

Money and Mental Health's submission to the Work and Pensions Select Committee's inquiry into Pensioner Poverty: challenges and mitigations

Introduction

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy solutions, working in partnership with those providing services, those who shape them, and those using them to find out what works. Everything we do is rooted in the lived experience of our Research Community, a group of 5,000 people with personal experience of mental health problems.

This written submission has been informed by the experiences of our Research Community - a network of thousands of people with lived experience of mental health problems. This response also draws on our wider body of research.

In this response, we answer questions 1, 4 and 10.

Background

- In any given year, one in four people will experience a mental health problem which affects their cognitive and psychological functioning.¹ Over a lifetime, this proportion rises to nearly half the population.²
- 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,³ 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.⁴
- 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 runup to retirement.⁵
- 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 to

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

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

³ Over 2.3 million people in the UK are aged between 45-65 and have experience of mental health problems [Money and Mental Health analysis of FCA, Financial Lives Survey 2020].

⁴ Bond N. The Pensions Maze: Achieving better retirements for people with mental health problems. Money and Mental Health Policy Institute. June 2023.

⁵ Bond N. The Pensions Maze: Achieving better retirements for people with mental health problems. Money and Mental Health Policy Institute. June 2023.

people about financial planning for and in retirement also contributed to those difficulties.⁶

1. What is the state of pensioner poverty across the UK? Which groups are most likely to be affected?

Many people with mental health problems struggle financially prior to, and following, retirement. Our previous research has identified a number of key drivers that are contributing to these financial difficulties in later life.

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.⁷ Lower employment rates and weaker wages when in work, combined with the low level of financial support provided to people who are unable to work, mean people with mental health problems have a median gross annual income of £2,376 less than people without mental health problems.⁸ What's more, people with mental health problems are three and a half times more likely to be in problem debt than those without such conditions.⁹ As well as people with mental health problems being less likely to be in work or in work that's highly paid enough to be eligible for a workplace pension, these more immediate financial pressures can mean people with mental health problems understandably may also consider opting out of workplace pension schemes. More than a quarter of respondents to a Money and Mental Health survey (27%) had previously chosen to opt out of their workplace pension scheme due to difficulties affording contributions.¹⁰

As well as having less income to contribute to retirement savings, the practical difficulties that common symptoms of mental health problems can pose also mean many people with mental health problems struggle with navigating tricky decisions in the runup to retirement. 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. This, combined with the fact that these services aren't always designed with the needs of people with mental health problems in mind, can also present a barrier to people with mental health problems achieving good financial health in retirement.¹¹

⁶ Bond N. The Pensions Maze: Achieving better retirements for people with mental health problems. Money and Mental Health Policy Institute. June 2023.

⁷ Bond N. The Pensions Maze: Achieving better retirements for people with mental health problems. Money and Mental Health Policy Institute. June 2023.

⁸ Lees C and Stacey B. Always on your mind: Preventing persistent money and mental health problems. The Money and Mental Health Policy Institute. 2024.

⁹ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

¹⁰ Money and Mental Health survey. Base for this question: 175 respondents experiencing difficulties affording their pension contributions.

¹¹ Bond N. The Pensions Maze: Achieving better retirements for people with mental health problems. Money and Mental Health Policy Institute. June 2023.

There are steps we would like to see the government take, outlined in our previous work, that would support people with mental health problems to secure, remain and progress in work which would in turn facilitate greater savings opportunities¹² There are also additional actions that we would like to see the Department for Work and Pensions (DWP) and HM Treasury (HMT) take to support people in receipt of benefits or on low incomes who fall below the auto-enrolment threshold to increase pension savings throughout their working lives:

- 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. 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.

There are also steps that we would like to see the Money and Pensions Service, pension providers and administrators to support people with mental health problems to navigate information and guidance around pensions. These include:

- Expanding the range of delivery channels, ensuring pensions information and guidance is provided in multiple formats, including videos and interactive webinars.
- Evaluating 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.
- Establishing referral and signposting pathways between these services and people with mental health problems who are in need of information and guidance.
- Designing 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.
- Introducing 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.
- Providing a specialist arm of the pension guidance service for people with severe mental illness and equip specialist staff with enhanced training on mental capacity.

¹² Bond N and D'Arcy C. Closing the gap: the final report of the Mental Health and Income Commission. Money and Mental Health. 2021.

- Training 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.
- Developing referral pathways to appropriate specialist pension guidance services to support people making decisions about early retirement or drawing on pension incomes during a crisis.
- Accelerating efforts to deliver income products that are straightforward and do not require people to access detailed and ongoing guidance and advice.

4. To what extent does the current State Pension and other pension age benefits prevent pensioner poverty?

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%).¹³ This is largely driven by the fact that people with mental health problems are less likely to be in work. For those who are in work, 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.¹⁴

Members of our Research Community who are only in receipt of the State Pension routinely tell us how difficult it can be to make ends meet if depending on this source of income alone.

“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

“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 71

It is unsurprising, in light of this, that 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%).¹⁵

10. What is needed to improve access and take up of Pension Credit and other social security support for pensioners in poverty?

¹³ Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

¹⁴ Bond N. The Pensions Maze: Achieving better retirements for people with mental health problems. Money and Mental Health Policy Institute. June 2023.

¹⁵ Money and Mental Health analysis of FCA, Financial Lives Survey 2020.

People with mental health problems often face challenges accessing advice services, and these services may not always meet their needs effectively.¹⁶ To improve the uptake of Pension Credit and other social security benefits among pensioners with mental health problems, it is crucial to enhance the accessibility and effectiveness of advice provided to this group.

One way to help achieve this would be to better support people in touch with mental health services 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.¹⁷ 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.

We would also like to see DWP ensure the Jobcentre Plus Midlife MOT is designed and delivered with the needs of people with mental health problems in mind. This should include building an understanding of how mental health problems can impact people's ability to remain in work and build pension savings. This presents a valuable opportunity to inform people with mental health problems about the social security support available to pensioners. It also allows for early preparation, helping individuals apply for these benefits in advance or access other benefits that can serve as a gateway to further support.

¹⁶ Bond N and Holkar M. Help along the way: Making debt advice accessible to people with mental health problems. The Money and Mental Health Policy Institute. July 2020. Help along the Way.

¹⁷ Health Education England. Elfh module: All Our Health: Financial Wellbeing.