were self-employed and working full-time mistrust peaks in the 45-54 age group (55%) - the age at which contributions tend to be highest among those who participate. Our recent report 'approaching retirement', suggested that people tend to have more confidence and trust in pensions if their employer is also contributing - self-employed people don't have that reassurance.

A further 12% of self employed people say they do not know whether or not they trust pensions. This is a concern, given the higher level of engagement in pensions that self-employed people must necessarily have in order to save into one. While an employee may say that they don't know if they trust pensions, they may nonetheless be saving into one through auto-enrolment. However, a self-employed person will not choose to contribute unless they both understand and trust pension products: a double barrier.

"I have thought that I need to set up a pension, I need to look into it but it's hard to know where to start. I don't know a lot about it. When you're employed there's someone there in finance [to help]." **Under 35, mid earners, Nottingham**

In common with employees, the older focus group participants tended not to trust pensions on the basis of high-profile pension fund crashes in the 1980s and '90s. Younger participants were less likely to remember these, but for older participants these were still top of mind. They had lost faith in pensions providers and were unwilling to take what they perceived to be a risk with their money by investing in a pension.

'So many pensions have gone to pot and this has put me off. It wasn't as safe and bricks and mortar was." **55+, mixed level earners group, all with assets, Nottingham**

The discussion groups revealed that while the older participants felt more confident in their understanding of pensions than the younger people, nevertheless, there was widespread lack of trust, which in part stemmed from misinformation. The key perception was that they would need to continue to pay into their pension, even if their income dropped or if they stopped working.

Furthermore, in addition to believing that private pensions would give them no additional tax breaks or return on their investment over an ISA, participants variously thought: that pensions need to be paid at a flat rate with no flexibility; that their state pension would be reduced if they had a private pension; and that they would not be able to pass on their pension savings as an inheritance. All of these myths were widely held and, understandably, put people off wanting to invest in pensions.

If you are rich, then you can afford to put £200 away and not even miss it… [but] imagine if your gas bill is £49 and you have put £50 into the pension. You will think, 'bloody hell'."

35-55, low earners, no assets, Cardiff

Younger participants were aware of the gap in their knowledge but despite some thinking they might be not be making the right decision, they tended to believe they were too young for pensions to be a priority for them.

"This is probably really stupid but I always think it's something I'll think about when I'm in my 40s. I don't know. I know that's probably really naive, to think that way."

Under 35, mid earners, no assets, London

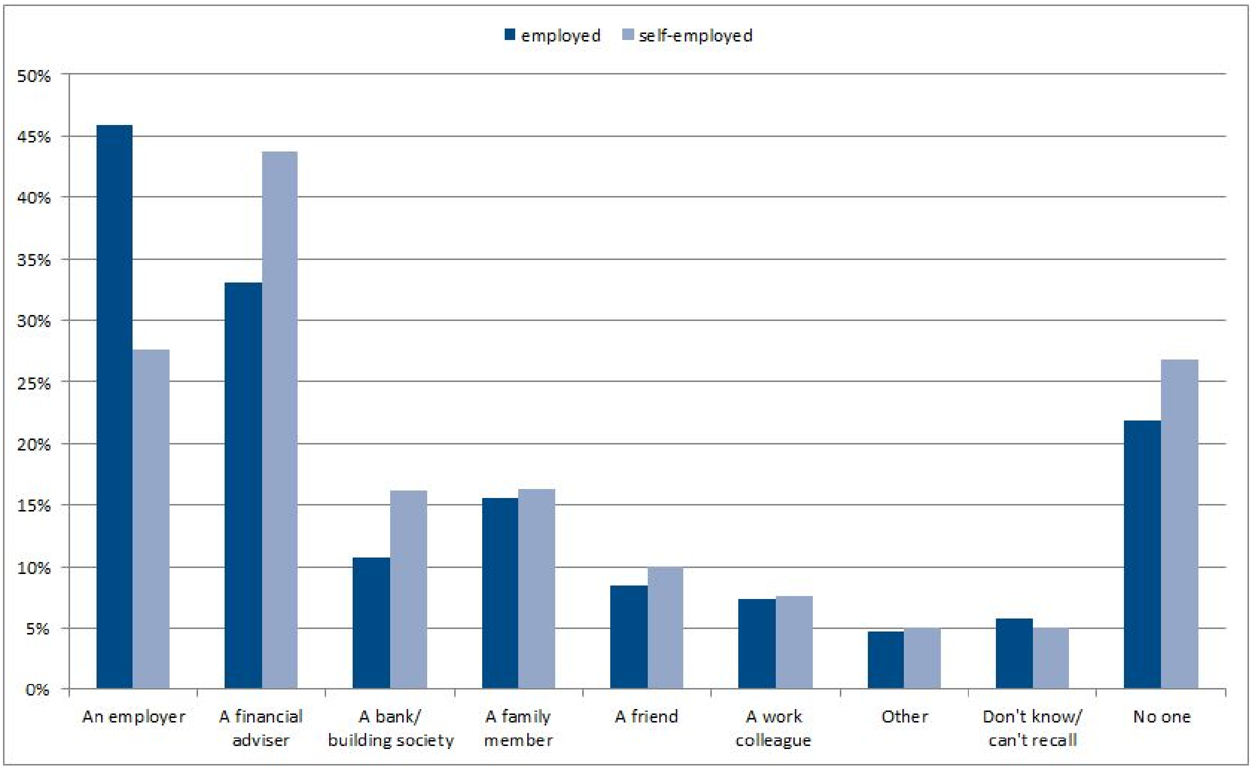
Feeling uninformed

The reason for this lack of understanding may be explained by a gap in communication. Confusion about pensions tax breaks is widespread, with employees and the self-employed both equally in the dark about whether or not regularly paying money into a cash ISA will provide them with better tax breaks than regularly paying the same amount into a pension.

This problem is not unique to self-employed people. The issue is more salient for them though, and potentially more difficult to overcome, since they are slightly less likely to receive information or advice about pensions. Just over two thirds of self-employed people say they have ever received information or advice about pensions (68% vs. 72% of employees), which means that over a quarter (27%) of self-employed people say they have *never* received any information or advice about pensions from anyone.

We therefore recommend that government, pension providers and advice bodies should increase information and advice to self-employed people about pension options.

Figure 9: Sources of information about pensions by employment status



Survey conducted by YouGov on 9-15 November 2015 Base: 653 employed, 650 self-employed

"No information ever comes to you as self-employed person – I've never had anything through post." **Under 35, mid earners, no assets, London**

As may be expected, we know that employees rely heavily on their employer for this information (46% say they have received information from their employer), whereas self-employed people are more likely to turn to financial advisors and banks (44% and 16% respectively). Furthermore, information that self-employed people receive about pensions is likely to have come from previous employment, meaning that at best it is out of date, and places those who have always been self-employed at a real disadvantage.

A worthwhile investment?

Our polling data shows that full-time self-employed people are significantly less likely than full-time employees to believe that pensions offer good value for money. Two thirds (66%) either *do not think* that pensions offer good value for money or say they don't know (compared to 60% of full-time employees).

This may be explained by the fact that seven in ten (69%) people do not understand the tax breaks provided by a pension, and a quarter (26%) wrongly think that regularly paying money into an ISA will actually provide them with better tax breaks than regularly paying in the same amount to a pension. Similarly one in five (21%) wrongly think that regularly paying money into a cash ISA will provide them with a better return on their investment than regularly paying the same amount into a pension and a further 46% say they don't know.

Similarly, the qualitative work reveals that most participants did not feel that pensions were a worthwhile investment. For many this stemmed from a lack of knowledge of the tax advantages unique to pensions coupled with the lack of employer's contributions for self-employed people.

Widespread ignorance of pensions among the younger people, and widespread mistrust and cynicism among the older participants also contributed to the feeling that pensions are not a worthwhile investment, even where the mistrust was misplaced.

The impact of employers' contributions

Not all of the younger discussion group participants were aware that employees receive an employers pension contribution - and some felt a sense of injustice that, as self-employed people, they do not receive this.

"That's not fair! It's like punishment for having freedom." **Under 35, mid earners, no assets, London**

"I think that [employer contribution'] is a big plus, a big positive, definitely"
35-55, mixed level earnings focus group, London

Without the employer's contributions, and without understanding the tax breaks associated with pensions, participants considered pensions to be akin to ISAs, which offer tax advantages when they are withdrawn but not when they are invested. Furthermore, some (particularly the younger people we spoke to), seemed to think that if they paid into a pension this would have to be at the expense of other investments.

'I'm in two minds because either I would contribute to something every month [a pension] and then hopefully get it [in the future] or I invest my money in properties, buy to let - whatever - stocks and shares - get the money soon as [I want]."

Under 35, mid earners, no assets, London

To a certain extent, discussion group participants correctly identified a disadvantage in the current pensions system for self-employed people. The illustrative example in Appendix B shows that an employee earning the median wage (£27,000) and paying the minimum amount each month into an occupational pension, would be £153.52 better off each year than a self-employed person earning the same amount and matching the minimum contribution levels under auto-enrolment by paying the same amount into a personal pension.

After 30 years the employed person would have £18,535.52 in their pension pot[13], while a self-employed person would expect to have a pot worth just £11,817.77 - a smaller pot despite having paid in significantly more themselves. This suggests that the effect of employer's contributions may be a significant factor both attitudinally and financially. While this is very small for a pension pot, it would yield significantly more than putting the same amount monthly in a Cash ISA, which would yield £9,454.22 over the same period.

The problem of a lack of employer's contributions presents a genuine barrier to engagement among self-employed people. This pensions penalty for self-employed people will widen in 2018 to £343.92 a year when the minimum contributions for employees and employers increase.

We therefore suggest that government should match pension contributions for self-employed people up to a level of 1% of gross income.[14] We also recommend that government and pension providers should work together to create and expand easy-to-use dashboards for self-employed people to use to see the value and trajectory of their pension.

Future potential

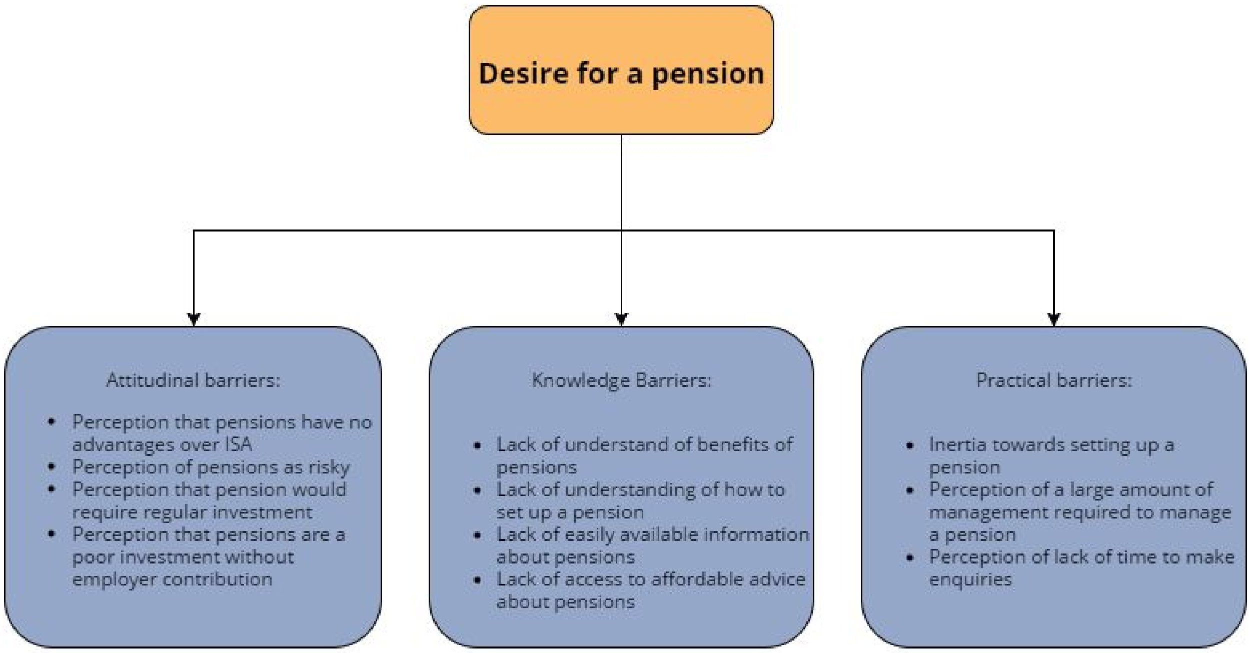
Despite these problems, there may be some potential for encouraging more self-employed people to participate in a pension scheme. Our polling suggests that 29% of self employed people say they would put aside money for retirement and into a pension if they regularly had money coming in. However, data from the Wealth and Assets Survey suggests that the proportion of self-employed people *currently* paying into a pension is just 17%[15]. Figure 11 presents the most common barriers to pension take-up among self-employed people, which may help to explain this discrepancy.

[13] Aviva reports that a mid-performing pension fund would gain 2.4% a year, so this is the amount of interest that has been assumed.

[14] The current system of pensions tax relief disproportionately supports employed over self-employed people. Just 2.2% of pension tax relief is spent on self-employed people, even though they comprise around 14% of the workforce. See Citizens Advice *Strengthening the incentive to save: a consultation on pensions tax relief*. 2015.

[15] ONS. *Wealth and Assets Survey.* 2012

Figure 11: Barriers to pension take-up among self-employed people



"It's just another piece of paper that I have to deal with... when you get home you're just too knackered, you've got your kids to deal with and your invoicing and you think 'oh I'll do it tomorrow' ". **35-55, mixed level earnings focus group, London**

We know from our previous research that people engage with pensions at key life events including when they change jobs. When someone starts working as an employee this is done for them, a self-employed person however, will be concerned with accounting, marketing etc, so pensions are less likely to be a priority for them. If they could be prompted at this stage, for instance via their tax return, to contribute to a pension this may be an effective way of engaging this group.

Currently, as self-employed people are not targeted as pensions customers, they need to be motivated and proactive, to make the effort to find out what products are available for them in order to make an informed choice. *'Approaching retirement'* found that employees are more likely to save if their colleagues are doing so. Self-employed people do not have this 'peer effect', and have to be more motivated to start a pension fund.

Our discussion groups found that young people (aged 18-35) with mid-range incomes were the most likely to feel positive about the idea of starting a pension. They spoke of a pension being a part of a wider portfolio of investments, although property was still their first priority. Interestingly, some of the young people were particularly drawn to pensions for the exact reason that many of the groups were put off: that the money would not be available for withdrawal until they reached pension age. They were encouraged by knowing that the money was ring-fenced for later life.

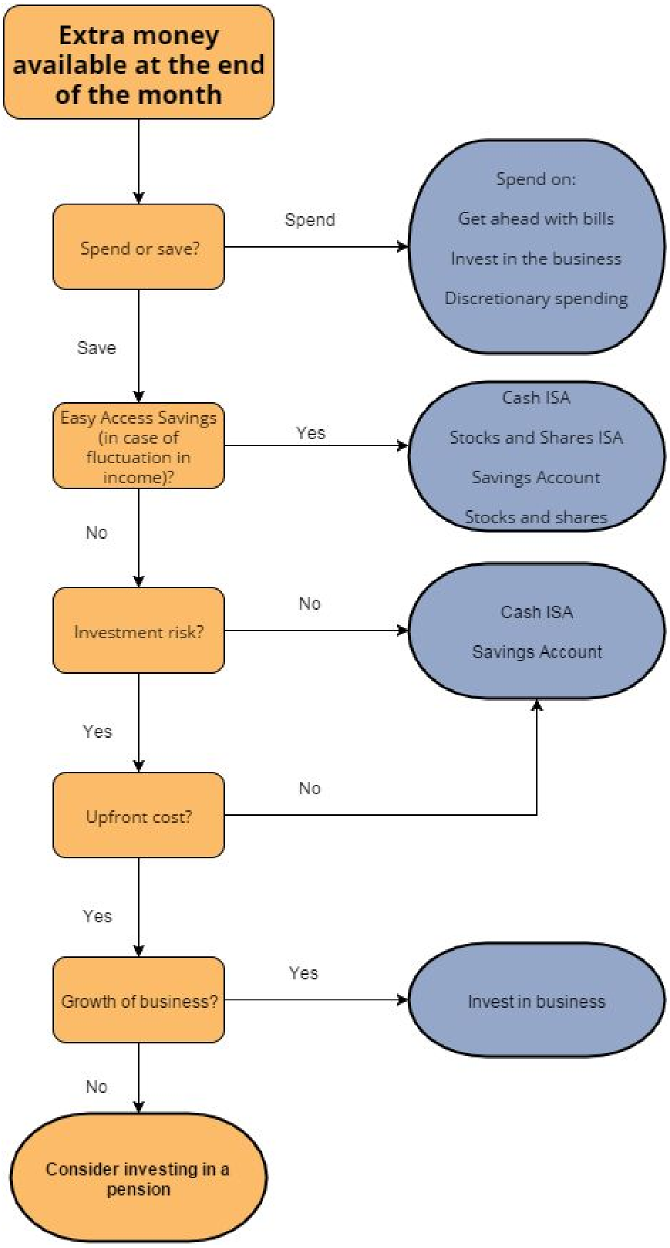
"You're not conscious of it, it's not a temptation". **Under 35, mid earners, Nottingham**

However, some had concerns in common with other self-employed people. They worried about being unable to withdraw the money if they needed to, for instance, if their income dropped:

"I can't access the money if anything happened and I couldn't work."
Under 35, mid earners, Nottingham

In general, if a self-employed person has any discretionary spend available to them, they will likely need to make a series of decisions about what they want to do with the money. Figure 12 shows that, if a decision is made to save at all, it is likely that a self-employed person will have other priorities that preclude pensions from consideration. These barriers require attention from policy makers.

Figure 12: Illustrative Decision making process for investment in a pension



4: Other investment options

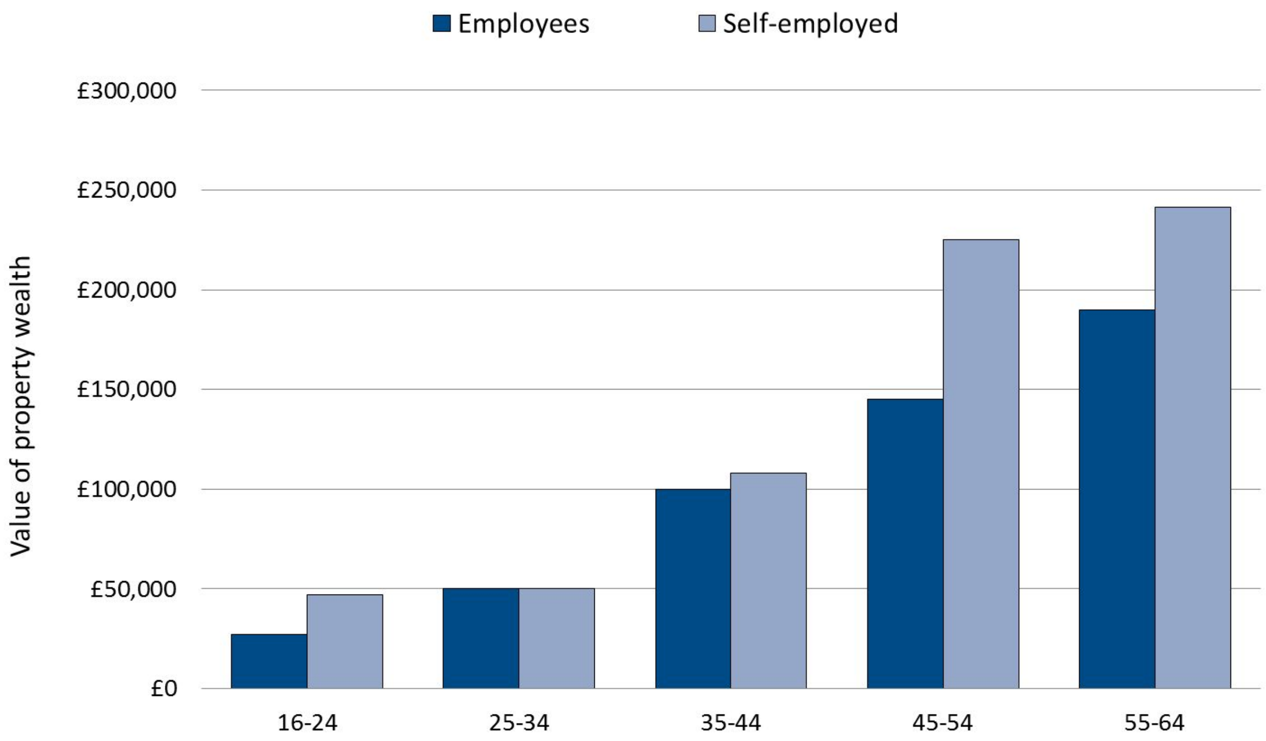
Given that a fairly small proportion of self-employed people are currently choosing to invest in a pension, this chapter explores the perceived merits of other options such as property and ISAs, and explores the reasons why they are often preferred over pensions.

Safety and prosperity in property

Reflecting the older age profile of the self-employed population, self-employed people are slightly more likely to own property than employees (81% of households versus 74% of employee households). Within this, older self-employed people have greater property wealth than employees, as illustrated in figure 13.

NPI's analysis of the Wealth and Assets Survey shows that while self-employed people have half as much invested in pensions as employees, self-employed people have a far greater investment in property than their employed counterparts by the end of their working lives. For instance, median property wealth of households headed by someone aged between 45 and 54 stands at £225,000 for self-employed people but only £145,000 for employees.

Figure 13: Median household property wealth by age and employment status



Source: NPI Analysis for Citizens Advice. Wealth and Assets Survey 2010/12

We found that property was by far the preferred form of investment among focus group participants. Many owned their own home (either outright or with a mortgage), and almost all aspired to do so. Some were also buy-to-let landlords, and many others aspired to this. Participants felt that owning property - either their own home or as an investment - was key to ensuring their future security. It appealed to them in a way that many other savings methods did not.

They considered property to be the safest and most stable investment they could make. Property was also felt to offer the best return - those who already owned property felt very confident that their property would continue to rise in value. Indeed, these participants - especially younger people, who had grown up in the property boom - felt that property provided guarantees. In this sense it compared favourably to pensions which were largely felt to be a much more risky investment (there was little understanding that pensions are diversified when invested - reducing the risk). Reflecting this, many felt that if they had the money they would choose to further invest in property.

“The thing is, with property - if it goes down in value, you just wait. And how long is it gonna stay down for? A year? Two? You're always gonna get that regular income if you do buy to let." **Under 35, mid earners, no assets, London**

"The property boom is not going to stop – people will always need it."

Under 35, mid earners, Nottingham

Despite high levels of enthusiasm for investing in property, our participants showed little consideration for costs, potential risks and high levels of initial investment required in property.

As well as providing a sense of security, participants also felt that owning property would give them options and a greater sense of control over their future that other investments such as pensions do not; for instance, they can chose to let the property, live in it or sell it should they need to. Our research suggests that control, including having a greater sense of control and ownership over their investments, is important to self-employed people, who enjoy the greater freedoms that self-employment gives them. Having options also gives them a sense of reassurance - they can cash in their ‘safety net’ whenever they choose to. For instance, some had plans to sell their property once they had paid off the mortgage and downsize to free up some capital.

“I have a property that I will probably sell and move to a small place. I will probably rely on that.” **55+, mid earners,, Cardiff**

For some of those who were buy-to-let landlords, property was effectively their pension pot - they were relying on their property to generate sufficient income for them to live on in retirement.

“I bought a number of properties a while ago. I will sell the properties and that will be my pension.” **55+, mixed level earnings focus group, all with assets, Nottingham**

Despite high levels of enthusiasm for investing in property there was little consideration or apparent knowledge of the costs and potential risks associated with property.

"If I buy another home, I know I am secure. If I sell it, I can use the equity or get a mortgage on it." **35-55, low earners, no assets, Cardiff**

A few participants did not aspire to invest in property. These were mostly people who had experienced difficulties with property in the past, for instance problems with mortgages, loss of investment or problems with tenants, or the time commitment that would be involved in managing a property.

"I don't have enough hours in the day to run another business!"
Under 35, mid earners, Nottingham

Some participants raised doubts about the health of the housing market and whether property would continue to rise in value. But these doubts were quickly swept away by those who felt that it would always offer value for money in the long run.

The attractions of cash ISAs

As mentioned in chapter 2, savings accounts including cash ISAs are popular among both employees and self-employed people. For self-employed people the flexibility and freedom to withdraw money quickly, should they need it for their business or living expenses, can make them particularly attractive.

"With a pension, you don't get it until an age. With an ISA, you can cash it in whenever."
35-55, low earners, no assets, Cardiff

Pensions, on the other hand, are perceived to be inflexible. ***We recommend therefore, that pensions providers should expand flexible pension products that enable self-employed people to save at their own pace.***

Flexibility aside, another key attraction of cash ISAs was the feeling that they are transparent and easy to understand. Participants felt that they knew what the rates were and the value of what they were investing in. However, although the tax advantages of ISAs were well understood, no participants mentioned that the money is taxed before it is put in the ISA, making it less tax efficient than a pension. Indeed, the majority of both employees and self-employed people believe that paying money into an ISA will provide them with better returns on their investment than paying into a pension (67% of self-employed people and employees either think this is the case or don't know).

"It's easy and transparent, with a reasonable interest rate. I can use it as a pot to fall back on between jobs." **Under 35, mid earners, Nottingham**

However, despite enthusiasm for savings accounts such as ISAs, figure 5 (chapter 2) shows that the amount of cash held by self-employed people is low in most age groups relative to employed people.

Investing in their business

Whether or not participants felt that investing in their business was a way to save depended on the type of work that they did and their reasons for being self-employed. This was not relevant to people who were self-employed due to it being the nature of their industry or job, such as taxi drivers or construction workers. However, a few of those we spoke to were keen to grow their business. They had a greater sense of ownership - they were keen to increase their earnings and would take pride in being able to expand their business.

"One day I'd like my own dance studio - I'm always trying to build up and expand".
Under 35, mid earners, Nottingham

However, some felt that, although their business required cash investment to continue to trade, they did not see the value in adding more than was necessary to keep earning.

"There is nothing in the business that I could use extra money for"
55+, mixed level earnings focus group, all with assets, Nottingham

There was a feeling among most of the participants that even if their business did well, they would neither be able to nor want to expand into employing others or selling the business to pay for their retirement. They planned to rely on other sources for this, as discussed above.

The Stock Market

Self-employed people are more likely to be inclined to invest in a stocks and shares ISA or in the stock market than employees if they regularly have money to set aside (35% of full-time self-employed compared to 29% of full-time employees). Findings from the discussion groups suggest that the attraction may at least in part be due to this giving them a greater sense of control over their investments, and to see better returns faster than they would by investing in a pension scheme.

“The potential that you get from stocks and shares outweighs everything”
55+, mixed level earning focus group,, all with assets, Nottingham

Others, however are put off by perceived risks to their investment, and others did not feel they had the necessary knowledge and skills to be able to do this themselves.

"I don't know much about it, but it's scary - it could peak or fall." **Under 35, mid earners, Nottingham**

5: Pensions options and auto-enrolment

This final chapter discusses options for changing the way in which pensions are presented to self-employed people. ***We recommend that government should create an opt-in pensions system on self-assessment return, and should match pensions contributions up to a level of 1% of gross income for self-employed people.*** This chapter tests the idea of auto-enrolment administered by NEST and government-matched contributions of up to 1% of gross income.

While self-employed people clearly face many barriers to pensions take-up, our polling suggests that initiatives such as auto-enrolment, or government contributions of up to 1% of gross earnings could increase pension take-up among self-employed people. Currently 17%[16] of self-employed people are saving into a pension, however, our polling suggests that approaching a third (31%) say they would be likely to contribute to a pension when asked to 'imagine that the government offered to double pension contributions made to a pension (up to 1% of your income) with an opt-out system (i.e. you could stop making contributions at any time).'

This rises to 41% of full-time self-employed people aged 35-44, suggesting there could be particularly significant scope for increasing pension take-up among those approaching middle age.

Attitudes towards auto-enrolment

The qualitative work also tested attitudes towards auto-enrolment. As discussed earlier in this report, we know that many are put off contributing to a pension and feel intimidated by the administrative and time burden of researching this, choosing a provider and setting it up. Auto-enrolment is perceived to facilitate this process. By being linked to the annual tax return, it would reduce the administrative and time burdens on the individual and at the same time, it is felt that this would be a welcome annual reminder.

"*No one reminds you of ANYTHING if you're self-employed.*"

Under 35, mid earners, no assets, London

Even those who felt that a pension would not be the right option for them at the moment said they would appreciate the annual prompt and thought that this would serve as a particularly helpful prompt for those with setting up a pension on their 'to do' list.

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[16] According to ONS. *Wealth and Assets Survey*. 2012

"The idea of doing it is a good idea to remind people who are more likely to but just forgot or don't think about it, but personally, if like, when I do my tax return... There's no way I'd put some money in a pension right now." **Under 35, mid earners, no assets, London**

However, while participants were generally fairly positive about the concept of an 'opt-out' auto-enrolment scheme, the discussions revealed many actually had an 'opt-in' scheme in mind. Opinions were mixed on whether an 'opt-in' or 'opt out' system would be most effective and appropriate for self-employed people. Some felt that an opt-out system may encourage more take-up, and one or two even suggested it should be compulsory. However, more people considered an opt-out system to be too interventionist - and most of those we spoke to valued the control and freedom that self-employment brings them. When weighing up how and where to invest their savings, a key concern for self-employed people is how quickly and easily they can access their money should they need it.

Clearly, auto-enrolment may help to address some of the barriers that self-employed people face to pensions take-up. However it will be important that if a system of auto-enrolment for self-employed people is to be efficient it will need to address additional, important issues of trust, value for money and misinformation as well as the risks associated with fluctuating incomes.

For those who still felt a pension would not offer them sufficiently good value for money, the employer contribution is key, and as such, a government contribution of up to 1% of gross earnings may encourage more take-up here. For some auto-enrolment was considered to level the playing field between employees and self-employed people so a government contribution may be a particularly powerful incentive.

"It seems more equal with employment." **Under 35, mid earners, Nottingham**

Queries and questions

Despite largely positive initial reactions to the idea of auto-enrolment, there was a degree of mistrust - *'what's the catch?'* Participants felt they would need to understand more about this and how it would work before they could decide whether or not it was right for them. In order to help them make this decision, some felt it was important that the scheme include a pensions calculator tool that would enable them to work out how much they would have pay and what have and what yield they would receive. Additionally, felt they would need information and guidance on pension choices, and importantly, information and reassurances as to what would happen if things go wrong:

'What happens to the money if you die and don't have a will?'

Under 35, mid earners, no assets, London

'Safety-wise, what happens if, I dunno [...] like the Northern Rock thing. What's the deal? If the recession came back or anything like that?" **Under 35, mid earners, no assets, London**

"It sounds more solid because it's the government suggesting it to you."

55+, mid earners, Cardiff

These concerns are not specific to self-employed people, but are more salient among those who are less familiar with pensions. A more specific concern for many self-employed people was the question of how to contribute regularly to a pension on a fluctuating income. Some had concerns around budgeting for this and were worried that they would need to commit to a fixed amount every month, rather than this being calculated as a percentage of their income.

"The trouble is that when you are in a job you have a set fixed income. when you are freelance, that can change. So if you tick the box saying "I will pay you £100 a month" and then you are sick, it's an extra thing you don't need" **35-55, low earners, no assets, Cardiff**

However, most understood that this would be a percentage rather than a set amount, but even so they questioned how flexible this would be if their situation changed and they no longer felt they could continuing contributing the same proportion of their earnings. To help address this one or two suggested providers introduce some flexibility enabling them to set the percentage they contribute and to regularly review this amount. There was little awareness or understanding among participants that most providers allow one-off payments or some degree of flexibility in payments.

"What happens if you need to take a bit of time out?" **Under 35, mid earners, no assets, London**

NEST

During these discussions we also tested awareness and perceptions of the National Employment Savings Trust (NEST), which was originally set up by the government in the context of automatic enrolment. Currently although NEST is open to self-employed people, they have only around 1,500 members who are self-employed, out of a total membership of 2.6 million[17]. If an auto-enrolment scheme were to be rolled out to self-employed people, it could be administered by NEST or a similar pension scheme.

Prior to the groups, a few participants had heard of NEST. When it was explained to them, most expressed muted enthusiasm.

" I think, in years to come, that's the way to go. Because the state pension is not a bottomless pit." **55+, mid earners, Cardiff**

"I had heard about it and I thought I would like to look into it. It seems safe because it's a government thing". **55+, mid earners, Cardiff**

[17] As of December 2015. Source: NEST

Participants liked the idea of being able to log-in and manage an account, since they felt that projection tools would to help them decide contribution levels.

While generally fairly positive about the idea of an auto-enrolment scheme for self-employed people, participants felt they would need to know more (for instance on security and expected returns) in order to make a decision about whether or not it was for them.

Perhaps reflecting the very low current levels of knowledge, and the perception that pensions are complicated and difficult to understand, participants said they would prefer to receive this information face-to-face.

"Can you meet them and speak to someone physically? Personal communication is important to me." **Under 35, mid earners, Nottingham**

"A workshop on it would be good, to help self-employed people understand it, rather than reading a leaflet through post." **Under 35, mid earners, Nottingham**

Recommendations

1. Government should create an opt-in pensions system on self-assessment returns

A significant barrier to pension take-up among self-employed people is the perception of administrative burden - people feel intimidated by pensions and often feel they do not have the time or knowledge to make decisions regarding pension investment. Auto-enrolment in workplace pensions has done much to alleviate this problem for employees, with the number of employees actively paying into an occupational pension rising by a third from 2012 (when auto-enrolment was introduced) to 2014[18]. Automatic enrolment makes the choices for the individual when an individual is disengaged with the process, and removes the need to become an expert on pension products. Nevertheless, it maintains the option for an individual to make their own arrangements, should they want to.

We therefore recommend that a similar system be introduced for self-employed people. In acknowledgement that self-employed people are more concerned about being in control of their finances, we recommend that, at least initially, self-employed people should be given the option to opt-in rather than opt-out and that this should be reviewed.

The government is currently considering changes to self-assessment, to be replaced by a digital tax account for self-employed people. We suggest therefore that the opt-in system should be included within users' digital accounts - this could be a simple automatic account. These should prompt users annually suggesting they 'sign-up now', and provide a link to the appropriate page enabling them to do so quickly and easily.

2. Government, pension providers and advice bodies should increase information and advice to self-employed people about pension options

Given that self-employed people do not receive information about their savings options from an employer, it is vital that they receive clear, unbiased information and advice from other sources. If the recommendation of an opt-in system is adopted, a natural source of such information would be from either DWP, HMRC or the pension provider at the point at which the self-employed person is completing their tax return.

After this point, it is vital that those individuals who need further information should be able to access face-to-face guidance about the benefits and risks of a

[18] ONS. Occupational Pension Schemes Survey. 2014

pension and the types of products that are available. This advice should be free and available to all, benefitting both self-employed people and employees.

3. Government should provide more education on the value and rules of the State Retirement Pension for self-employed people

The new State Pension will come into force in April 2016. This is an opportunity for the government to provide all self-employed people with information on their entitlement and to explain how their pension is calculated. They could be signposted to information available on gov.uk where they can request an online forecast.

In addition, further information about the state pension can be provided with an individual's tax statement (which includes national insurance contributions) or through the digital tax account.

4. Pensions providers should expand flexible pension products that enable self-employed people to save at their own pace

One of the concerns that self-employed people have is that they are not able to commit to a regular payment into a pension. Currently none of the large pension products are specifically constructed with self-employed people in mind. Given the rise in the numbers in self-employment, pension providers should consider creating products that are specifically targeted at self-employed people. For instance, these products could set lower minimum contributions, allow users to log-on to change their contribution levels frequently, and enable them to take 'contribution holidays'.

5. Government and pension providers should work together to create and expand easy-to-use dashboards for self-employed people to use to see the value and trajectory of their pension

Self-employed people worry that, after they contribute to their pensions, they have little information about what happens to their money. Public information should be ramped up to provide a more personalised and interactive service. Speedy action is needed to give people access to a personalised pensions dashboard (showing state and private pensions rights) and to create prompts and tools for people to review their savings. This needs to be done by all pension providers to a high, uniform standard so that individuals can get all the information about their pension at a glance, regardless of their pension provider. While this would be of benefit to all consumers, self-employed people would specifically benefit due to a lack of workplace support, pensions forecasting or any other prompts or involvement with their pension provider.

6. Government should match pensions contributions up to a level of 1% of gross income.

One of the most significant disincentives that self-employed people currently face is the lack of an employer's pension contribution. Incentives should be focussed where they are most needed and can be most easily seen. We therefore recommend that the government match self-employed pension contributions pound for pound up to a total of 1% of an individual's gross income. This could be financed by reform of tax reliefs, which would be better described as a government pension contribution[19].

[19] As outlined in Citizens Advice. *Response to tax relief consultation*.2015

Appendix A: Discussion Group Demographics

Group	Age	Pension Status	Earning profile	Asset Status	Location
1	18-34 years	Never paid into a pension	£200- £400/week	None with assets	London
2	35-55 years	None currently paying into a pension, some had in the past	Varied earnings from £200/week to over £500/week	Half with assets, half without	London
3	18-34 years	One actively paying into a pension	All earning £200-400/week	2 with assets	Nottingham
4	55+ years	Had all paid into a pension at some point but none currently	Varied earnings, from £200/week to over £500/week	All with assets	Nottingham
5	35-55 years	Never paid into a pension	All less than £200/week	None with assets	Cardiff
6	55+	Most paying into a pension currently	All less than £400/week	Half with assets, half without	Cardiff

Notes:

- No participant had a job other than their self-employed work.
- All participants were self-employed for at least one year, with 23 of 34 having been self-employed for at least 3 years.

Appendix B

The difference between employed pension contributions and self-employed

	Employed (£)	Self-employed (£)	Employed in 2018 (£)	Self-employed in 2018 (£)
Gross earnings (median wage)	27000	27000	27000	27000
Pay on which contributions are based	21176	27000	21176	27000
Pensions contribution per month[20] (minimum for employees)	(0.8%)14.12	(0.8%)18	(4%)70.58	(4%)90
Employer's contribution (minimum)	(1%)17.65	0	(3%)52.94	0
Tax Relief	3.53	4.50	17.64	22.50
Total monthly into pension	35.29	22.50	141.16	112.50
Total per year	**423.52**	**270.00**	**1693.92**	**1350**

[20] Contributions refer to the amount paid into an occupational or private pension, not National Insurance Contributions.

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