



MONEY AND  
MENTAL HEALTH  
POLICY INSTITUTE



# THE PENSIONS MAZE

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Achieving better retirements for  
people with mental health problems

Nikki Bond

# Contents

<b>Executive summary</b>	<b>5</b>
<b>Introduction</b>	<b>9</b>
The current policy context	10
This report	11
<b>Section one: Barriers to saving for retirement for people with mental health problems</b>	<b>14</b>
1.1 Barriers in the labour market	15
1.2 Barriers in the social security system	18
<b>Section two: Challenges accessing pensions information and guidance</b>	<b>22</b>
2.1 Symptoms of mental health problems that make retirement planning harder	23
2.2 Systemic barriers to accessing services	25
<b>Section three: Difficulties making informed pension decisions</b>	<b>31</b>
3.1 Take up of guidance and advice	31
3.2 Tailoring retirement planning services to people's mental health needs	32
3.3 Services to support people who are acutely unwell	33
<b>Section four: Recommendations – Delivering better retirement outcomes for people with mental health problems</b>	<b>38</b>
4.1 Helping people to build pension savings	39
4.2 Making information and guidance services easy to navigate	41
4.3 Supporting people to make informed pension decisions	43
<b>Conclusion</b>	<b>46</b>

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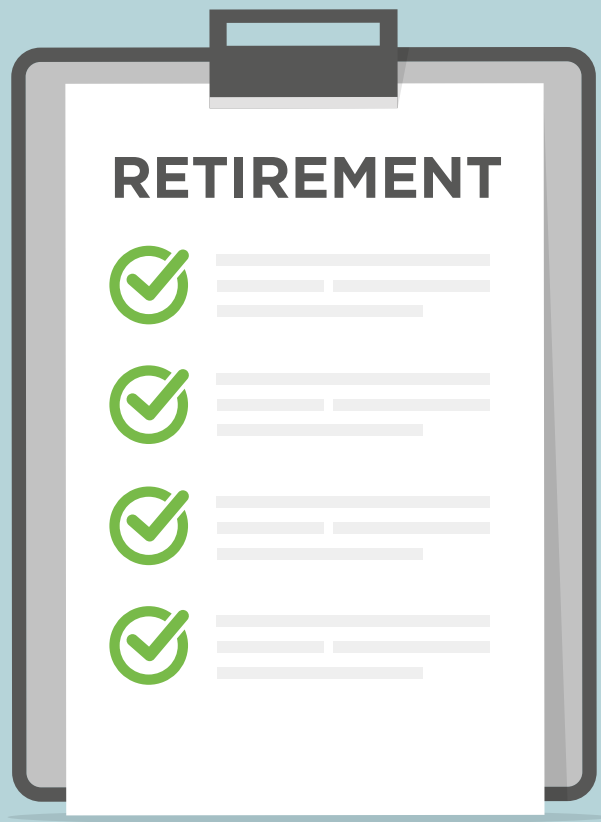
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## About the author

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## Executive summary

### **People with mental health problems are at risk of worse outcomes in retirement**

- Saving and planning for retirement can present difficulties for anyone. But for the 2.3 million people in the UK who have a mental health problem, and are approaching the end of their working lives, those difficulties are often particularly daunting.
- Poor mental health can lead to people spending extended periods out of work, taking lower-paying jobs or retiring early – all of which can lead to saving less into a pension and being more financially stretched after retirement.
- But the practical difficulties that common symptoms of mental health problems can pose also mean people with mental health problems can struggle with navigating tricky decisions in the run-up to retirement.

### **Accessing pensions information and guidance is crucial but can be challenging**

- Despite the need for support, symptoms of mental health problems can make it challenging to get the most out of the services that are currently available.
- The cognitive and psychological effects of mental health problems, such as memory problems, communication difficulties and low mood, can make it harder to engage with retirement planning services or to make decisions about how and when to use pension savings.
- Persistent feelings of suicidality and ambivalence about living can mean planning for the long-term feels irrelevant. Shame and fear of judgement can also make engaging with retirement planning services overwhelming.

### **Currently, retirement planning services are ill-suited to the needs of people with mental health problems**

- While these experiences can make it tricky to access support, people with mental health problems told us how the design and promotion of the help that is available also contributed to those difficulties.
- Many people with mental health problems don't know where to turn, including to find answers to questions about how saving into a pension interacts with benefit entitlement. Routes into retirement planning services are unclear and not well established. People told us how adverts for services intended to help support people with decisions around retirement give the impression that they are “not for them”.
- The symptoms of mental health problems can mean some people struggle to use the phone while others face difficulties navigating digital journeys. Each retirement planning service is currently delivered via a restricted range of communication channels, with each channel offering different levels of support. This can make it tricky for people with mental health problems to know which service and channel is best suited to their needs.

- Negative experiences in accessing retirement planning services can form a vicious cycle for people with mental health problems. When people seek out support, which ultimately does not cater to their needs, it can spark feelings of isolation, hopelessness and despair, driving them further from much-needed help.
- Services do not make it easy to disclose mental health problems, and they are not well-equipped to support people to make decisions when they are acutely unwell. When people cannot access the right support, they risk making sub-optimal retirement decisions, often at times of mental health crisis.
- Separation between pensions guidance and regulated debt advice can prove problematic for people with mental health problems, who make up half of all people in problem debt.
- Direct and targeted action is needed across the life-course to help people with mental health problems build pension savings, navigate retirement planning services and make crucial retirement planning decisions.

## Key recommendations

### **To support people with mental health problems to build savings, the government should:**

- Boost uptake of the Help to Save scheme through more targeted advertising and introduce a version of the scheme supporting those who fall below the earnings threshold for auto-enrolment for workplace pensions.
- Develop clearer communications about saving limits for people receiving benefits to provide reassurance for those wishing to save.
- Support people in touch with mental health services to increase their incomes through income maximisation support.

### **To support people with mental health problems to navigate information and guidance, the Money and Pensions Service, pension providers and administrators should:**

- Expand the range of delivery channels, ensuring pensions information and guidance is provided in multiple formats, including videos and interactive webinars.
- Evaluate the existing suite of retirement planning services and the Pensions Dashboard Programme to ensure all information resources are accessible to people with mental health problems.
- Establish referral and signposting pathways between these services and people with mental health problems who are in need of information and guidance.
- Design pensions information and guidance messaging in conjunction with people with lived experience of mental health problems. Ensuring messaging resonates with people by making clear it can support with issues like low savings, questions about eligibility for the State Pension and interactions with benefit entitlement.
- Introduce a stepped approach to information and guidance services allowing people to enter via the channel of their choice, building in easy steps to follow-up specialist-led sessions.

**To support people with mental health problems to make optimum pension decisions, the Money and Pensions Service and pension providers should:**

- Provide a specialist arm of the pension guidance service for people with severe mental illness and equip specialist staff with enhanced training on mental capacity.
- Train customer-facing staff to know how to support people with mental health problems whose symptoms can impact their ability to understand, communicate and make decisions.
- Develop referral pathways to appropriate specialist pension guidance services to support people making decisions about early retirement or drawing on pension incomes during a crisis.
- Pension providers should accelerate efforts to deliver income products that are straightforward and do not require people to access detailed and ongoing guidance and advice.<sup>1</sup>

<sup>1</sup> In this report Pension Providers is used as a broad term to encompass a range of stakeholders including pension schemes, providers, administrators and trusts. No distinction is made between these stakeholder nor the legal obligations pertaining to each.





## Introduction

Planning for retirement can be tricky. Balancing saving for the long-term while meeting immediate financial pressures, giving serious thought to what might seem a far-off future or knowing where to go for support when making decisions can all seem daunting or impossible. But for the half of us who will experience a mental health problem across our lifetimes<sup>2</sup>, the challenges involved in saving and planning for retirement are likely to be even more acute.

Our past research has shown that people with mental health problems have lower average incomes than those without mental health problems. Annual median income for people with common mental disorders (CMD) like anxiety or depression is just over two-thirds (68%) that of people without those conditions, equivalent to a gap of £8,400.<sup>3</sup> This mental health income gap is driven by several systemic factors:<sup>4</sup>

- Lower employment rates – over 2018 and 2019, just under half (48%) of people with a mental health problem were in employment compared to four in five (79%) of those without.<sup>5</sup>
- Low wages – people with a mental health problem are over-represented in the three lowest-paid occupational groups,<sup>6</sup> and over one third of people who have experienced a mental health problem are in part-time employment, compared to just a quarter of those without those conditions.<sup>7</sup>
- Greater likelihood of reliance on benefits – people who reported having a mental health problem were four times more likely to be claiming Universal Credit (UC) (8% compared to 2%) than the rest of the population,<sup>8</sup> and the gap between out-of-work benefits and typical earnings has widened over time.<sup>9</sup>
- These factors combine and impact people with mental health problems' ability to save for retirement. They also contribute to day-to-day financial difficulties, with people with mental health problems making up half of those in problem debt.<sup>10</sup>

While the difficulties outlined above stem largely from issues with the labour market and benefit system, our previous research found that people with mental health problems face financial challenges that go beyond insufficient incomes, and include difficulties with communications channels, decision-making and accessing services too:

2 Mental Health Foundation. Fundamental facts about mental health. 2016.

3 NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014. Covers England only.

4 Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

5 Money and Mental Health analysis of Office for National Statistics (ONS), Labour Force Survey, Q1 2018-Q4 2019.

6 Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019; ONS. Annual Survey of Hours and Earnings. 2019.

7 Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019.

8 Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019.

9 Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

10 Money and Mental Health Policy Institute. The Facts. (Accessed 27/03/23).

- **Communication channels** – three quarters (75%) of customers using essential services – like banking, energy and telecoms – who have experienced mental health problems have serious difficulties engaging with at least one commonly used communication channel. Social anxiety and communication phobias can mean post goes unopened and people struggle to ask for help.<sup>11</sup> People often feel overwhelmed by the amount of correspondence they receive from essential service providers. They can also find the language in correspondence hard to understand, which alienates and drives disengagement.<sup>12</sup>
- **Accessing services** – only one in five (20%) respondents to a previous survey said it was easy to find information about debt advice providers, and four in five participants (79%) found it difficult to prepare themselves to make contact with their debt advice provider.<sup>13</sup> Similarly, navigating the benefits system often proves problematic for people with mental health problems.<sup>14</sup>
- **Decision-making** – when experiencing mental health problems our ability to understand, weigh-up and retain information can be impaired. Our previous research found that three in ten (31%) people with mental health problems said their symptoms meant they struggled to understand a part of the borrowing process when taking out new credit.<sup>15</sup>

## 1.1 The policy context

Taken together, these factors suggest people with mental health problems could be facing a difficult time both before and after retirement. Those worse outcomes in retirement could include not having enough money to get by day-to-day, as well as facing unnecessarily high tax bills or missing out on pension benefits. As so much of our past research has shown, money problems can play into a toxic cycle with our mental health, leaving us worse off financially and psychologically. Understanding how people with mental health problems are faring today and how well existing policies and approaches meet their needs is therefore crucial.

Positively, substantial government efforts over the last decade have focused on supporting people to build sufficient pension savings, developing services to help people plan for and make decisions about drawing on pension savings:

- The gradual shift from defined benefit to defined contribution pensions since the 1990s requires people to actively make decisions about how to use their savings. This exposes those who struggle with decision-making and weighing up complex information to the risk of making poor decisions about their retirement incomes.<sup>16</sup>
- In 2012, the coalition government introduced auto-enrolment, a system which requires employers to enrol employees meeting a certain criteria into workplace pension schemes by default.<sup>17</sup>

11 Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

12 Bond N and Holkar M. A Silent Killer. Money and Mental Health Policy Institute. 2018.

13 Bond N and Holkar M. Help Along the Way. Money and Mental Health Policy Institute. 2020.

14 Bond N, Braverman R and Evans K. Benefits Assault Course. Money and Mental Health Policy Institute. 2019.

15 Bond N and D'Arcy C. The State We're In. Money and Mental Health Policy Institute. 2021.

16 ONS. Employee workplace pensions in the UK: 2021 provisional and 2020 final results. 2022.

17 Gov.UK. [Workplace pensions](#). (Accessed: 29/03/23)

- In 2015, the government introduced Pension Freedoms to allow people to flexibly access their pension pots and concurrently launched the Pension Wise service which offers guidance to support people aged over 50 with at least one defined contribution pension to understand the pension access options available to them.<sup>18</sup>
- In 2019, the Financial Guidance and Claims Act tasked the Money and Pensions Service (MaPS), the arm's-length body responsible for the nation's financial well-being, to provide free and impartial pensions information and guidance, bringing together the legacy organisations, the Money Advice Service, The Pensions Advisory Service, and Pension Wise. This was subsequently delivered in the form of MaPS's MoneyHelper service.
- In 2019, work began on the Pensions Dashboards Programme. Pensions dashboards are online platforms which enable people to access all their pension information securely and in one place. Overseen by MaPS and the Department for Work and Pensions (DWP), it aims to provide clear and straightforward information about a person's multiple pension pots, including their State Pension.
- In 2022, new regulations came into force requiring pension schemes to offer to book a Pension Wise appointment for their customers who contact them about accessing, or transferring their Defined Contribution pension, also known as the 'stronger nudge'.<sup>19</sup>

## 1.2 This report

In light of those challenges and shifts in pensions policy, this report will consider to what extent people with mental health problems are experiencing worse retirement outcomes than those without mental health problems. We'll explore the challenges people with mental health problems encounter in saving for retirement, navigating pension services and making decisions about retirement savings. To do that, this report analyses a number of data sources:

- National datasets including Understanding Society and the Financial Lives Survey.
- Two surveys with Money and Mental Health's Research Community, a group of nearly 5,000 people with lived experience of mental health problems or of caring for someone with a mental health problem. We received responses from 472 people on their experiences of saving for retirement, and 272 people completed a survey about experiences of engaging with information, guidance and advice services.
- Qualitative data is drawn from these surveys, alongside findings from two online focus groups with 16 people with lived experience of mental health problems about their experiences of planning for retirement.

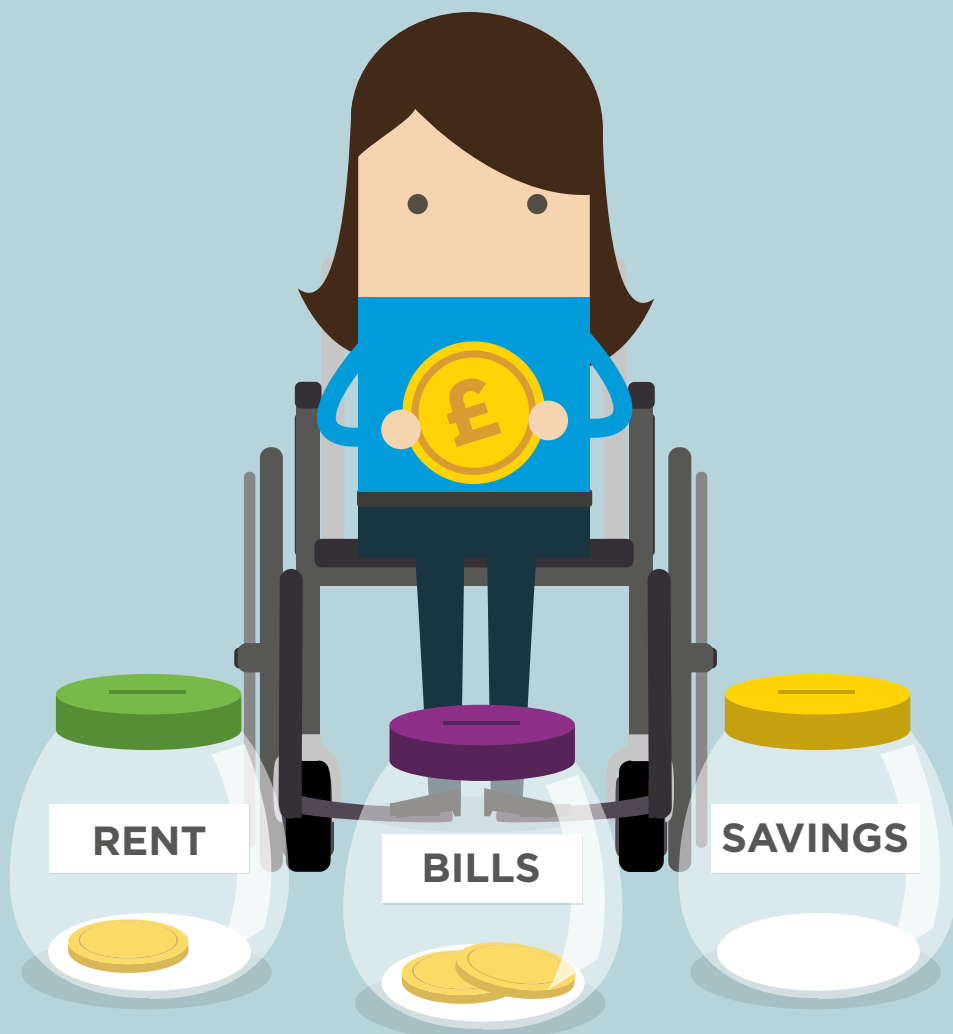
These findings and subsequent policy recommendations were shared with an advisory group of six experts in pensions, mental health and/or money advice. All the findings and recommendations, however, remain those of the author and Money and Mental Health. Further details on the methodology are provided in Annex A.

<sup>18</sup> HMRC. [Pension changes 2015](#). (Accessed: 29/03/23).

<sup>19</sup> DWP. Government response: Stronger Nudge to pensions guidance. 2022.

This report is structured as follows:

- Section one looks at the barriers **people with mental health problems can face to building savings for retirement.**
- Section two explores the **challenges of accessing pensions information and guidance for people with mental health problems.**
- Section three considers the **difficulties people with mental health problems encounter when trying to make informed pension decisions.**
- Section four makes recommendations to a range of stakeholders to **improve retirement incomes, planning and decision-making for people with mental health problems.**



## Section one: Barriers to saving for retirement for people with mental health problems

As among working-age people, there are significant differences in outcomes in retirement across the population. Women, people from minoritised ethnic groups and people with disabilities have all been shown to be at greater risk of lower incomes in retirement.<sup>20</sup> Looking at key metrics related to outcomes in retirement, we find that people with mental health problems are another key group at risk:

- While auto-enrolment has been a resounding success,<sup>21</sup> people with mental health problems are less likely to be enrolled in a workplace pension scheme. Just 44% of people aged 22-66 who had experienced significant mental distress belong to a workplace pension scheme, compared to 55% of those without mental health problems.<sup>22</sup>
- Working-age people with experience of mental health problems are more likely to expect to rely on State Pension as their main source of income in retirement (35%), compared to those without mental health problems (30%).<sup>23</sup>
- Four in ten (39%) retired people with mental health problems reported worrying about not having enough money to last throughout retirement, compared to just over a quarter of those without mental health problems (27%).<sup>24</sup>
- Focusing in on those aged 45-54 – who will soon need to prepare for or make decisions about their retirement – people with mental health problems are more likely to have personal savings of less than £10,000 than those without mental health problems (58% vs 47%).<sup>25</sup>
- For those aged 55 and over, 46% of people with mental health problems still have some debt to clear, compared to 36% of those without mental health problems.<sup>26</sup>

These challenges mean that, without intervention, people with mental health problems are at greater risk of poorer living standards in retirement.

“My physical health and depression were so badly affecting my day-to-day activities that I was unable to work... I am now reliant on my State Pension alone. This means I have to live from week to week. I don't have any disposable income or savings. My standard of living is poor at best. No eating out, or takeaways, no holidays, no new furnishings. If I need to replace anything I have to use charity shops.”

*Expert by experience, aged 71*

20 Wilkinson, L. et al. The Underpensioned Index. 2022. Pensions Policy Institute.

21 The share of people saving into a pension increased from less than half of all employees in 2012 (47%) to over three-quarters of employees in 2022 (79%).

22 Money and Mental Health analysis of University of Essex, Institute for Social and Economic Research. Understanding Society: Wave 10 2018-2019.

23 Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

24 Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

25 Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

26 Money and Mental Health analysis of online polling conducted by Opinium. 5,001 people with mental health problems, weighted to be nationally representative of those who have experienced a mental health problem, and 1,000 people without mental health problems were surveyed between 25 June and 22 July 2021.

This financial instability can be a source of hopelessness and despair for people with mental health problems.

“A State Pension is now my only option. Older age isn't going to be anything other than survival for me.”

*Expert by experience, aged 55*

In the rest of this section, we turn to the barriers that people with mental health problems are encountering that contribute to this more financially precarious position.

## 1.1 Barriers in the labour market

For most of us, private pensions are built up through our earnings from work. But people with mental health problems encounter fundamental structural barriers to employment<sup>27</sup> which impact their ability to build pension savings.

### Repeated periods out of employment lead to gaps in pension contributions

Many of us will experience health-related problems at some time or another and need to take time off work. But for people with mental health problems, the odds of needing a period of sick leave are significantly higher.<sup>28</sup> For many people, a short absence can be sufficient to recover and return to work. For others with episodic mental health problems, periods of sick leave may be a common feature throughout their working lives. For employees not protected by Contractual Sick Pay or whose pay reduces or stops after a period of time,<sup>29</sup> this can significantly impact pension contributions. For the 300,000 people with a long-term mental health condition who lose their job each year,<sup>30</sup> absences can be longer-lasting – and the longer a person is absent from work, the less likely they are to return.<sup>31</sup> Ultimately, each of these factors significantly impact a person's ability to build pension savings and National Insurance Contributions (NICs) which are used to calculate State Pension entitlement.

“I'm already poor, struggling to pay bills and cope financially even while working part-time and receiving top-ups from Universal Credit... How are people like me, who've been in and out of work over the years, supposed to save for retirement? I've had years of a 'Snakes and ladders' existence. Get a job, work for a while, maybe just about climb out of debt from last mental or physical health crisis, but then on the brink of breaking even... I'm hit by another setback, another health crisis, or a temporary/short-term contract ends, or I'm 'let go', effectively because... I don't fit. I have no savings, for retirement or otherwise.”

*Expert by experience, aged 54*

27 Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

28 ONS. [Sickness absence in the labour market 2021](#). Mental health problems are the fourth most common reason for taking time off sick with 9.8% of sickness absences reported as being due to mental health conditions

29 Bond N and Braverman R. Too ill to work, too broke not to. Money and Mental Health Policy Institute. 2018..

30 Farmer P and Stevenson D. Thriving at work: The Stevenson / Farmer review of mental health and employers. 2017

31 NICE. Workplace health: long-term sickness absence and incapacity to work. 2009.

Over-representation in lower-paid or part-time roles means people with mental health problems are less likely to meet the £10,000 minimum earning threshold to be eligible for auto-enrolment. Even for those with earnings above the threshold, over-representation in lower-paid occupations suggests their contributions are lower on average than people without mental health problems. While changes to the auto-enrolment threshold are afoot,<sup>32</sup> persistently lower incomes for those of us with mental health problems mean we are likely to be contributing less to our pension savings.

### **Discriminatory workplace practices can entrench pension inequalities**

People with mental health problems encounter discrimination and inflexible workplace practices from employers which make it harder to secure, retain and progress in employment. These discriminatory workplace practices can push people with mental health problems into self-employment as a way to manage their need for an income alongside their mental health.<sup>33</sup> While self-employment can bring greater flexibility, autonomy and be rewarding, it can have a knock-on impact on retirement. For the 12% of people with mental health problems who are self-employed, they do not benefit from auto-enrolment and are missing out on pension contributions from an employer.<sup>34</sup> Furthermore, independently saving into a pension can be more difficult if you're self-employed, with just 20% of self-employed people saving into a pension, compared to 80% of employees.<sup>35</sup>

### **Reduced pension savings due to ill-health early retirement**

For older people, periods of absence from work can ultimately lead to early retirement. People aged 50-64 have been driving recent increases in economic inactivity, with a rise in the number of those who are inactive due to being long-term sick or disabled.<sup>36</sup> Our research shows that older people with mental health problems are significantly more likely to become economically inactive because of ill health (37% of 45-54-year-olds and 48% of 55-64-year-olds) than those without these conditions (3% and 6%).<sup>37</sup> The trade-off in attending to your mental health is markedly reduced pension savings in later life or difficulties accruing sufficient NICs – which places people at risk of lower retirement incomes.

Our Research Community survey found that, of working-age respondents with lived experience of mental health problems, only a quarter (25%) expect to retire below the current retirement age of 66.<sup>38</sup> Among respondents who had already retired, eight in ten (85%) had done so below the current retirement age.<sup>39</sup> This points to a huge gap between expected and actual retirement for people with mental health problems, and a need to prepare people for different eventualities.

32 Gov.UK. [Government backs bill to expand pension saving to young and low](#). March 2023.

33 Bond N and D'Arcy. Closing the gap. Money and Mental Health Policy Institute. 2021.

34 Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019.

35 ONS. Saving for retirement in Great Britain: April 2018 to March 2020. 2022.

36 D'Arcy C. Untapped potential. Money and Mental Health Policy Institute. 2023.

37 Stacey B. Through the lens: age, money and mental health. Money and Mental Health Policy Institute. 2022.

38 Money and Mental Health survey. Base for this question: 318 working-age respondents who have not yet retired.

39 Money and Mental Health survey. Base for this question: 40 respondents who have already retired.



"I expected to work until retirement age, but was signed off work for a year when I could no longer function. I had to stop working at age 54 instead of at least 66. I managed to work full time for 39 years despite severe depression. I had paid into a private pension from age 30 and expected a comfortable retirement, but had to access my private pension at age 55 as I had no other income."

*Expert by experience, aged 63*

## Higher rates of financial difficulties can lead to people opting out of auto-enrolment

Problem debt can affect people's ability to build pension savings. When you're struggling to pay for today, saving for tomorrow simply isn't a priority. This is a particular challenge for people with mental health problems, who are three and a half times more likely to be in problem debt than those without mental health problems.<sup>40</sup>

"My situation has resulted in me paying off debt for most of my life and, along with changing jobs regularly, I have not had the opportunity to build a decent personal pension. This scares me."

*Expert by experience, aged 52*

Our survey with people with lived experience of mental health problems found that:

- Six in ten respondents (61%) reported that the cost of living crisis had impacted their ability to contribute towards a pension.<sup>41</sup>
- Five in ten respondents (50%) said that problem debt had impacted their ability to contribute towards their pension.<sup>42</sup>

Faced with immediate financial pressures, people with mental health problems understandably may consider opting out of workplace pension schemes. More than a quarter of respondents (27%) had previously chosen to opt out of their workplace pension scheme due to difficulties affording contributions,<sup>43</sup> a much higher proportion than national surveys, including people without mental health problems, would suggest.<sup>44</sup>

"I'm 47 – it is hopeless, I have tried to pay into pensions several times but have had to cancel and opt-out due to needing every penny I can get my hands on."

*Expert by experience, aged 47*

While opting out may alleviate immediate pressures and avoid a build-up of debt, the consequences of these decisions are compounded. People not only stop their own contribution, but miss out on generous employer contributions too. This results in lower overall lifetime contributions to pension savings and pose risks for people's futures in retirement.

40 Money and Mental Health Policy Institute. [The Facts](#). (Accessed 27/03/23).

41 Money and Mental Health survey in February 2023. Base for this question: 185 respondents.

42 Money and Mental Health survey. Base for this question: 181 respondents.

43 Money and Mental Health survey. Base for this question: 175 respondents experiencing difficulties affording their pension contributions.

44 DWP. Ten years of Automatic Enrolment in Workplace Pensions: statistics and analysis. 2022.

## Case study<sup>45</sup>

Sarah has experienced acute episodes of severe depression throughout her adult life, which have seriously impacted her ability to work. Subsequently, she's had a handful of part-time jobs, each lasting less than a couple of years before her mental health deteriorates, and she's unable to work.

On a low-benefit income, with no savings, Sarah struggles to make ends meet. Preoccupied with surviving day-to-day, she gives little thought to how she will manage in retirement.

Sarah's mental health has meant that when she has left work, claiming benefits has been a challenge, and sometimes she's delayed making claims. Sarah doesn't know if she has built up enough NI credits through work and benefits, and she periodically worries about this. When Sarah has been feeling well enough, she has tried to look into her eligibility for State Pension but has always been unsuccessful and struggled to navigate the online information.

*"I don't have any extra money to save for my future. I'm struggling to live as it is at the moment with the massive increase in the cost of living."*

*Expert by experience, aged 48*

## 1.2 Barriers in the social security system

Over one-third of working-age people with mental health problems (35%) expect the State Pension to be their main source of income in retirement.<sup>46</sup> But the way in which eligibility for State Pension is determined – through a person's NICs across their working life – can present challenges. The lack of opportunity and awareness for people in receipt of benefits to put money aside for their retirement can also prove problematic.

### Uncertainty about benefit eligibility can deter people from saving for retirement

The tax benefits of auto-enrolment mean that those who meet the threshold are likely to be better off by saving into a workplace pension. Yet some Research Community members told us how, despite low incomes from benefits, work or a combination of both, they wanted to save – but confusion around saving rules and receipt of benefits, prevent them from doing so – in case it affected their eligibility for means-tested benefits in the future.

*"Being on disability benefits doesn't allow you to save for retirement because you're only allowed £6,000 savings before they start reducing your benefits."*

*Expert by experience, aged 46*

*"I would love to start a pension now I'm 41. But I don't want any pension reducing the benefits"*

45 The case studies included in this report do not represent any single member of the Money and Mental Health Research Community, but are based on thematic analysis of qualitative data and written to illustrate the circumstances people face.

46 Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

I receive now which I rely on and live on. I'm scared I'll lose benefits and I'm scared I won't survive on the State Pension alone."

*Expert by experience*

To claim means-tested benefits such as UC and Employment and Support Allowance (ESA), savings thresholds exist to ensure that benefits go to those without the resources to support themselves financially.<sup>47</sup> Any personal savings over £6,000 can impact the benefits people receive. While benefit claimants can save into a private pension without that affecting their benefit claim and pension savings built up while in work will not affect people's ability to claim when out of work. Respondents told us how due to their persistently low incomes they did not want savings locked away in inaccessible pension pots, and that they needed reassurance they could access savings in an emergency.

"I really do not know what to do, as if I try to save I lose my benefits."

*Expert by experience, aged 59*

### **People with mental health problems face difficulties identifying and addressing gaps in NICs**

Eligibility for the full State Pension depends upon a person's NICs across their life course and requires people to have 35 qualifying years of NICs. People have to either make NICs automatically via their employer, through tax returns for the self-employed or, for those claiming certain benefits, NICs are accumulated. However, ill health and the barriers to employment that people with mental health problems encounter can mean they're more reliant on NICs gained through claiming the correct benefits entitlement. People with mental health problems can face difficulties in applying for the correct benefits and while struggling with the effects of their mental health problems can encounter delays between falling out of work and making a benefit claim.<sup>48</sup>

"Due to serious depression and anxiety... I had to suspend my private pension payments and missed a lot of NI contributions."

*Expert by experience, aged 61*

For people in work but who earn below the earning threshold for NICs – currently £10,000 – this can hinder their access to State Pension in later life. While people are able to pay voluntary NICs to top up lifetime National Insurance qualifying years,<sup>49</sup> people with mental health problems can sometimes not realise this until it's too late or have insufficient funds to take action.

47 Currently, for all people claiming means-tested benefits any savings over £6,000 must be declared, and may count towards income and impact the benefits people can receive. Those with savings over £16,000 are not eligible for means-tested benefits.

48 Bond N, Braverman R and Evans K. Benefits Assault Course. Money and Mental Health Policy Institute. 2019.

49 Gov.UK. [Voluntary National Insurance](#). (Accessed: 29/03/23).

### **Section one summary**

- People with mental health problems are at risk of worse outcomes in retirement due to challenges in the labour market and in the social security system.
- Lower employment rates and average earnings among people with mental health problems mean they can save less and are more likely to miss out on employer contributions.
- Uncertainty about how pension pots affect benefit entitlement can dissuade people from saving, while confusion about the rules related to State Pension entitlement can mean people receive lower state support when they have retired.



## Section two: Challenges accessing pensions information and guidance

The challenges faced by people with mental health problems who are approaching retirement are not solely to do with the amount they are able to save. The services available to support people to plan for retirement and maximise their pension savings – are underutilised. This lack of engagement, is in part, an adverse outcome of the success of auto-enrolment. To counter this, a major policy focus has been on supporting people to access good-quality information, guidance and advice to achieve better retirement outcomes. These retirement planning services include online guidance and digital tools including retirement savings calculators, professional and paid-for independent financial advice, or free information or guidance from a pension provider or MaPS' Money Helper or Pension Wise services (see Table 1 below for details on the difference between these services). Yet people with mental health problems encounter barriers to navigating these services and consequently risk sub-optimal retirement outcomes.

**Table 1: Differentiating between types of retirement planning services and the levels of support provided**

Support	Description	Primary/secondary delivery channel
<b>Advice from an advisor<sup>50</sup></b>	Paid-for advice providers are qualified and regulated by the Financial Conduct Authority, and are required to understand people's specific circumstances and provide tailored advice making recommendations about what you should do.	Face-to-face Webchat
<b>Guidance</b> e.g. the government's Money Helper service – which provides a range of pensions services such as helplines, appointments including Pension Wise, and digital tools and calculators)	Free and independent guidance and information which strictly does not offer advice or bespoke recommendations. Guidance is a service that helps people identify their options and narrow them down. But guidance does not tell you what to do or which product to buy, guidance simply suggests what you could do.	Telephone Face-to-face
<b>Information</b> Like articles published on the Money Helper website and Midlife MOTs	Free information which aims to demystify the pensions landscape and provide people with accessible information to help them plan for retirement. This can include retirement income calculators and basic information about pensions.	Primarily online

For those who choose it, advice can be a helpful option in navigating this often confusing landscape. But as explored in the introduction, people with mental health problems have lower

<sup>50</sup> Advice from an independent financial advisor is paid for. This in itself can serve as a barrier to accessing advice. People with mental health problems have lower average incomes which can mean paid for advice is beyond their reach.

typical incomes than the rest of the population. This is likely to mean that, for many people with mental health problems, lower average earnings<sup>51</sup> mean the cost of pensions advice may be hard to afford. Because of this, and the much wider potential audience for information and guidance, in the remainder of this report we focus on free information and guidance services.

## 2.1 Symptoms of mental health problems that make retirement planning harder

Planning for retirement requires a complex set of skills and understanding, yet the symptoms of mental health problems can impact a person's ability to understand, weigh-up and retain information and impair their ability to take action. These symptoms – as evidenced in Table 2 – can make retirement planning significantly more challenging.

**Table 2: Challenges to saving and planning for retirement for people with mental health problems**

The problem	Impact for people with mental health problems
<b>Difficulties understanding and processing information</b>	Changes in cognition or medication side effects can make it harder to think clearly or process information with our normal level of clarity or speed. This can mean it may take more work to make sense of retirement planning tools, digest complex information or weigh up the relative merits and pitfalls of retirement options.
<b>Memory problems</b>	Difficulties recalling information can make remembering details about income, employers or pension pots harder. This may make providing accurate information to retirement calculators or in guidance sessions harder.
<b>Reduced planning and problem-solving skills</b>	Faced with complex problems, people can struggle to work out or break down what actions they should take to resolve them. People can be aware they need to plan for retirement, but understanding where to turn for help or how to access that help can be tricky.
<b>Reduced attention span</b>	Concentrating on a task for a prolonged period, such as a pension guidance appointment or using retirement planning tools, can be difficult.
<b>Social anxiety and communication difficulties</b>	Many people experiencing mental health problems struggle with some forms of communication. Previous research focusing on essential services found that half of people with a mental health problem struggled to use the telephone, and one in six struggled to open post. <sup>52</sup> This group likely experiences similar difficulties communicating with pension information or guidance.
<b>Depleted energy and motivation</b>	Low energy can make it difficult to complete basic self-care tasks such as washing and eating. Finding the motivation to go online or pick up the phone to look into future retirement plans or act on information or guidance can be overwhelming and for some impossible.

51 Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

52 Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

“My mental health makes me feel like a rabbit caught in the headlights when it comes to retirement savings. I know that they are important and it's essential to have a plan, but I feel completely paralysed whenever I start to contemplate retirement savings. It's almost as though my brain freezes & replaces itself with cotton wool.”

*Expert by experience, aged 47*

People with mental health problems also encounter challenges to engaging with retirement planning services that can be unique to the experience of mental health problems. Here we consider two unique challenges people encounter.

### **Ambivalence about living can mean retirement planning feels impossible**

Feelings of suicidality can be a common experience that accompanies many mental health problems. Survey respondents described how living with suicidal thoughts and feelings meant they often could barely get through the day, and certainly did not want to think about the future. This made saving for a pension or engaging with retirement planning services feel futile.

“For many years, I was severely suicidal and made repeated attempts. During those years, I wasn't able to work and obviously did not pay into a pension. I did not expect to live to retirement age so I thought a pension was irrelevant to me.”

*Expert by experience, aged 57*

For some, staying in the present and not thinking too far into the future was a way of managing their mental health and keeping them well. For others with severe and enduring mental health problems, their early careers were preoccupied with survival and learning how to manage their mental health problems. As a result, respondents told us that they did not begin to think about retirement planning until later in their working life when they'd learnt how to manage their fluctuating mental illness, but often with the perception that it was too late to make a meaningful difference to their retirement income.

“I waited too long, I started [saving for a retirement] at 45yrs because I didn't think I'd make it to retirement, a negative worldview doesn't prompt you to plan for the future.”

*Expert by experience, aged 54*

### **Feelings of shame and fear of judgement make engaging with retirement planning services overwhelming**

Another central theme from our Research Community respondents was the prominence of shame and fear of judgement. People felt their State and private pensions represented their lifetime contribution to the labour market and society. Among those who felt they had only saved a little or hadn't built up 35 qualifying years of NICs, people were sometimes ashamed to access help, for fear of the response they might be met with.

“I feel ashamed/embarrassed and very small. I don't belong in this conversation.”

*Expert by experience, aged 45*



“Everything is a fight when you are feeling like this and having to face whatever judgements are made about how you got into whatever financial situation you are in is just too much.”

*Expert by experience*

These feelings of shame served as a roadblock to guidance on making the most of small pension savings, or accessing the information on NICs and how to top them up through voluntary contributions.

The pensions sector is aware of the barriers that many of us face to retirement planning, such as inertia and procrastination, low levels of trust and a leaning towards immediate gratifications. But it appears within the sector there is little awareness of how these challenges can be bigger for people with mental health problems. For example, people with mental health problems may simply not have the energy reserves to take action, consider options or make decisions. People with mental health problems may have previous poor experiences of when financial service firms failed to respond appropriately to their mental health needs<sup>53</sup> this may contribute to lower levels of trust in financial institutions.

### **Case study**

In recent years, Mika has been on medication for anxiety and depression. Symptoms of her mental health problems and inflexible workplaces have meant she struggles to hold down a job and has frequently moved between employers.

Moving in and out of part-time employment, Mika’s contributions to her workplace pensions over the last decade have been inconsistent. As she gets closer to retirement, she is becoming increasingly worried about her pension savings. Mika wants to access some support to understand her pension pots and the options available to her. But she feels ashamed about her low savings, embarrassed at her ability to comprehend the complex world of pensions and afraid that adding something else to her plate will disrupt her finely balanced mental health problems. She is frightened to approach services for support and instead remains in fear-induced inertia.

***“I’m frightened that it [accessing pensions information or guidance] may just overwhelm me and cause me a lot of worry and stress... I am overwhelmed with all the things I have to do at the moment anyway, so adding something else in would tip me over the edge.”***

*Expert by experience, aged 47*

## **2.2 Systemic barriers to accessing services**

Along with the more personal challenges people with mental health problems face engaging with retirement planning, the way services are designed and delivered adds to the difficulty people with mental health problems encounter. Below we identify four weaknesses in the design and delivery of pensions information and guidance services that can lock people with mental health problems out of accessing support.

53 Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

## **People don't know where to turn for help and routes into services are not well-established**

Respondents to our survey were worried about their future retirement incomes, but they did not know where to turn for help. People explained they rarely saw adverts for retirement planning, and those they did see did not resonate with them. For respondents who had seen adverts they felt they depicted middle-class people with good incomes, which seemed a world away from their own situation and challenges. People described how they wanted advertising for pensions information and guidance so they would know where to turn for help. They wanted those adverts to reflected their experiences and showcased how information and guidance can support them with the types of issues they encounter. These might include people on low incomes seeking support with understanding State Pension eligibility or those with multiple small pension pots looking for reassurance that they also have options to make the most of their savings.

People also described how the routes into retirement planning were unclear and not well established. Focus group participants explained how when they did try to reach out for support, their first port of call was naturally the DWP, but in many instances people were not offered support and were not signposted or referred to other services that could help.

"I have honestly tried to plan ahead when I have felt well enough. But... whenever I have tried to get help through DWP nobody can advise me."

*Expert by experience*

## **Retirement planning services are delivered via a limited range of communication channels**

If people finally do land at a service to support them with retirement planning, the challenges do not end there. Retirement planning services are delivered via various communication channels, (telephone, face-to-face, online). As is evidenced in Table 2, guidance and information services have default pathways that encourage people to use services via a particular channel.

Default journeys across various information and guidance services are increasingly digital and focused on self-service. This makes sense in terms of effectively using scarce resources: it allows services to maximise the number of clients they can potentially help.<sup>54</sup> This in principle is positive and allows services to serve more people more efficiently. Many people with mental health problems reported preferring this route.<sup>55</sup> But this can prove problematic for people who struggle to navigate digital journeys or people with mental health problems whose symptoms make going online or following instructions on their own an ordeal.

"I prefer face to face as I'm able to feel calmer and put my own opinion forward. I hate using the phone as feels rushed and increases my anxiety as often caller has to check that I am still there as it can take me a long time to understand the question, think of a reply and actually say it."

*Expert by experience, aged 61*

54 MaPS. Pension Wise service evaluation 2019/20. 2020.

55 The Money and Mental Health Research Community is an online community, by virtue of this members are digitally capable. Therefore, readers should be mindful when interpreting Research Community findings about channel preferences, these are not representative of people with mental health problems as a whole.

Our survey with Research Community members asked about people's preferred communication channel for accessing retirement planning guidance or information. Results were a close call between face-to-face and online self-help tools,<sup>56</sup> with almost half of respondents 50% opting for face-to-face or telephone as their channel of first choice, compared to four in ten (44%) of respondents opting for online self-help tools. What was clear was that people wanted channel choice.

"It depends on the day [what my preferred communication channel is] and how my bipolar is behaving. It's fluid and not always easy to navigate."

*Expert by experience, aged 57*

## **Each delivery channel offers a slight variation in levels of support**

Research respondents told us how the level of support they receive can make a real difference to how well they can engage with information and guidance services. Yet the level of support can vary widely from service to service. Some services will provide clear and tailored advice on the best course of action for you, at a cost. Others will provide free guidance, outline the options available and explain the options you could take based on your circumstances.

How you access pension guidance services can make a huge difference to the type of help you're provided with. For example, services through Pension Wise (a free, government service that provides impartial guidance to over 50s about their defined contribution pension options) offer different levels of support, some are qualifying appointments delivered via telephone and face-to-face, others are self-serve journeys through digital channels. The service from each differs:<sup>57</sup>

- **Qualifying telephone or face to face appointments** – a telephone or face-to-face appointment with Pension Wise, typically lasts between 45-60 minutes. A guidance specialist fully explains the six options available and helps a customer to understand the benefits and drawbacks of each option. Specialists help customers to clarify next steps in their decision-making process, including support to identify key questions to ask their pension provider and information on shopping around.
- **Digital self-serve journeys** – the digital self-serve journey directs customers to a website where they can explore a summary description of the six pension options and choose to see more detailed guidance for these options. The session lasts as long as the customer wishes.<sup>58</sup>

For people struggling with concentration or difficulties processing information, a lengthy telephone or face-to-face appointment may not be for them. For others, self-serve information listing the options available to them can be overwhelming and they may need to have options explained multiple times in multiple ways, and be able to ask clarifying questions.

<sup>56</sup> Money and Mental Health survey. Base for this question: 250 respondents.

<sup>57</sup> The six pension options are: (1) Retire later or delay taking your pension pot. (2) Buy an annuity to get a guaranteed retirement income. (3) Get a flexible retirement income by drawing down some of your pension and the remainder stays invested. (4) Take your pension as a number of small pots. (5) Take your whole pension in one go. (6) Mix your options e.g. use some of your pension to get a flexible income and some to buy an annuity.

<sup>58</sup> MaPS. Pension Wise service evaluation 2019/20. 2020.

While it is clear that remote delivery offers a less comprehensive and less tailored service, it does not follow that this is inferior to face-to-face – what works for some won't work for others. But it is clear that people need accurate information about the level of service offered by each channel – to make an informed choice about which channel and service is most suited to their mental health needs.

For people experiencing the cognitive and psychological effects of mental health problems, often reaching out for support in the first instance takes a huge effort, depleting already lowered reserves of energy and mental bandwidth. When people in these circumstances arrive at the wrong channel and support level for their needs it can deplete them, driving them away feeling overwhelmed and hopeless.

### **The messages people receive from engaging with retirement planning services can further drive feelings of hopelessness and despair**

Feelings of hopelessness can make retirement planning impossible. Sadly, even when people manage to reach out and engage with retirement planning services, the messages they receive can compound those feelings of hopelessness.

"I felt rather hopeless and didn't know where to turn for help. Once I'd been given advice on how much I was expected to achieve, I felt like I didn't know where to turn to help achieve that. I was going through a particularly bad period of depression and hadn't worked for a number of years, and I just felt like I had no hope whatsoever of achieving the target the calculator advised. It felt like the calculator was very much, 'This is how much you'll need. Good luck with that!'"

*Expert by experience, aged 34, online self-help tool*

Retirement planning calculators tell you how much you'll need for the living standards you hope for in retirement. Yet for many people with mental health problems, lower average incomes mean boosting pension savings by increasing pension contributions which is often not an option. Similarly, some retirement planning services that focus on supporting people to plan and save for retirement are not well-equipped to offer messages of reassurance or hope, and they do little in the way of nudging people to maximise alternative sources of retirement incomes, in the form of eligibility for State Pension, NICs and pension credits.

"It is always unhelpful to have your fears that you will be unable to retire confirmed. It feels insensitive to see calculators that recommend how much you should be contributing to your pension when you are unable to work/earn due to ill-health and/or family commitments that make working in the UK impossible."

*Expert by experience, aged 49*

While messaging may be intended to encourage people to put away a little bit more or keep a keener eye on their retirement plans, people who don't have the financial means to take corrective actions are simply reminded of the bleakness of their future. Unfortunately, this can serve to entrench existing feelings of hopelessness and despair and drive people further away from engaging with the retirement planning services that may be able to assist them.

## Section two summary

- People with mental health problems face a vicious cycle. The symptoms of mental health problems can mean access to pensions information and guidance can be crucial to making optimum retirement planning decisions. Yet those very services that can help them are hard to navigate when experiencing a mental health problem.
- The cognitive and psychological effects of mental health problems, such as low concentration, memory problems, communication difficulties or low motivation can make it harder to engage with retirement planning services or to make decisions about how and when to use pension savings.
- People face additional unique challenges accessing services. Persistent feelings of suicidality and ambivalence about living can mean retirement planning feels impossible. Feelings of shame and fear of judgement can make engaging with retirement planning services overwhelming.
- People with mental health problems don't know where to turn for help. Adverts don't resonate with them and routes into retirement planning services are unclear and not well established.



## Section three: Difficulties making informed pension decisions

Regardless of whether or not people have engaged with information, guidance and advice, they will eventually be faced with making decisions about how to make the most of their money in retirement. When it comes to making pension decisions the stakes couldn't be higher. People, aged between 45-65 are required to begin planning for and making decisions about a lifetime's worth of savings. Ensuring people get the right support when it comes to making these decisions is therefore vital. Over 2.3 million people in the UK are aged between 45-65 and have experience of mental health problems,<sup>59</sup> they are among those expected to weigh up the competing risks and benefits to make decisions about how and when to draw their pension savings. Therefore, it's crucial the design of services supporting people to make those decisions can assist with the challenges they face.

### 3.1 Take-up of guidance and advice

The options we have available to us when it comes to using our pension savings are complex at the best of times. For example, a person can take a lump sum from their pension from age 55 onwards, but this can have important consequences for their tax bill and how far the rest of their savings will stretch. Just 45% of all adults (23.6m), say they understand enough to plan for later life.<sup>60</sup> Against this backdrop, data from the Financial Conduct Authority (FCA) found that take-up of regulated financial advice is low – just 8% of individuals receive regulated advice<sup>61</sup> – and this is more common among higher savers.<sup>62</sup> Similarly, the FCA also found that take-up of Pension Wise also remains low.<sup>63</sup> While FCA data does not present a full picture of the take-up of advice and guidance across the market, it is clear that concerted efforts are required to ensure more people can access support when making retirement decisions. For people with mental health problems, navigating this maze of guidance, advice and information while struggling with the cognitive and psychological effects of mental health problems can be impossible.

The challenges outlined in the previous sections compound for people with mental health problems and put them at greater risk of being ill-prepared for retirement. Our analysis finds that people with mental health problems who are in the key retirement planning years (aged 45-64) are less informed when it comes to drawing on pension savings:

- 27% of people with mental health problems in this age group report that they did not know they had to choose how they will take money from their pension, compared to just 16% of those without mental health problems.<sup>64</sup>
- Only 17% of people with mental health problems have a clear plan about how to use their pension, compared to 25% of those without mental health problems.

59 Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

60 MaPS. The UK Strategy for Financial Wellbeing 2020-2030. 2020.

61 FCA. FCA publishes evaluation of its work on the financial advice market. 2020 (Accessed: 29/03/23).

62 FCA. Retirement income market data 2021/22. 2022.

63 In October 2021 to March 2022, just 11% of all full withdrawals from pension pots used Pension Wise guidance. FCA. Retirement income market data 2021/22. 2022.

64 Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

- 51% of people with mental health problems say that they do not understand the options for taking money from their pension, compared to almost 36% of those without mental health problems.<sup>65</sup>

Having established how experiencing mental health problems can impact people's ability to navigate services and engage with information and guidance, we asked survey respondents to rank the support they needed to receive from retirement planning services. Six in ten (59%) respondents listed help to understand the benefits and drawbacks of each option and support to weigh-up those options in their top three priorities. This was followed by over half (53%) who wanted general information about the options available, and 49% who sought information on the benefits and drawbacks of each option. Almost four in ten (38%) wanted help to clarify the next steps they should take.<sup>66</sup>

### 3.2 Tailoring retirement planning services to people's mental health needs

As explored in the previous section, guidance services must walk a fine line: explaining the options available to people, helping them understand them, and supporting them to think through the pros and cons of each option – without verging into giving advice. As a result, services, particularly self-serve services, are simplified to explain options. But for people struggling with the cognitive and psychological effects of mental health problems, those additional aspects of information and guidance are crucial to making optimal decisions.

"They may as well have been talking in Klingon [in the online self-help tool], I didn't understand and still don't understand what I did! I have no idea how many pensions I have, how much they are worth, do I keep them all separate or merge them, can I merge them, have I saved enough, etc etc!"

*Expert by experience, aged 55*

Systems to assist people with these trickier parts of information and guidance simply aren't in place, leaving them unsupported to figure out the complex decisions they need to make.

"I understand the basics, I know what I pay and I know if I stick at this job and I don't change circumstances for the next 30 years, what I'll get a month as retirement pay. Unfortunately, as a woman with complex mental and physical health conditions, it's unlikely I'll carry on working full time and I want to retire as early as I can. There's no way for me to figure out how those decisions will affect my retirement."

*Expert by experience, aged 36*

### Services do not make it easy to disclose mental health problems

Services cannot tailor their approach to people's needs without understanding what their needs are. However, our research found that of those who'd accessed retirement planning services only two in ten respondents (21%) had ever told the service providing information, guidance or advice about their mental health problems.<sup>67</sup> Of those, no one was proactively asked about their mental health.

<sup>65</sup> Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

<sup>66</sup> Money and Mental Health survey. Base for this question: 247 respondents.

<sup>67</sup> Money and Mental Health survey. Base for this question: 87 respondents who had previously accessed pensions information or guidance services.



While some parts of information and guidance services ask specifically about 'health', this appears to be focused on physical health. Given the stigma surrounding mental health problems, a broad question around 'health' is unlikely to be sufficient to encourage people to disclose their mental health problems.

"I was asked about my health condition but I didn't feel comfortable telling them I had anxiety and depression and they tended to focus more on physical health issues rather than mental."

*Expert by experience, aged 34*

Another challenge raised by our respondents is that they wanted to be reassured that they will be given appropriate support and treatment from trained specialists if they disclose their mental health problems. This echoes our previous research on essential services and debt advice, where people explained that previous negative experiences of disclosure made them feel that doing so again would be, at best, a waste of time or at worst actively distressing or result in worse treatment.<sup>68</sup>

"It is very difficult for me to explain the difficulties my mental health disorder causes, and even if I can, it seems people are just not equipped or informed enough about them to understand or offer the help I need."

*Expert by experience, aged 63*

### 3.3 Services to support people who are acutely unwell

People are often required to make important decisions about their pension savings when they're most unwell or in crisis. For people later on in their careers, and who experience a first or repeat episode of mental ill-health, this may trigger them taking an early exit from the labour market.

Confronted with being unable to return to the workforce due to poor mental health, and needing to retire early, acutely unwell people face a conundrum. As their primary source of income – work – ceases, but not yet being eligible for State Pension, they face having to apply for benefits.

"I am working now and have been working part-time for two years but before that, I had a period of 24 years of not working, and being totally dependent on benefits, because of my poor mental health. During that period, I could not contribute anything to any pension. Now, I can only work part-time because of my health so I have very little to contribute to a pension."

*Expert by experience, aged 57*

For those aged 55 and over, they have the option to draw from their private pension to potentially boost their income until they reach State Pension age. But these are complex decisions to make. For those experiencing an acute episode of mental ill-health problems, capacity limitations can be severe. These can include difficulties understanding, weighing-up and retaining information. People risk making suboptimal pension decisions, which serve them well now but poorly in the longer term.

<sup>68</sup> Fitch C, Holloway D and D'Arcy C. Making it easier for consumers to disclose a mental health problem. Money and Mental Health Policy Institute. 2022.

“When I did retire, there were various options about taking a lump sum and which I made pretty well at random because I didn’t care at that point, I was still very unwell. I think I took some of that – I can’t remember honestly – but I think it was not a good decision. I thought, ‘I’m going to be dead in a couple of months, so I might as well take more lump sum.’”

*Expert by experience*

Making decisions while acutely unwell is a particular risk for those who experience impulsivity as a symptom of their mental health problems. People in these circumstances must not be assumed to lack mental capacity to make decisions to draw on pension savings,<sup>69</sup> but should be supported to understand, weigh and retain information pertinent to decisions they’re making. But as we heard from people who had made pension decisions when they were in mental health crisis, people are simply not getting the support they need to make informed decisions.

“I took a £20k lump sum and went overboard spending (when I was having a manic episode) and lending money to my children. It’s nearly all gone and I now feel incredibly guilty.”

*Expert by experience, aged 58*

“I’ve cashed in my pension when I’ve been hypermanic and spent it on god knows what. I don’t own my own home I live in council housing.”

*Expert by experience, aged 57*

Evidence from the Research Community suggests that retirement planning services are ill-prepared to assist people who require support to make decisions when they are unwell. Yet recent and forthcoming changes in the pension landscape – the stronger nudge to pensions guidance and the new Consumer Duty<sup>70</sup> – require pension information and guidance services to support people to take up pensions guidance and promote positive customer outcomes.

Outside of guidance and advice, pension providers have an essential role to play in facilitating consumers transactions when drawing on pension investments. Many people, including those with mental health problems, when making decisions to draw on pension savings will have additional support needs. When assisting a person in such circumstances, schemes need to consider whether a person just needs help to make a decision (supported decision-making), or if they are completely unable to do so and lack the relevant mental capacity to make the specific decision at hand.

People are understood to lack capacity to make a decision at a specific point in time if they are unable to understand, retain or weigh up information pertinent to a specific decision. The Mental Capacity Act sets out clear processes to follow where people lack the relevant mental capacity to make a specific decision.<sup>71</sup>

However, exhausting the steps required to support people to make decisions is a little harder to navigate for essential services firms and pension providers. The Mental Capacity Act provides principles for supporting people with capacity impairments. Specifically a person must be assumed to have mental capacity unless there is evidence to the contrary. People have the right to make unwise decisions and must not be assumed to lack capacity simply because their decision appears

69 Mental Capacity Act 2005.

70 FCA. [Implementing the Consumer Duty in the Consumer Investments sector](#). 2023 (Accessed: 29/03/23).

71 Money and Mental Health summary of Mental Capacity Act 2005, c1.

unwise, and all efforts must be made to support people to make their own decisions.<sup>72</sup> Navigating these waters to support people to make informed decisions in light of Consumer Duty requirements can be tricky.

While significant guidance exists around mental capacity and lending decisions,<sup>73</sup> and supporting customers with fluctuating mental capacity to make financial decisions – in financial services firms.<sup>74</sup> And similarly, established processes are in place to support equity release services to complete mental capacity assessments when releasing equity. It is unclear what steps pension schemes are currently taking to ensure customers understand the implications of their decisions. While the line between guidance and advice is contentious, ensuring people understand the decision they're making to draw on or invest funds, and that they can weigh up and retain the information pertinent to that decision – firmly sits in the realms of guidance.

The experiences of Research Community members detailed above, demonstrates that people are making decisions to draw on and invest pension savings when acutely unwell, when their capacity fluctuates and they have struggled to weigh-up and understand factors pertinent to the decision at hand.

### Case study

Floyd experienced an acute episode of mental ill-health which resulted in a suicide attempt. He is currently under the care of the Community Mental Health Team and doesn't foresee a return to work.

Floyd had substantial credit card debts, was behind on his priority bills and faced a substantial drop in income from wages to benefits. He was unable to service his debts but, with a reasonable pension pot built up over his working life, Floyd wanted to draw on his pension savings to stop the debt collectors from pursuing him and help top up his benefits until he was eligible for State Pension.

Floyd, in the midst of his crisis, was unable to fully think through the consequences that drawing on his entire pension savings would have on his living standards in later life.

***“I have lost a lot of my pension pot through making the wrong decisions at a time when I was not well.”***

*Expert by experience, aged 69*

72 Money and Mental Health summary of Mental Capacity Act 2005, c1.

73 FCA. Consumer Credit Handbook. 1974.

74 UK Finance. [Mental capacity, mental health and other decision-making limitations toolkit](#). 2019 (Accessed: 30/03/23).

75 Money Advice Trust. Using the BRUCE protocol to identify and support customers with mental capacity limitations. 2018 (Accessed: 30/03/23).

## Separation between pensions guidance and regulated debt advice can prove problematic

A final challenge that arose from our research was making decisions about pension savings while balancing problem debts.<sup>76</sup> People with mental health problems are more likely to be in problem debt. Focusing just on people aged 55 and over, those with mental health problems are still more likely to have at least one debt compared to people without mental health problems (50% vs 39%).<sup>77</sup>

Making decisions about retirement incomes can be incredibly difficult when struggling with problem debt. The Financial Conduct Authority (FCA) heavily regulates both debt advice and pension guidance and advice. Differences in the regulation of the two sectors mean pension guidance professionals cannot account for customers' problem debts, and debt advisers cannot account for a customer's options around pensions. As a result, people aged 55 and over can struggle to know whether to make decisions in the best interests of their future retirement, or address their immediate situation through clearing debts. The decision is complicated by the variety of debt solutions that exist, including debt write-off, which may prove more favourable. With this variety of factors to weigh up and no single professional able to speak to a person's financial position in a holistic way, as currently configured, these services fall short in supporting customers facing these decisions.

"I was forced to claim my pension early, to pay utility debts and other debts."

*Expert by experience*

### Section three summary

- People with mental health problems encounter particular challenges when it comes to making decisions about how to use their pension savings. Guidance services are intended to support people to make informed decisions about drawing on their pension. But for people with fluctuating capacity or capacity limitations in particular, the current design of these services is not delivering.
- Services do not make it easy to disclose mental health problems, and they are not equipped to support people to make decisions when they're acutely unwell with mental health problems
- A lack of joined up working between pensions guidance and debt advice can prove problematic for people with mental health problems, failing to address the tension between living standards today versus in retirement.

76 Money and Mental Health Policy Institute. The Facts. (Accessed 27/03/23).

77 Stacey B. Through the lens: age, money and mental health. Money and Mental Health Policy Institute. 2022.



## Section four: Recommendations – Delivering better retirement outcomes for people with mental health problems

In the previous sections, we've explored how people with mental health problems are encountering significant barriers to achieving a good outcome in retirement. These barriers run right through much of our lives, from the start of our careers, to beginning to engage with the options available to us, to making crucial decisions about our savings. Action to support people with mental health problems to reach retirement in the best possible position is needed now.

Helpfully, there is already momentum behind moves to make the pensions landscape easier to traverse.

- In 2020, MaPS announced an ambitious transformation plan to increase the number of people engaging with their pensions, with the goal of helping another 5 million more people understand enough to plan for later life by 2030.<sup>78</sup> With one in four people experiencing mental health problems in a given year, this could see MaPS trying to equip 1.25 million people with mental health problems with enough information to plan for later life.
- In June 2022, the DWP began a consultation process to explore how savers can be better supported to understand their pension choices. Within this they recognised the 'limited' progress the sector had made in developing mass market products and services catering to those wishing to access their automatic enrolment saving.<sup>79</sup>
- From July 2023, the FCA's Consumer Duty comes into effect, which sets out clearer standards to protect consumers by requiring firms creating products and operating pension schemes to promote positive customer outcomes. These changes raise the bar on how pension providers must support consumer understanding and promote positive outcomes for consumers.<sup>80</sup>
- Pensions Dashboards are in development and are intended to provide clear and simple information about an individual's State and private pension savings.<sup>81</sup>
- Forthcoming plans to expand auto-enrolment by abolishing the Lower Earnings Limit for contributions so people will begin contributing from the first £1 earned and reducing the age for being automatically enrolled to 18 will enable millions of people to save more and to start saving earlier.<sup>82</sup> This may be particularly beneficial to people with mental health problems who have lower average incomes, but will inevitably place an extra toll on people's pockets.

With the additional and specific needs that people with mental health problems have, there is a risk that these welcome initiatives will fail to address the difficulties we have outlined in this report. And despite their scope, these efforts do not cover all the challenges that people with mental health problems face, particularly when it comes to building savings.

78 MaPS. The UK Strategy for Financial Wellbeing 2020-2030. 2020.

79 DWP. Helping savers understand their pension choices. June 2022.

80 FCA. Implementing the Consumer Duty in the Consumer Investments sector. 2023 (Accessed: 29/03/23).

81 Pensions Dashboards Programme. DWP issues a written ministerial statement on pensions dashboards connection timeline. (Accessed: 29/03/23).

82 Gov.UK. Government backs bill to expand pension saving to young and low. March 2023.

To address this, in this section we set out a series of changes to tackle each stage:

- Helping to build pension savings by taking advantage of opportunities to support people with mental health problems to accumulate sufficient pension savings
- Easier to navigate retirement planning services which are accessible and easy for people with mental health problems to follow.
- Better-supported decisions about retirement incomes later in life to understand and meet the needs of people with mental health problems when they're approaching prime retirement decision-making age.

The stage individuals are at with planning for retirement will depend on a range of factors, including a person's gender, age and experience of mental health problems. In the recommendations detailed below we have tried to account for the range of situations people might encounter, and identify recommendations to ensure that retirement planning services work better for people with mental health problems.

#### 4.1 Helping people to build pension savings

While there are big opportunities to support people through better information, guidance and advice, research respondents told us how the challenges they face in building sufficient pension savings overshadowed almost everything else in their savings journey.

"Most pension providers and government seem to be missing the point. It is not hard to find a medium to save – either through employer or independent saving. What the problem is – is poor mental health is normally associated with lack of, or nil disposable income, even negative income. They think that we do not save because we are not educated to save or responsible enough to plan for retirement. When rent, council tax, food, fuel and electric is more than earnings, pensions just have to go, it is as simple as that. Mental health does not mean limited intelligence, it means hardship, adversity, and barriers."

*Expert by experience*

To support people with mental health problems to secure, remain and progress in work and build retirement savings throughout their working lives:

- **As part of the White Paper on health and disability, the DWP should review retirement outcomes for people with disabilities and health conditions** – including mental health problems, and how the level of benefits contributes to retirement outcomes.
- **The DWP should ensure every Work Coach has received training on how mental health problems can impact the type and amount of work people can do** – supporting people into suitable and sustainable employment. The Health and Disability White Paper published earlier this month announced encouraging plans to match specialist assessors to a person's primary health condition.<sup>83</sup> This proposed shift towards person-centred support is welcome. However, it was only in 2018 that the DWP introduced staff training for all new staff on supporting vulnerable customers. As such, there remain vast numbers of staff who have outstanding mental health

83 DWP. Transforming Support: The Health and Disability White Paper. March 2023.

awareness training needs.<sup>84</sup> Without this basic training, work coaches cannot be expected to appropriately match people with mental health problems to suitable jobs.

- **The Department for Business and Trade should require employers employing over 250 staff to:**
  - » **Sign the Mental Health at Work Commitment and disability confident scheme –**  
The Mental Health at Work Commitment,<sup>85</sup> is a framework of six standards to embed the prioritisation of mental health within organisational cultures and improve mental health outcomes for employees. The government should require employers to demonstrate their commitment to anti-discriminatory practices by signing the commitment.
  - » **Report on the mental health pay gap –** Differences in earnings are a major driver of the mental health income gap which drives lower retirement incomes for people with mental health problems. Improved reporting beyond the existed limited data on how wages vary for people with mental health problems would make it easier to target initiatives at the sectors and occupations where gaps are the most concerning.
  - » **Report on flexible working requests denied and granted –** Flexible working enables people to work in ways that help them stay healthy and in employment. When appropriate adjustments are made, they can be a lifeline in supporting people to enter or remain in employment. Yet where reasonable adjustments cannot or will not be facilitated, people may leave the labour market unable to balance their mental health needs and their need for an income.<sup>86</sup> A public record of which employers are or aren't supportive of such requests would help workers with mental health problems find organisations which will offer them the best opportunities.

To support people in receipt of benefits or on low incomes that fall below the auto-enrolment threshold, and to increase pension savings throughout their working lives, the **DWP and HM Treasury (HMT) should:**

- **Develop clearer and targeted communications about saving limits for people receiving benefits to provide reassurance for those wishing to save –** This information could be included in the government's Help to Save scheme information. While the scheme is not pitched as a retirement savings vehicle, it is one way people can be supported to save both for the immediate future and retirement. Information within Help to Save scheme communications could provide reassurance on how saving may impact eligibility for benefits, with clear details on the upper and lower saving limits.
- **Better publicise and encourage uptake of the Help to Save scheme to incentivise people on low incomes to save –** HMRC should specifically target communications at people in receipt of UC and Working Tax Credit.<sup>87</sup> Alongside this HMT should introduce a version of the Help to Save scheme supporting those who fall below the auto-enrolment threshold to save but who are currently not eligible for the main Help to Save scheme.

84 Hansard. Disability Benefit Claimants. Volume 812. 8 June 2021.

85 Mental Health at Work. [The Mental Health at Work Commitment](#). (Accessed: 29/03/23).

86 Bond N and D'Arcy C. Closing the gap. Money and Mental Health Policy Institute. 2021.

87 Gov.UK. [Inside Policy: Money Matters](#). 2022 (Accessed: 29/03/23).



- **Proactively notify people short of qualifying years for NICs within five years of retirement –**  
This would encourage people falling under the qualifying threshold to pay voluntary NICs. To do this in the most accessible way, notifications should be sent via multiple communication channels such as post and text.

To support people in receipt of benefits or on low incomes to increase their incomes now, **MaPS and the health services across the UK should:**

- **Support people in touch with mental health services to maximise their current income –**  
This should include working together to support people to access their full benefit entitlements, through signposting to income maximisation services and MoneyHelper. MaPS has already developed a financial wellbeing module for Health Education England which offers training to healthcare professionals.<sup>88</sup> The module provides useful basic and brief information about money and mental health, with signposting for healthcare practitioners and clients to services that can support people with money guidance and advice. MaPS should partner with NHS England to promote the take-up of the training module to better support mental health professionals to help people with financial difficulties and work with the devolved administrations to produce a similar training offer for health and care professionals across Wales, Scotland and Northern Ireland.

#### 4.2 Making information and guidance services easy to navigate

After a lifetime on low incomes and falling in and out of work due to their mental health, we heard how people can feel too frightened or hopeless to seek information or guidance. This often interacted with feelings of shame about their low pension savings and worries about their understanding of pension options or eligibility. To reassure and support this group, people with mental health problems need information and guidance services that resonate with their needs and are easy to access.

To ensure people can get timely access to financial planning support services:

- **The DWP should ensure the expansion of the Jobcentre Plus Midlife MOT announced in the March 2023 Budget and targeted at 40,000 Universal Credit claimants aged 50 and over<sup>89</sup> is designed and delivered with the needs of people with mental health problems in mind.** This should include building in an understanding of how mental health problems can impact people's ability to remain in work and build pension savings.

##### **DWP Midlife MOT**

A review for workers in their 40s and 50s to help them take stock of their finances, skills and health, and enables them to better prepare for their retirement and build financial resilience. When launched it will be delivered through online and offline channels, through organisations including MaPS; private sector companies working with employers, and in-person through Jobcentre Plus. Delivery through 50 Plus Champions in Jobcentres will see staff sit down with older job seekers to examine their retirement plans. It is intended to help people identify barriers to employment and explore avenues to improve their earning and saving potential.

88 Health Education England. *Fifth module: All Our Health: Financial Wellbeing*. (Accessed: 29/03/23).

89 HMT. Spring Budget 2023.

To ensure retirement planning services are accessible to people with mental health problems, **MaPS, pension providers and administrators should:**

- **Evaluate their existing suite of retirement planning services to ensure all information resources on websites are accessible to people with mental health problems** – Action should be taken to ensure information is included in simplified language, jargon is eliminated or explained where unavoidable, and information is delivered in bite-size chunks. In MaPS's case, this should include assessing how well their Design Principles are adhered to across their suite of pensions services.<sup>90</sup>
- **Expand the range of delivery channels** – Ensuring pensions information and guidance is provided in multiple formats, including videos and interactive webinars.
- **Review their suite of pension offers** (including the mid-life pensions review for self-employed people) to ensure all services can be accessed via all channels – Publicising accessible information about the levels of service and support people can expect to receive via each channel so people can arrive at the right service to meet their needs the first time.
- **Train customer-facing staff about how mental health problems can impact a person's ability to communicate, understand and process complex information and make decisions** – Ensuring staff are provided with the tools to better support people, such as specialists adjusting their approach: breaking the session down into shorter chunks, explaining things in multiple ways, or inviting people at regular intervals to ask questions.

To guide people to the most suitable pensions information and guidance service, **MaPS and key government departments should:**

- **Establish referral and signposting pathways between these services and people with mental health problems in need of information and guidance** – DWP and the NHS across the devolved nations should establish journeys into pensions information and guidance that utilise existing touchpoints between services and people with mental health problems. This should include working with the DWP and mental health services to signpost and warm-refer people who contact the department with non-State Pension queries to MaPS' suite of pensions services.
- **Introduce a stepped approach to information and guidance services allowing people to enter via the channel of their choice, building in easy steps to follow-up specialist-led sessions** – This should allow people to ask questions, seek clarity, check understanding – and have things explained in multiple ways -in the channel that best suits their needs, including telephone, video, or face-to-face.

To support people to tackle the shame and hopelessness that drive disengagement from retirement planning, **MaPS, pension providers and administrators should:**

- **Design pensions information and guidance messaging that resonates with people with mental health problems** – This could be done by identifying the issues that concern them, such as low savings and worries around eligibility for State Pension and ensure that targeted messaging and offers of support clearly evidence how pensions information and guidance can support people with these challenges. Services should user-test messaging with people with mental health problems to ensure it resonates with their target audience.

<sup>90</sup> MaPS. Design Principles. (Accessed: 12/01/23).

- **Provide staff training to understand and respond to the fear and shame people may experience when accessing pensions information and guidance** – This should involve equipping them with the skills and knowledge to identify when these feelings are present and supportive messaging to provide reassurance.
- **Create an environment that encourages disclosure by introducing proactive enquiry about mental health problems** – Building these standard screening questions would help to ensure advisors are aware of customers' mental health needs and can tailor their approach accordingly.

To support people who have accumulated multiple small pension pots from a lifetime of moving in and out of employment, **MaPS, the Pensions Dashboards Programme and the DWP should:**

- **Ensure Pensions Dashboards are designed to be accessible to people with mental health problems** – user testing prototypes of the service with people with mental health problems. And urgently develop a new plan and delivery timeline for the Pensions Dashboard Programme, expediting the development of the service.

### 4.3 Supporting people to make informed pension decisions

Many people with mental health problems face crucial retirement planning decisions amid an acute or prolonged episode of severe mental ill-health. They face impossible choices about retiring earlier than planned when they're most unwell. People need specialist services with a clear understanding of mental capacity and capacity limitations and a guidance service that can deliver debt and pensions advice in tandem.

To support people making crucial retirement decisions when acutely unwell **MaPS should:**

- **Design and deliver an arm of their service that offers specialist pension guidance to people with SMI** – with specialists who are also trained money advisors.
- **Develop closer working relationships between Pension Wise and the Mental Health Crisis Breathing Space Service (MHCBS)** – the service that administers respite from debt collection and escalating fees or charges for people in mental health crisis<sup>91</sup> – to support clients with dual pension and debt advice needs.
- **Equip specialist staff with enhanced training on mental capacity** – including an understanding of the presumption of capacity, capacity fluctuations and the impact on people's ability to make pension decisions.
- **Develop referral pathways to appropriate pension guidance services with dedicated professionals with dual training on pension guidance and mental health** – to support people making decisions about early retirement or drawing on pension incomes during a crisis.

To similarly support people making crucial retirement decisions when acutely unwell, **pension providers should:**

- **Learn from existing best practice in other financial services sectors to understand how to support people when making decisions to draw on pension investments** – Pension Providers must learn from existing practice in other financial services sectors, such as guides

91 MaPS. RFI – Mental Health Crisis Breathing Space. 2023.

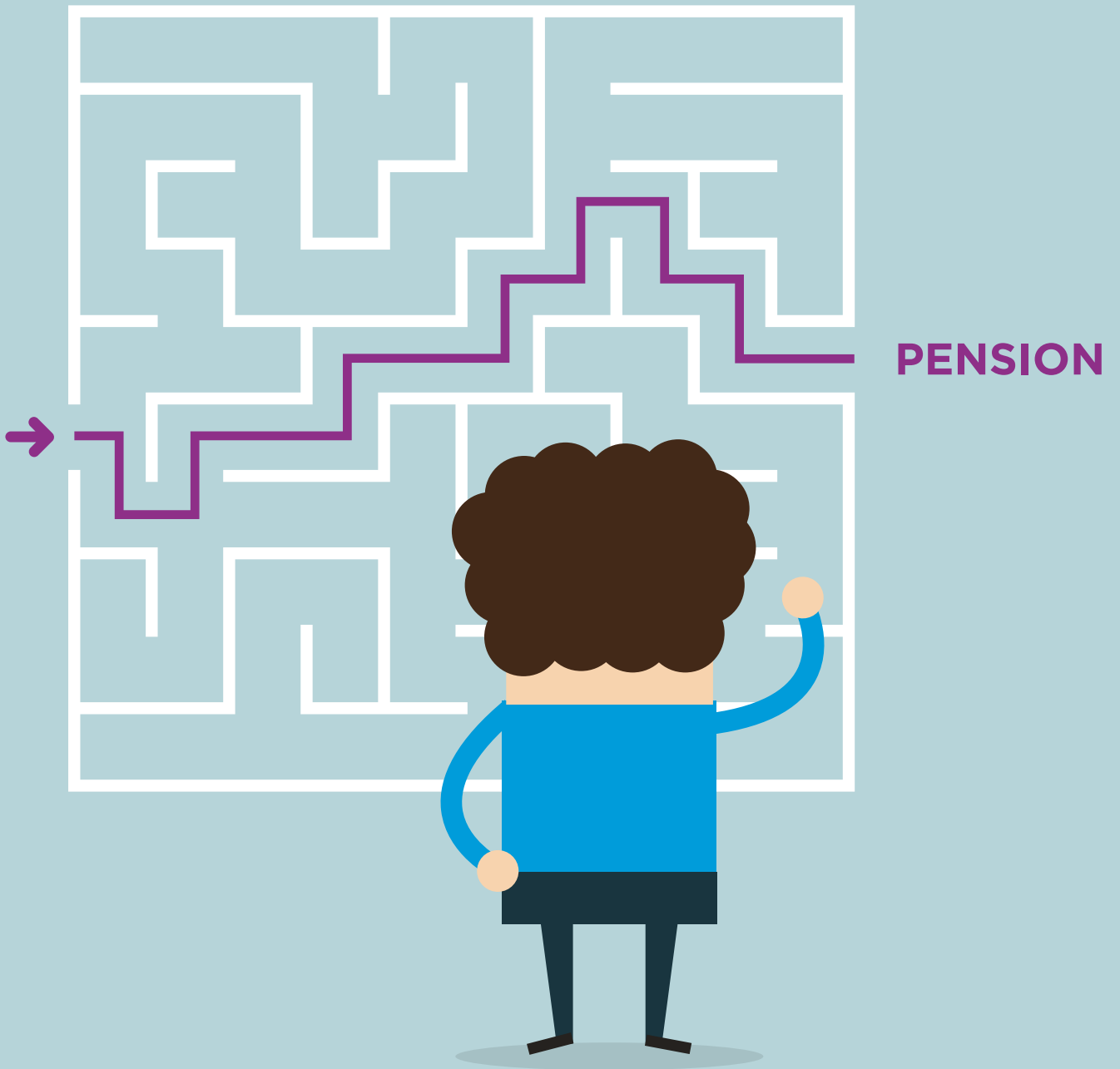
from UK Finance<sup>92</sup> and The Money Advice Trust<sup>93</sup> to understand how to support people with capacity fluctuations who are making decisions to draw on pension investments. Notwithstanding the principle that people are free to make unwise decisions, pension providers should step-up to ensure that when releasing or investing funds, they have satisfied the principles of the Mental Capacity Act and provided all possible means of support to assist customers to make their decision. Developing guidance and routine checks and balances to ensure people with mental health problems and other conditions that impact on capacity, are supported to minimise the chances of suboptimal pension outcomes due to difficulties fully comprehending the ramifications of the decisions at hand.

To support people to balance decisions about pensions and debt **MaPS should:**

- **Develop a specialist service that offers pensions guidance and debt advice in tandem –**  
As part of the procurement process starting in September 2023 for the replacement of the MHCBS service MaPS is consulting on opportunities to expand the service to support other advice providers serving clients with SMI and/or complex needs. As part of this, MaPS should explore opportunities to offer a specialist pensions guidance and debt advice service for people with SMI or in crisis. Achieving this may require substantial changes to the use of levies for debt advice and pensions guidance, as well as significant changes to MHCBS, and therefore should be a long-term consideration. In the interim MaPS should work to promote closer working relationships between MHCBS services and pension guidance services to support people in crisis, and also closer working relationships between the broader debt advice services and pensions guidance services. Delivering these services in tandem with debt advisors and pensions specialist trained in and aware of overlapping debt and pension issues.

92 UK Finance. Mental capacity, mental health and other decision-making limitations toolkit. 2019.

93 Money Advice Trust. Identifying and supporting customers with mental capacity limitations. 2018.



## Conclusion

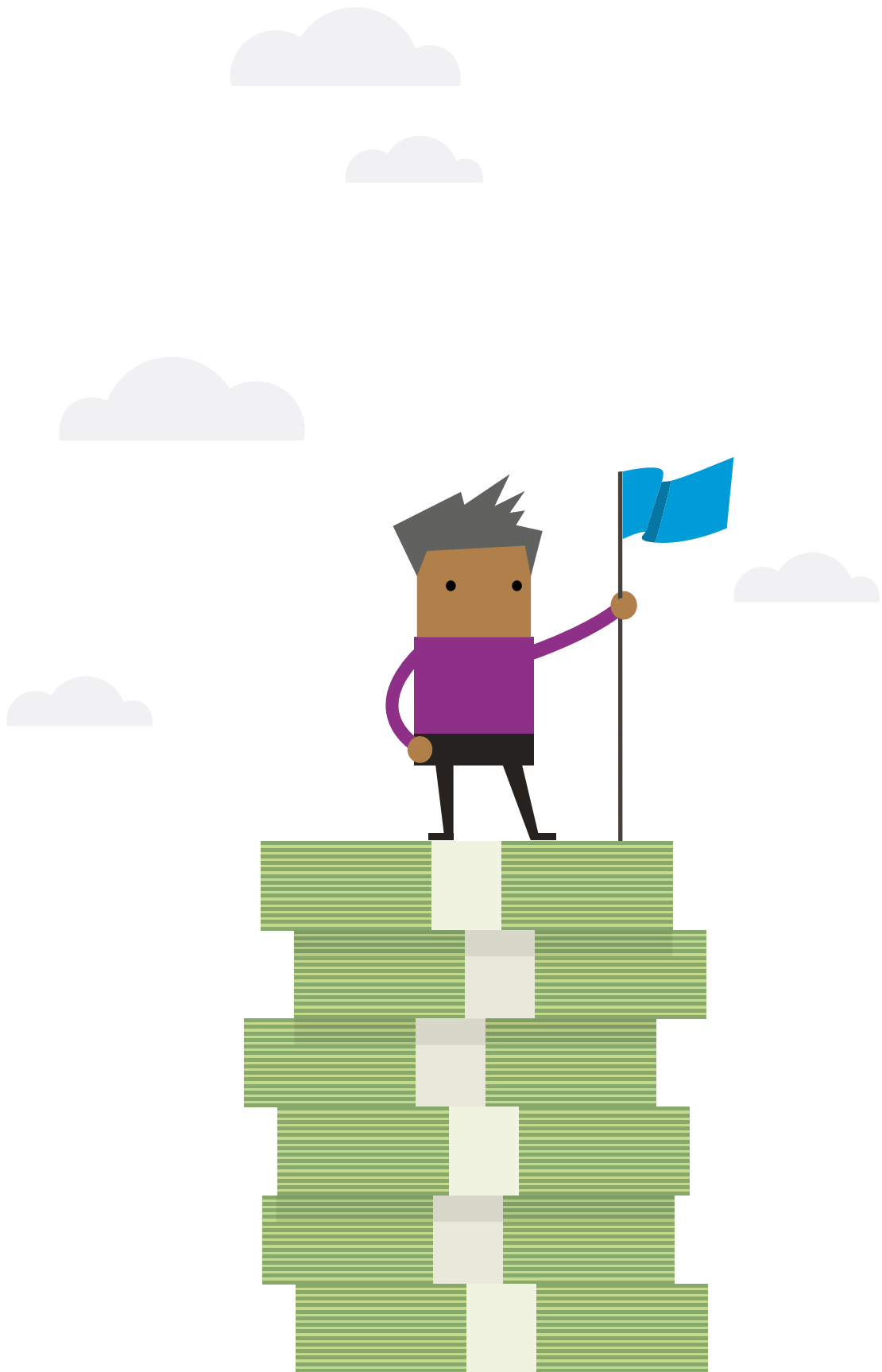
Our past body of work has highlighted the challenges that people with mental health problems face in a range of situations, services and markets. When it comes to pensions, some of the deepest inequalities in outcomes are down to labour market policy, which we have explored extensively in previous reports.<sup>94</sup> Even within pensions, there have been fundamental shifts – such as the introduction of pension freedoms which placed more responsibility and risk on the shoulders of individuals – that stretch beyond the scope of this paper. But as the evidence in this report demonstrates, there is nonetheless huge potential within the current system to do better for people with mental health problems.

With so many efforts ongoing in the sector, now is the perfect moment for government departments and bodies, as well as pension providers and other services, to reflect on how the needs of people with mental health problems are being addressed. Often Money and Mental Health's analysis addresses systems that have been running for decades, with mental health an afterthought. But with the huge shifts sparked by auto-enrolment, pension freedoms and the ongoing debate about the burden of navigating complex retirement landscapes and the need for simplified retirement income products – there is a real opportunity to embed an awareness of the practical impacts of mental health problems into services like Money Helper, Pensions Dashboards, income product design and many others.

It's also clear, however, that improving mainstream offers won't be enough for everyone. For people experiencing a mental health crisis or facing problem debt, the risk of them falling through the gaps in existing support is simply too high. With half of us experiencing a mental health problem at some point in our lifetimes, creative thinking is needed to ensure that if we are expected to be engaged and make decisions, that we are given the support we need to do that effectively.

As with saving for retirement, achieving better retirement outcomes for people with mental health problems will be an ongoing journey. But we believe that action on the recommendations above would represent a major step along that path.

<sup>94</sup> Bond N and D'Arcy C. Mind the Income Gap. Money and Mental Health Policy Institute. 2020.





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