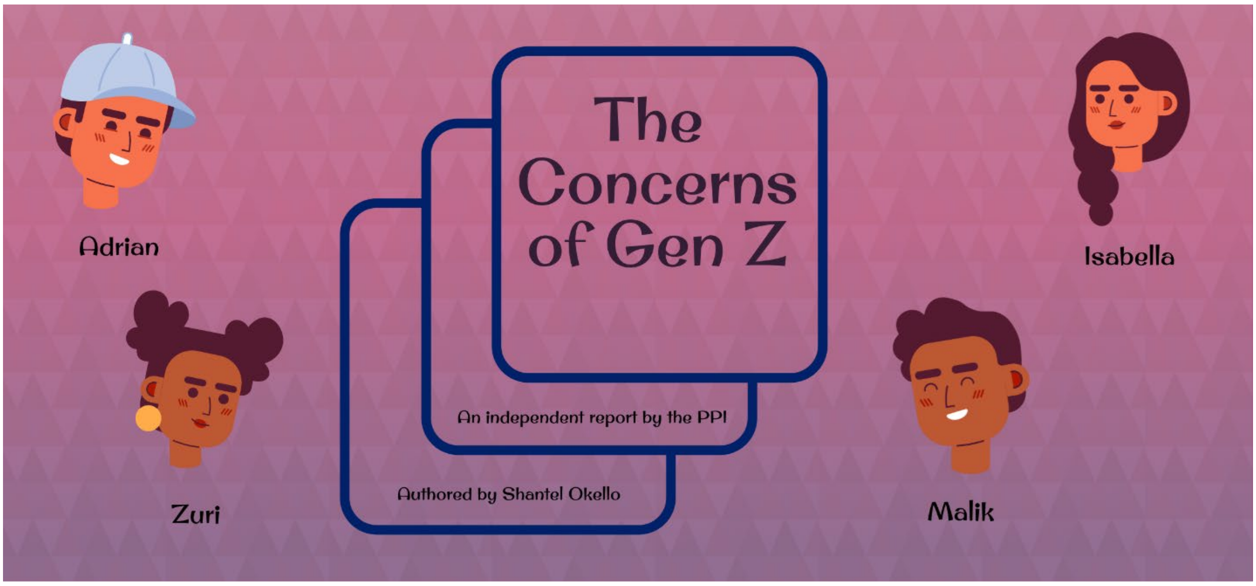
The Concerns of Gen Z



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Content

Executive Summary

Key Takeaways

- Housing costs and student loans significantly impact Gen Z's ability to save. High living costs reduce disposable income, making long-term saving a lower priority.
- Irregular employment patterns create pension gaps. Gig workers and the self-employed often lack access to employer-sponsored pensions, limiting their retirement savings.
- Automatic Enrolment (AE) provides a strong foundation, but minimum contribution rates may be insufficient. A median earner saving at AE minimums could retire with a DC pension pot of £158,000, translating to just £13,000 per year (not including state pension).
- Fragmented savings and small pension pots are a growing issue. Career changes and multiple jobs lead to small, disconnected pension pots, increasing the risk of lost savings.
- Digital platforms like TikTok and Instagram are primary sources of financial information, but unregulated guidance risks poor decision-making. Pension communication should align with Gen Z's digital habits to improve engagement.
- Delays in marriage and parenthood reduce immediate financial pressures but concentrate them in later life, potentially affecting retirement planning

The financial wellbeing of Gen Z will have profound long-term implications for economic stability, social equity, and the sustainability of pension systems. Gen Z is the first cohort to benefit universally from automatic enrolment (AE), providing them with early access to workplace pensions. However, they also face unique challenges, such as irregular employment patterns, high student debt, and unaffordable housing. These threaten their ability to save adequately for retirement. Without targeted interventions, these barriers could exacerbate inequality and increase reliance on benefits and public resources.

Progress in retirement saving for Gen Z

Gen Z benefits from several structural advantages compared to previous generations. AE ensures that most Gen Z workers begin saving into workplace pensions early in their careers, with default contributions providing a foundation for retirement savings. Improvements in pension policy, such as robust default investment strategies and a focus on Value for Money (VfM), further enhance their prospects. Emerging tools like pensions dashboards and innovative schemes such as Collective Defined Contribution (CDC) plans offer promising solutions to challenges like small pot management and longevity risk. If implemented in a timely manner, these developments could improve retirement outcomes for Gen Z by enhancing engagement and reducing the risks associated with fragmented savings and individual decision-making.

Barriers to adequate retirement savings

Despite these advancements, Gen Z faces significant barriers to building adequate retirement savings, including:

- **Economic and employment challenges**: Some Gen Z individuals work in irregular, gig-based roles that lack access to employer-sponsored pensions. While AE has improved participation rates, gig workers and the self-employed are nearly always excluded, leaving them without sufficient retirement savings.
- **Financial pressures and short-term priorities**: Rising living costs, lack of affordable housing, and student debt strain Gen Z's financial resources. These pressures lead many to prioritise short-term financial flexibility, often at the expense of long-term savings.
- **Risks in Defined Contribution (DC) pensions**: Reliance on DC schemes exposes Gen Z to investment and longevity risks. Modelling suggests that a median earner saving at AE minimum rate could accumulate a pension pot of approximately £158,000 by the State Pension age (SPa). This would translate into an annual retirement income of just £13,000, significantly lower than the average public sector Defined Benefit (DB) pension.

Improving Gen Z's retirement prospects

Targeted measures could be required to address gaps in Gen Z's retirement preparedness:

- **Expand pension access**: Introducing mechanisms to include gig workers and the self-employed in retirement saving systems could reduce disparities in pension participation.
- **Review AE contribution levels:** Assessing the adequacy of AE contribution rates could help ensure Gen Z is saving at levels sufficient for a secure retirement.
- **Reduce financial pressures**: Policies that address housing affordability and student debt would alleviate key financial pressures, enabling greater focus on long-term savings.
- **Support pension continuity**: Default consolidators could simplify the management of small pots, reducing fees and improving outcomes for savers with fragmented work histories.
- **Encourage flexible schemes**: Adapting pension systems to accommodate career breaks and caregiving responsibilities would help Gen Z maintain consistent contributions, mitigating the impact of life events on retirement savings.
- **Improve digital engagement:** Developing tailored, evidence-based digital content and educational tools could help Gen Z to navigate financial guidance on social media and comprehend the complexities of pensions, improving informed decision making.

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While some of Gen Z’s retirement challenges are shared across generations, they also face distinct barriers and opportunities shaped by their economic and social context. Addressing these issues is crucial not only for Gen Z’s financial security but also for the sustainability of the pensions system. Policymakers and industry leaders have a key opportunity to mitigate risks, improve engagement, and build a more inclusive pensions landscape that reflects the needs of this generation and those that follow.

Introduction

This report examines the unique retirement savings challenges facing Generation Z (Gen Z) in comparison to previous generations. As they transition into adulthood and move through various life stages, Gen Z encounters distinct economic, career, and personal challenges that influence their ability to save for retirement.

This report focuses on the specific barriers Gen Z faces, such as lack of access to Defined Benefit (DB) pension schemes, irregular income, student debt, the high cost of living and housing, as well as the influence of life decisions, including family and career choices. Through case study profiles, we explore how these factors shape their retirement preparedness and assess potential policy implications to ensure better long-term financial security for Gen Z.

The Concerns of Gen Z report features case study profiles of four illustrative individuals—Adrian, Isabella, Malik, and Zuri. These fictional personas help model different retirement savings experiences based on diverse career paths and financial circumstances.

Introducing:

Chapter One – How do early adulthood experiences differ for Gen Z individuals on various life paths?

This chapter looks at the defining characteristics and financial priorities of Gen Z in early adulthood, focusing on how their unique economic circumstances, including participation in the gig economy, shape their access to traditional retirement benefits. It also explores the potential impact of the Child Trust Fund lump sum, which some may receive, on their long-term retirement savings, providing insights into the financial strategies and challenges faced by Gen Z as they navigate their early working years.

Chapter Two – How do financial priorities evolve for Gen Z in their late 20s and early 30s?

This chapter details the challenges Gen Z faces in accessing DB pensions, with some, like Malik, benefiting from participation in these schemes. It explores how reliance on DC pensions, as seen in Zuri's experience, shapes their financial future, including investment and longevity risks. The chapter also addresses the complexities of managing multiple small pension pots, as exemplified by Adrian, and examines how default consolidators could help. Additionally, it looks at how financial crises and economic instability have shaped Gen Z's views on financial institutions and pension saving, affecting their retirement planning, as illustrated by Isabella's journey.

Chapter Three – How does mid-career progression and family life impact pension saving for Gen Z?

This chapter explores the challenges Gen Z faces in housing and renting for retirement, particularly as rising costs and limited homeownership opportunities affect their financial planning. It also examines how shifts in household composition, such as changes in marriage and caregiving, influence their financial priorities and pension saving.

Chapter Four – What will retirement look like for Gen Z?

This chapter explores how changes to the state pension age might influence retirement timing and savings strategies for Gen Z, as well as the average DB and DC pot sizes for our case study individuals at State Pension age (SPa) based on PPI modelling, comparing these figures to previous generations. It also examines the impacts of parental leave and interruptions in pension savings on Gen Z's retirement outcomes.

Chapter 1

How do early adulthood experiences differ for Gen Z individuals on various life paths?

This chapter looks at the defining characteristics and financial priorities of Gen Z in early adulthood, focusing on how their unique economic circumstances, including participation in the gig economy, shape their access to traditional retirement benefits. It also explores the potential impact of the Child Trust Fund lump sum, which some may receive, on their long-term retirement savings, providing insights into the financial strategies and challenges faced by Gen Z as they navigate their early working years.

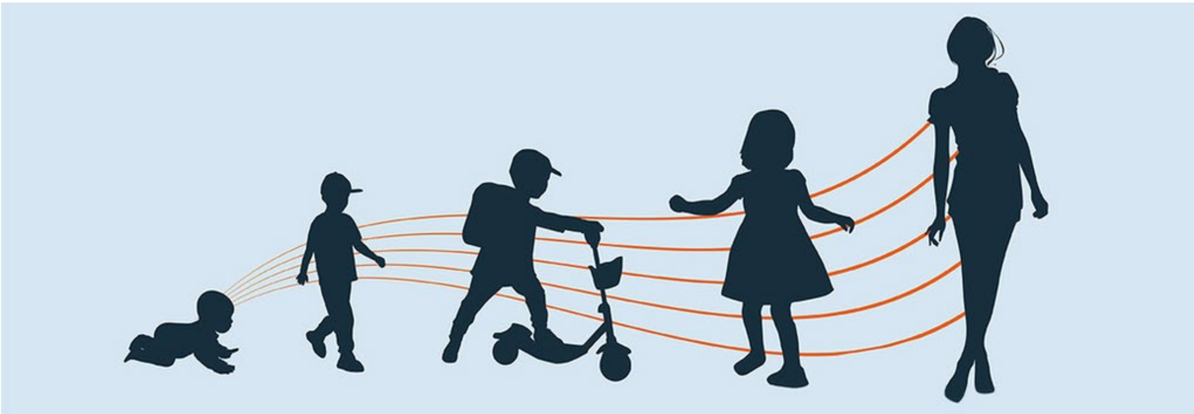
As Gen Z navigates the transition from adolescence to early adulthood, the experiences and challenges they encounter significantly shape their financial futures. Early adulthood, spanning from ages 18 to 25, is a critical period characterised by key life decisions that influence long-term economic stability and retirement preparedness. This chapter examines how the varied life paths of Gen Z individuals, represented by Adrian, Zuri, Isabella, and Malik, affect their financial priorities, savings behaviours, and retirement outcomes. By observing their different journeys, we can better understand the broader economic trends and policy implications impacting this generation.

The rest of this report examines the long-term implications of these early experiences for their financial security and retirement readiness.

This chapter looks at:

- What are the defining characteristics and financial priorities of Gen Z in early adulthood?
- How does Gen Z consume financial information, and what are the implications for retirement engagement?
- How does participation in the gig economy affect their access to traditional retirement benefits?
- What is the potential impact of the Child Trust Fund lump sum on their retirement savings?

What are the defining characteristics and financial priorities of Gen Z in early adulthood?



Gen Z, defined as those born between 1997 and 2012, are a cohort who have faced a unique set of circumstances compared to previous generations. Growing up during rapid technological advancements, they are particularly familiar with digital tools and platforms, enabling greater access to information, financial management apps, and a more flexible approach to work and education.[1] However, this generation has also experienced the lingering effects of the 2008 financial crisis and faced the disruptive impact of the COVID-19 pandemic during their formative years, which has the potential to influence their financial outlook and career trajectories.

Gen Z is more likely than previous generations to engage in gig work, portfolio careers, or hold multiple part-time jobs, drawn to the flexibility and the autonomy they offer. Digital platforms have made these opportunities more accessible, aligning with Gen Z's preference for more control over their work-life balance.[2] However, while gig work provides short-term financial flexibility, it also presents challenges, such as irregular income and limited access to traditional benefits, including pensions. Frequent job changes and gig economy participation can lead to small, deferred pension pots, which may grow inefficiently without proper consolidation. Although automatic enrolment (AE) has been successful in increasing pension participation, it has limited reach for freelancers and self-employed individuals, further exacerbating barriers to long-term pension savings for gig workers. These challenges highlight the need for policy solutions to support gig workers' financial security.

Despite these challenges, Gen Z is better positioned than previous generations in several key ways. As the first cohort to universally benefit from AE, most Gen Z workers begin saving into workplace pensions early in their careers. Additionally, ongoing improvements in pension policy, such as a focus on Value for Money (VfM), robust default investment strategies, and future tools like pensions dashboards, can help them manage and consolidate their savings more effectively. Innovative developments, including Collective Defined Contribution (CDC) schemes, may also offer solutions to challenges around longevity risk, providing better retirement outcomes over time.

[1] MX, Finn AI, Rival Technologies, et al. (2021)
[2] Christian (2023)

Nevertheless, escalating student debt and housing costs remain significant barriers to accumulating retirement savings. While studies show this generation to be more financially educated than any previous generation, the long-term implications for their later life outcomes remain uncertain, given the interplay of these competing financial priorities.[3]

Gen Z's digital reliance requires tailored pension communication to improve engagement and decision-making

Gen Z's approach to financial decision-making is shaped by the digital environment in which they have grown up. Unlike previous generations, who primarily engaged with financial information through traditional channels such as workplace seminars, printed materials, and financial advisers, Gen Z is more likely to rely on digital sources, including social media, financial apps, and online content. Platforms such as TikTok, Instagram, and YouTube have become key sources of financial information, with content creators playing an increasing role in shaping financial awareness and behaviours. Social media is now the primary financial information source for 45% of young people, surpassing direct emails from financial service providers (33%) and in-app provider messages (29%). Traditional sources, such as broadsheet newspapers (24%) and broadcast media (23%), remain relevant but are being displaced by digital-first channels.[4]

The accessibility of digital tools has enabled many within this cohort to engage with financial planning from an early stage, with budgeting apps and investment platforms providing greater visibility over savings. However, the reliance on digital sources also presents risks. The prevalence of unregulated financial guidance on social media increases the likelihood of individuals encountering misleading or inaccurate information, which may contribute to suboptimal financial decision-making. For example, 77% of individuals trust the financial guidance provided by influencers they follow, which highlights the potential for trusting unreliable or unverified content.[5] Furthermore, the complexity of pensions and long-term savings may not always lend itself to the short-form, engagement-driven content that is prevalent across digital platforms.

These trends have implications for how financial institutions, employers, and policymakers communicate with Gen Z about long-term savings. Traditional methods of pension communication, such as written statements or static email notifications, may not be as effective in reaching this cohort. Instead, approaches that align with Gen Z's digital habits, such as interactive tools, short-form educational content, and personalised digital engagement, may help to improve financial awareness and pension participation. The introduction of pensions dashboards may present an opportunity to improve engagement by offering real-time access to pension information in a format that is more compatible with Gen Z's preferences.

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[3] FEE (2022)
[4] MRM (2025)
[5] MRM (2025)

As this generation progresses through their working lives, ensuring that financial information is accessible, engaging, and evidence-based will be a key factor in supporting informed decision-making and improving long-term retirement outcomes.

Gen Z's high student debt affects their disposable income and pension saving in early adulthood

A defining feature of Gen Z's financial landscape is the burden of student debt, which has become a substantial factor influencing their disposable income and, consequently, their capacity to save for retirement. For many within this cohort, the combination of high tuition fees and the increasing cost of living has led to unprecedented levels of student loan debt, with recent figures indicating that the average debt for graduates is nearing £50,000 in the UK.[6] This financial commitment, coupled with often prolonged repayment periods, has important implications for Gen Z's ability to accumulate pension savings.

The structure of student loans is itself a key determinant of Gen Z's financial flexibility. In the UK, repayments are income-contingent, meaning that graduates' obligations fluctuate based on their earnings, with many individuals faced with the prospect of making repayments well into their 40s or 50s. This contrasts with previous generations, who, while also bearing some level of debt, did not face such significant obligations in relation to their income at the outset of their careers. For example, most Millennials would have faced a maximum tuition fee of £3,000 per year, compared to the £9,250 annual fees introduced in 2012, experienced by Gen Z. This sharp rise in fees has resulted in higher average debt levels for Gen Z, creating a more prolonged financial burden that significantly affects their disposable income and capacity to save for the long term, including for retirement.

The high levels of student debt faced by Gen Z reduces their disposable income, leaving less available for savings, including pension contributions. For many, a considerable portion of their earnings is allocated to servicing student loans, which often takes precedence over long-term savings goals. In comparison, non-graduates do not face this additional repayment burden, meaning their disposable income may be higher, even if their gross income is lower. This financial strain is compounded by the high effective marginal tax rates that graduates face.[7] For those earning between £25,000 and £50,000 per annum, the effective marginal tax rate is around 37%, increasing to 51% for incomes between £50,000 and £100,000, 71% for those earning above £100,000 (Figure 1).[8] These rates, driven by the combination of student loan repayments and other tax obligations, significantly limit disposable income and hinder opportunities for early pension accumulation, which has long-term later life implications.

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[6] SLC (2024)

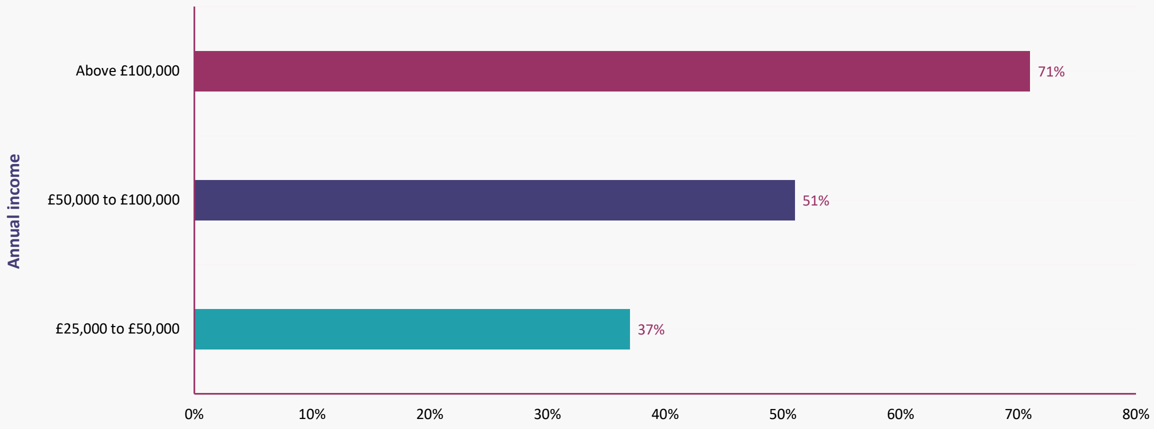
[7] An effective marginal tax rate is the proportion of each additional pound earned that is taken through combined deductions, including income tax, National Insurance contributions, and other obligations, such as student loan repayments. This is distinct from the standard tax rate, which reflects the basic percentage of income tax applied to earnings within a specific band before additional deductions.

[8] IFS (2024)

Figure 1:

Effective marginal tax rates for graduates highlight the financial challenges of higher incomes under the current student loan system

Effective marginal tax rates for graduates under the Plan 2 system in 2023



Source: IFS (2024)

The combined effect of student debt and rising housing costs may exacerbate these challenges, with research suggesting that Gen Z could experience lower levels of wealth accumulation across their lifetime. The prioritisation of debt repayment over pension contributions or other long-term savings vehicles may delay the growth of their retirement pots, creating disparities compared to previous generations, who were more likely to benefit from lower student loan debt.

While student loans have provided broader access to higher education which can, in turn, increase career earnings, their longer-term financial consequences may affect Gen Z's ability to achieve financial security in retirement. Addressing these issues could require strategies to balance the benefits of higher education with the need to mitigate financial pressures, ensuring this generation is able to achieve its desired living standards through working and later life.

High housing costs present barriers to financial security in later life

In addition to the burden of student debt, high housing costs present a significant barrier to financial security for Gen Z, particularly when it comes to accumulating retirement savings. Housing costs have risen sharply in recent decades, outpacing wage growth and placing increasing financial pressure on younger generations. In 2024, the average house price in the UK was approximately eight times the average annual salary. This growing pressure on housing affordability over the past two decades has made it increasingly difficult for Gen Z, and many Millennials, to get on the housing ladder. In 2023–24, only 16.5% of people aged 16–24 were owner-occupiers, compared to 24% in 2003–04 and around one-third in the 1980s.[9]

For Gen Z, along with many Millennials, this growing disparity has made homeownership increasingly difficult to attain. The ability to purchase a home is a critical component of wealth accumulation for most people, but the high cost of entry into the housing market has meant that many in this generation may be forced to delay or forgo homeownership. Many young adults, particularly those in their 20s, are spending a disproportionate amount of their income on rent, with renters aged 16–24 spending an average of 47% of their income on housing costs.[10] As a result, Gen Z individuals are more likely to remain renters for longer, with many still living at home with their parents. Those living at home save an average of £560 per month compared to private renters, with savings reaching £1,000 in London.[11] The proportion of UK adults aged 25–34 living with their parents increased from 13% in 2006 to 18% in 2024, equating to approximately 450,000 more individuals.[12] Co-residing is particularly common among young men (23% compared to 15% of women) and among those on lower incomes, with nearly half of individuals in the bottom income quintile living at home with parents compared to just 2% in the top quintile.[13] These differing experiences and their implications for financial independence and retirement savings will be illustrated through our individual case study profiles towards the end of this chapter.

The financial consequences of extended renting or living with parents are significant. While co-residing can offer short-term financial relief, such as reduced housing costs and opportunities to save, the absence of homeownership in later life can have lasting effects on retirement security. The link between housing and pensions is important, because home ownership is a form of long-term saving that enables people to build wealth, secure financial stability and live rent-free through later life. For those who do not own a home, a greater proportion of pension income may be required to cover the cost of rent and maintain living standards through later life, and very few savers either plan or save for this scenario.[14]

In conclusion, the combination of high housing costs and limited opportunities for homeownership poses a significant challenge to Gen Z's financial future The impact of this challenge extends far beyond the immediate difficulty of securing affordable housing—it threatens the ability of many in

[9] Ministry of Housing, Communities and Local Government (2024)
[10] The Financial Times (2024)
[11] IFS (2025)
[12] IFS (2025)
[13] IFS (2025)
[14] Brain (2023)

this generation to achieve security in retirement. Policy interventions that address the affordability of housing, as well as incentives to encourage early and consistent pension savings, could help mitigate these risks and ensure that Gen Z have the opportunity to build and maintain appropriate living standards through later life.

The Child Trust Fund provided modest savings benefits, mainly for wealthier families, with uncertain long-term impact on retirement savings

The Child Trust Fund (CTF) was a unique initiative introduced in 2002, designed to help children born between 2002 and 2011 accumulate savings through an initial government contribution of at least £250. These funds, alongside any additional contributions from families or friends, were invested with the intention of providing a financial asset by the time the child reached 18. As Gen Z approaches adulthood, the lump sum from the CTF may offer some individuals a valuable starting point for their savings journey. However, the overall impact of the CTF on long-term financial security, particularly with regard to retirement savings, remains uncertain.

While the CTF had a modest positive impact on savings, with those from low-income families likely to receive savings of around £1,500 at 18, more substantial benefits were predominantly felt by children from more affluent families.[15] On average, CTF recipients saved approximately £200 more than their CTF-ineligible siblings. By 2022, the scheme contributed a total of £10bn, with £2bn of this coming from government contributions. However, these benefits were not evenly distributed. A significant proportion (27%) of eligible accounts remained unclaimed by 2022, and a considerable number of parents lost track of their children's accounts. In fact, many families in lower income brackets were less likely to engage with the scheme, and as a result, the funds tended to grow less substantially.[16] Additionally, some individuals have seen their Child Trust Funds dwindle significantly due to surprise annual fees, often caused by poor communication or lack of engagement with the account. Despite the scheme's intent to provide long-term financial support, administrative charges have left many with much smaller sums than initially expected.[17]

Although the scheme aimed to encourage saving for future needs, young adults may use the funds for more immediate financial demands, such as education or housing, rather than long-term retirement savings. Furthermore, those in higher income brackets were more likely to add to the initial CTF sum, allowing for compounded growth over time, which ultimately benefitted them the most. On the other hand, families from lower income groups, who were less likely to make additional contributions, saw less growth in the value of their children's accounts.

Despite its good intentions, the CTF has had limited success in addressing long-term wealth gaps and fostering savings habits across all income levels. While it has contributed to modest increases in savings for some, its impact has been constrained by the low engagement of certain groups,

[15] BBC (2020)
[16] McKay, Tian et al. (2023)
[17] BBC (2024)

particularly those less financially able to add to or manage the accounts effectively. Given these challenges, there may be lessons to learn from the CTF in designing future savings interventions. Could a reworked model, such as a sidecar savings scheme, help mitigate the wealth inequality issues observed in the CTF while still providing a meaningful financial buffer for young savers? As we explore the financial experiences of Gen Z through our case study profiles, it will become evident how financial pressures such as housing costs, student debt, and wage levels have shaped their ability to save for retirement.

Defining characteristics and financial priorities of Gen Z in early adulthood:

- Digital-native with high familiarity with financial apps and online tools.
- Preference for flexible work, including gig economy and portfolio careers.
- Financially pressured by high student debt and rising housing costs.
- Financially educated but facing long-term challenges due to debt and housing affordability.
- Prioritise short-term financial flexibility, sometimes at the cost of long-term savings

How does Gen Z consume financial information, and what are the implications for retirement engagement?

- 45% of Gen Z rely on social media for financial information, surpassing traditional channels like direct emails (33%) and in-app messages (29%).
- Traditional pension communication methods, such as written statements and emails, are less effective compared to digital-first, interactive approaches.
- The unregulated nature of social media financial guidance could increase the risk of poor decision-making.

Impact of gig economy participation on access to traditional retirement benefits:

- Irregular income and lack of access to employer-sponsored pensions.
- Limited participation in automatic enrolment pensions, which leaves many without significant pension pots.
- Small or deferred pension contributions due to frequent job changes and gig-based employment.
- Need for policy solutions to ensure gig workers can access long-term retirement savings options.

Potential impact of the Child Trust Fund lump sum on retirement savings:

- Modest contribution to savings, with uneven impact across income groups.
- Higher value for those from wealthier families who made additional contributions.
- Funds often used for immediate needs (e.g., education, housing), not retirement savings.
- Overall limited impact on reducing wealth gaps or fostering long-term saving habits across all income groups.

Case Study Profiles

How are Adrian, Isabella, Malik and Zuri's early adulthood experiences?

This section looks at the individual experiences of our four Gen Z case study profiles: Adrian, Isabella, Malik, and Zuri and what they are likely to be experiencing in early adulthood.

	Housing costs	Student debt	Pension savings	Living costs
 **Adrian**	High	None	None	High
 **Isabella**	Low	High	Low	Medium
 **Malik**	Medium	High	Medium	Medium
 **Zuri**	High	High	Medium	High

Adrian: The Gig Worker

Adrian, a freelance graphic designer, is in the early stages of adulthood, where his focus is on building his career and managing day-to-day expenses rather than planning for retirement. His work in the gig economy offers flexibility and autonomy but comes with sporadic income and a lack of access to traditional workplace benefits, including pensions. Without automatic enrolment into a pension scheme, Adrian is unlikely to prioritise retirement saving, especially as his immediate financial concerns—such as managing rent and living costs—take precedence. Although he benefits from not having student debt, his limited and fluctuating income makes consistent saving challenging. If he had a Child Trust Fund, it might provide a small financial cushion, but it is unlikely to significantly influence his long-term retirement prospects at this stage of life.

Isabella: The Self-Employed Entrepreneur

Isabella, a self-employed entrepreneur who launched her own digital marketing agency shortly after graduating, faces similar challenges to Adrian. In her early adulthood, her focus is on growing her business and reinvesting her earnings to secure its long-term success. This leaves little room for retirement saving, particularly as she does not have access to automatic enrolment in a workplace pension scheme. Although she has the potential for significant financial growth as her agency expands, and still lives in her family home, the irregular income typical of entrepreneurship means that saving for retirement is often deprioritised in favour of immediate business needs. Additionally, managing student debt adds to her financial pressures. While a Child Trust Fund might provide some initial capital, its impact is limited without further contributions. For Isabella, the demands of building a business during early adulthood far outweigh the incentive or capacity to focus on long-term retirement planning.

Malik: The Public Sector Healthcare Professional

Malik, a newly qualified mental health nurse, has recently completed his degree and started working in a public hospital. As part of his employment, he automatically joins the NHS DB pension scheme, which provides a secure and predictable foundation for his retirement. However, as someone in the early stages of adulthood, Malik's focus is on adapting to the demands of his new role and managing his day-to-day finances. He may not fully understand how the pension scheme works or the intricacies of its benefits at this stage, relying instead on the scheme's structure to build retirement savings in the background. The scheme's automatic and employer-driven nature ensures he accrues valuable benefits without requiring active engagement, a significant advantage as he navigates the beginning of his career.

Zuri: The Corporate Employee

Zuri works as a financial analyst and earns the highest income among the group, benefitting from a regular, predictable salary and employer contributions to her pension scheme. This places her in a better position to save for retirement compared to others, with the stability of a corporate role offering a clear path to building her pension. However, despite her higher earnings, Zuri faces the significant burden of student debt, as well as rental costs, which take up a portion of her income. This leaves her with limited disposable income to increase her pension contributions beyond the default rate. Additionally, the high cost of housing further strains her finances, limiting her ability to accumulate wealth outside of her pension savings. While Zuri has more capacity to save for retirement than some of her peers, her overall retirement savings potential is still constrained by the combined weight of student debt and high housing costs.

In conclusion, the retirement prospects of Adrian, Isabella, Malik, and Zuri vary significantly, shaped by their career paths and financial pressures.

Adrian and Isabella, both self-employed, face irregular income and lack automatic pension enrolment, which hinders their ability to save for retirement. Adrian's focus on immediate financial concerns and Isabella's reinvestment into her business further limit their retirement contributions. Malik benefits from a stable income and membership in a DB scheme, providing some financial security in retirement. However, his lack of understanding about how the scheme works, including whether he can make additional contributions and the value of his employer's contributions, leaves him unsure of what his retirement income will look like. This lack of engagement could impact his ability to assess whether his pension will be adequate for his needs in later life. Zuri, despite earning the highest income, faces significant financial pressures from student loan repayments and high housing costs, which reduce her capacity to save for retirement. While the Child Trust Fund has an opportunity to offer a modest boost to savings, its long-term impact depends on consistent contributions over time. Overall, while Zuri and Malik may have more potential to secure a stable retirement, barriers such as limited engagement, financial pressures, and lack of savings prioritisation persist, making adequate retirement income a challenge for many.

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Chapter 2

How do financial priorities evolve for Gen Z in their late 20s and early 30s?

This chapter details the challenges Gen Z faces in accessing DB pensions, with some, like Malik, benefiting from participation in these schemes. It explores how reliance on DC pensions, as seen in Zuri's experience, shapes their financial future, including investment and longevity risks. The chapter also addresses the complexities of managing multiple small pension pots, as exemplified by Adrian, and examines how default consolidators could help. Additionally, it looks at how financial crises and economic instability have shaped Gen Z's views on financial institutions and pension saving, affecting their retirement planning, as illustrated by Isabella's journey.

As Gen Z advances through their late 20s and early 30s, career progress becomes a central focus. However, as they work to progress in their careers, they face significant challenges in prioritising long-term financial security, particularly in relation to pension saving. This chapter examines how Gen Z navigates the balance between advancing in their careers and making adequate pension contributions. With limited access to DB pensions, most are reliant on Defined Contribution (DC) schemes, where they bear the risks of investment returns and longevity, as demonstrated by Zuri's experience. Additionally, multiple, small, and deferred pension pots, as experienced by Adrian, present obstacles to efficient retirement saving. Competing financial priorities, such as student debt, career advancement, and rising living costs, are often prioritised over pension contributions. Meanwhile, individuals like Isabella may express scepticism about the reliability of traditional pension systems due to witnessing financial crises and shifts in pension policies affecting older generations.

This chapter explores:

- What challenges does Gen Z face in accessing DB pensions, and how do some, like Malik, benefit from participating in these schemes?
- How does reliance on DC pensions shape Gen Z's financial future, and what are the implications for individual investment and longevity risk, as seen in Zuri's experience?
- What are the financial complexities of managing multiple, small pension pots, as exemplified by Adrian's situation, and how could default consolidators help address these issues?
- How has Gen Z's exposure to financial crises and economic instability shaped their views on financial institutions and pension saving, and what impact does this scepticism have on their retirement planning, as illustrated by Isabella's journey?

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What are the key pension challenges facing Gen Z in their late 20s?

Gen Z's limited access to DB pensions has significant impacts for their retirement outcomes in comparison to previous generations

For many in Gen Z, access to DB pension schemes is a privilege few will experience. Like most of their Millennial and many of their Gen X counterparts, Gen Z has limited access to DB schemes and opportunities are largely confined to public sectors such as the NHS. Of the 8,056,000 active DB memberships in the UK, 92% are in the public sector, while only 8% are in the private sector.[18] DB schemes, which guarantee a specific retirement income based on salary and years of service, provided a layer of security for older generations, particularly in public services or large private-sector organisations.

In contrast, most of Gen Z will rely on DC pensions, which do not guarantee a specific income but instead depend on individual contributions and investment performance. This shift means that Gen Z is more exposed to market volatility and must bear greater responsibility for their retirement savings. With no guaranteed income, the impact of contribution levels, investment decisions, market fluctuations, and longevity risk will be much more pronounced, making DC pensions a riskier prospect for this generation.

The absence of widespread access to DB pensions means that Gen Z's long-term retirement security is more uncertain compared to previous generations, who were more likely to retire with a predictable income stream. In contrast, Gen Z must rely on the performance of their DC savings.

Gen Z faces retirement challenges from rising life expectancy, health inequalities, and the shift to individual responsibility under DC pensions

The absence of guaranteed retirement income from a DB pension presents Gen Z with the added challenge of outliving their savings, a risk exacerbated by rising life expectancy. Women are now expected to live to 92 years and men to 89 years, compared to 86 and 82 years for Boomers who benefited from the stability of DB pensions (Table 1).[19] However, beneath these averages, stark differences in longevity persist.

Table 1:

	Cohort life expectancy at birth for males	Cohort life expectancy at birth for females
Generation Z (birth year 2000)	89 years	92 years
Millennials (birth year 1984)	87 years	90 years
Gen X (birth year 1968)	84 years	88 years
Boomers (birth year 1951)	82 years	86 years

[18] TPR (2024)
[19] ONS (2020)

Healthy life expectancy adds another dimension to retirement planning. Health can determine how long individuals are able to work and save before exiting the labour market. On average, a 20-year-old male in 2018–20 could expect to live to around 66 in good health but, like his Gen X and Millennial counterparts, may experience poor health before reaching the State Pension Age. For women in the most deprived areas, the disparity is even starker. A 20-year-old female in 2018–20 could expect only 55 years in good health, compared to almost 73 years in affluent areas, a gap of around 18 years.[20]

These variations in life expectancy and healthy life expectancy mean that Gen Z savers from more affluent areas may need to save more or work longer to sustain longer retirements. For members like Zuri, this complexity highlights the importance of making careful decisions about contributions, investments, and access strategies to mitigate risks associated with longevity and health inequalities.

The shift from DB pensions to DC pensions has also transferred substantial retirement risk to individuals, which is also an overall trend observed within financial services. Risks traditionally managed by institutions are now falling on individuals.[21] In the context of retirement savings, this means that Gen Z must navigate the challenges of low median contribution rates, exposure to market volatility, and the absence of guaranteed retirement income—factors that are further exacerbated by rising life expectancy and health disparities. This transfer of risk underscores the need for better tools and resources to help individuals make informed decisions about their financial future. As the IFoA highlights, there is an urgent need for practical solutions to equip individuals with the knowledge and support they need to manage these risks effectively.

To mitigate these challenges, higher contribution rates and improved financial literacy are essential. Policy measures that address disparities in longevity and promote greater engagement with retirement planning will play a critical role in ensuring Gen Z can achieve secure and adequate later life outcomes in an increasingly uncertain pension landscape.

Gig economy workers may face significant retirement challenges due to the prevalence of multiple small, deferred pension pots

For many Gen Z workers, particularly those in the gig economy like Adrian, managing multiple small pension pots poses a significant challenge. As individuals frequently change jobs, they often leave behind small, deferred pension pots that become increasingly inefficient over time. For example, a £500 pension pot deferred at age 22 could be worth just £100 by age 68 due to the erosion caused by ongoing charges, a problem exacerbated by the combination of flat-fee and percentage-based Annual Management Charges (AMCs).[22]

For gig workers and those with irregular employment like Adrian, this fragmented pension landscape can significantly undermine long-term savings. As small pots accumulate, they may become less financially beneficial, with members facing the risk of their savings being eroded before they even reach retirement age. The introduction of default consolidators, as proposed by the previous Government, could offer a potential solution to the challenges of small pension pots. These schemes are designed to merge small pots into larger, more efficient accounts, streamlining pension management and reducing the impact of ongoing charges. However, for now, the financial burden of

[20] ONS (2022)
[21] IFoA (2021) The Great Risk Transfer
[22] Okello (2024b)

maintaining these small pots remains a significant challenge for Gen Z workers, potentially compromising their future retirement security.

Economic instability and some distrust in financial institutions may have a negative impact on Gen Z's financial habits

Gen Z has grown up amidst significant financial turbulence, from the 2008 global financial crisis to the economic uncertainties linked to the COVID-19 pandemic. These events have left many in this generation, including individuals like Isabella, sceptical about financial institutions and their ability to deliver secure outcomes. Research indicates that younger savers show diminished trust in traditional financial services and are increasingly turning to influencers for investment guidance, with 59% of Gen Z individuals saying they follow financial influencers, and 77% trusting the information they share.[23]

A significant proportion of Gen Z does not believe the State Pension will exist by the time they retire. Less than half (46%) think it will survive, with nearly one-third (31%) expecting it to be abolished. Those who believe that the State Pension will continue anticipate it will be available later, with an average expected state pension age of 71. Most (73%) expect the State Pension to be reduced, with 25% expecting a significant cut.[24] This uncertainty is compounded by the pensions industry's low public trust score, just 4.56 out of 10, making individuals less likely to engage with the information and support available to optimise their savings.[25] For Gen Z, this mistrust is exacerbated by their experiences with high-profile economic downturns, which have shaped their perception of pension investments as risky and unreliable.

For Gen Z, including self-employed individuals like Isabella, the lack of access to employer-sponsored pension schemes and the perceived inflexibility of traditional pensions has led to greater reliance on alternative savings strategies. Diversification into property and stocks reflects a desire for control over financial decisions, but these approaches carry inherent risks, particularly for those without the expertise to navigate complex markets effectively.

This intersection of distrust and economic instability highlights the importance of addressing Gen Z's unique financial experiences to ensure that their retirement outcomes are not compromised by their scepticism towards traditional pension schemes.

[23] MRM (2025)
[24] Interactive Investor (2023)
[25] Wilkinson (2024)

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Challenges Gen Z faces in accessing DB pensions and benefits

- Limited access to DB pensions, with 92% of active memberships in the public sector (e.g., NHS) and only 8% in the private sector.
- Most Gen Z will rely on DC pensions, which don't guarantee a fixed income.
- Lack of DB access increases financial uncertainty for Gen Z's long-term retirement.

Reliance on DC pensions and implications for investment and longevity risks

- Gen Z bears more responsibility for retirement savings through DC pensions.
- Investment returns and longevity risks depend on individual contributions and decisions.
- Average life expectancy for Gen Z is 89 years (men) and 92 years (women), increasing the risk of outliving savings.
- Exposure to market volatility and longer life expectancy increases financial risks, especially with low median contribution rates.

Financial complexities of managing multiple, small pension pots and role of default consolidators

- A £500 pension pot deferred at age 22 could be worth just £100 by age 68 due to fees.
- Small pots accumulate slowly and are eroded by ongoing charges, reducing future value.
- Default consolidators could streamline small pots into larger, more efficient accounts, reducing fees and improving long-term savings

Impact of financial crises and economic instability on Gen Z's views on pensions

- 46% of Gen Z believes the State Pension won't exist by the time they retire, with 31% expecting it to be abolished.
- 73% of Gen Z expects the State Pension to be reduced, with 25% expecting a significant cut.
- Economic instability, including the 2008 crisis and COVID-19, has eroded trust in financial institutions.
- General mistrust in financial systems, with the pensions industry scoring 4.56 out of 10 in trustworthiness.

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Case Study Profiles

How are Adrian, Isabella, Malik and Zuri navigating establishing their careers with early pension decisions?

This section looks at the individual experiences of our four Gen Z case study profiles: Adrian, Isabella, Malik, and Zuri and what they might be experiencing in their late 20s to early 30s.

	Housing costs	Student debt	Pension savings	Living costs
 **Adrian**	High	None	Low	High
 **Isabella**	Low	Medium	Low	Medium
 **Malik**	Medium	High	Medium	High
 **Zuri**	High	Medium	Medium	Medium

Adrian: The Gig Worker

Adrian continues his work as a freelance graphic designer. The flexibility of freelancing offers opportunities but remains financially unstable. With no employer contributions or automatic enrolment in a pension scheme, Adrian must rely on his own initiative to save for retirement. His income remains sporadic, making it difficult to maintain consistent pension contributions. While Adrian supplements his freelance work with a part-time retail job, his financial priorities are focused on immediate expenses such as rent and living costs, leaving little room for retirement saving. In comparison, Isabella, a self-employed entrepreneur running a digital marketing agency, also faces challenges due to irregular income. However, as her business grows, she begins contributing to a personal pension. Although her contributions are limited due to the financial pressures of scaling her business, she has more long-term security than Adrian, who still struggles to prioritise retirement saving despite a similar income instability.

Adrian's experience highlights the broader struggles faced by gig workers in accessing structured pension systems. Unlike those in traditional roles like Malik or Zuri, who benefit from DB and DC schemes, gig workers lack such stable support. Adrian's fragmented pension savings, compounded by the risk of charges eroding small contributions, illustrate how default consolidators could provide more accessible options to pool pension savings.

Isabella: The Self-Employed Entrepreneur

Isabella has established a thriving digital marketing agency. Yet, her unpredictable income continues to make pension saving a low priority, despite her business's increasing revenue. At age 33, she begins contributing to an individual personal pension, though her contributions are modest as she prioritises reinvesting in her business. The pressures of student debt and the demands of entrepreneurship mean that retirement planning remains secondary. In contrast, Zuri benefits from a more stable career with regular contributions to her DC pension, while Isabella, must take full responsibility for her pension, often placing it behind business growth.

Isabella's situation illustrates the broader challenges for Gen Z entrepreneurs who face significant barriers to retirement saving. The lack of automatic enrolment, coupled with financial pressures tied to business expansion, creates obstacles in securing retirement.

Malik: The Public Sector Healthcare Professional

Malik's experience highlights the advantages and challenges of DB schemes. These schemes provide a guaranteed retirement income, offering long-term stability. However, Malik's reliance on a DB pension means he contributes a higher percentage of his salary compared to workers in DC schemes, such as Zuri. This higher contribution rate, combined with student loan repayments following the completion of his nursing degree, places additional pressure on his day-to-day finances. While Zuri must navigate market risks associated with her DC scheme, she retains greater flexibility in how much she contributes, allowing her to manage short-term financial priorities more easily. In contrast, Malik's DB pension, though highly valuable in retirement, reduces his disposable income during his working life. This dynamic makes it harder for him to maintain his living standards while balancing other financial commitments.

Given these pressures, Malik may need to consider supplementary savings to fully secure his retirement and manage potential financial demands, such as unexpected expenses or supporting family members. His experience highlights the trade-offs between financial stability in retirement and disposable income during working life that DB pensions often entail.

Zuri: The Corporate Employee

Zuri continues her steady career as a financial analyst with regular contributions to her DC pension. While her career is progressing well, her financial situation has been impacted by rising living costs, student debt, and a recent six-month parental leave. While Malik enjoys the security of a DB pension, Zuri's reliance on a DC scheme exposes her retirement savings to market fluctuations and longevity risks. Unlike Malik, whose pension contributions are predictable, Zuri's savings are vulnerable to life events, such as maternity leave, that can disrupt her contributions.

Zuri's experience highlights the challenges of relying on DC pensions, where individuals are responsible for ensuring sufficient contributions. For DC savers, life events such as starting a family can have a considerable impact on pension savings, emphasizing the importance of policies that protect contributions during such periods.

In conclusion, Adrian, Isabella, Malik, and Zuri's experiences illustrate the diverse financial pressures and pension challenges faced by Gen Z, shaped by employment type, income stability, and access to workplace pensions.

While Malik benefits from the security of a DB scheme, his higher contributions reduce his disposable income, highlighting the trade-offs between financial stability in retirement and affordability during working life. Zuri's experience underscores the risks associated with DC pensions, where market fluctuations and career interruptions can disrupt long-term savings. Meanwhile, Adrian and Isabella's struggles with irregular income and the lack of employer contributions reflect the significant barriers faced by gig workers and self-employed individuals in building adequate pension savings. Their cases demonstrate how the current pension system, designed primarily around traditional employment structures, may not fully support the evolving nature of work.

Chapter 3

How does mid-career progression and family life impact pension saving for Gen Z?

This chapter explores the challenges Gen Z faces in housing and renting for retirement, particularly as rising costs and limited homeownership opportunities affect their financial planning. It also examines how shifts in household composition, such as changes in marriage and caregiving, influence their financial priorities and pension saving.

As Gen Z progresses into their late 30s and early 40s, they encounter significant financial and personal milestones that shape their retirement savings strategies. At this stage, balancing career development with family life becomes a critical consideration. Housing and renting in retirement pose distinct challenges, as rising property prices and rental costs continue to place financial strain on many. Simultaneously, Gen Z faces obstacles in accumulating substantial pension savings, primarily due to factors such as lower starting salaries, insufficient pension contribution rates (both employee and employer), and the burden of student debt. Additionally, shifts in household composition, such as changes in marriage patterns and the likelihood of taking on caregiving responsibilities, complicate their financial priorities. This chapter examines how these challenges intersect and influence pension saving, exploring how Gen Z's evolving career trajectories and family dynamics impact their ability to secure financial stability for retirement.

This chapter addresses the following questions:

- What challenges do Gen Z face in housing and renting in retirement, particularly as costs rise and homeownership remains out of reach for many?
- How do shifts in household composition, such as changes in marriage and caregiving, impact financial priorities and pension saving?

What are the financial and personal challenges faced by Gen Z as they navigate housing and family dynamics?

As Gen Z enters their late 30s and early 40s, housing affordability remains a significant barrier, with rising property prices and rental costs placing financial strain on many. The inability to access homeownership impacts long-term financial security, particularly in retirement, as renting consumes a large portion of income, limiting pension savings.

Simultaneously, changing family structures and caregiving responsibilities complicate financial priorities. Many Gen Z individuals are unmarried, reducing their immediate financial obligations but also potentially delaying decisions such as homeownership and long-term savings. Additionally, caregiving responsibilities, whether for children or ageing parents, often limit available time and resources for retirement planning, as individuals balance work and financial strain with caregiving duties.

The potential for intergenerational wealth transfers from today's pensioners to younger generations could help mitigate some of the financial pressures associated with housing costs as individuals approach retirement. However, the uncertainty surrounding factors such as who will inherit, the timing of inheritance, and the amount involved means that reliance on inheritance as a solution to these challenges is problematic for both households and policymakers.[26]

What housing and renting challenges do Gen Z face as costs rise and homeownership stays out of reach?

As Gen Z progresses through their careers and personal lives, the challenge of housing and renting for retirement becomes increasingly pronounced. Rising property prices and rental costs have created significant barriers to homeownership, leaving many individuals in this generation with limited options for securing long-term housing. However, there has been a generational shift in how Gen Z views property as a potential source of wealth in retirement. One-third (33%) of Gen Z prioritise property over pensions, intending to use their homes as the primary means of funding retirement, compared to just 30% who plan to rely on pensions. This is notably higher than older generations, such as Boomers, for whom 42% rely on pensions to fund their retirement, while only 18% view property as a key financial asset.[27]

However, despite these aspirations, Gen Z faces greater difficulty in accessing the housing market. The average age of first-time buyers has risen to 33 in England and 34 in London, up from around 30 twenty years ago, reflecting the substantial barriers to homeownership this generation faces.[28]As a result, many Gen Z individuals may struggle to meet their retirement housing goals. The prospect of paying off a mortgage or continuing to rent in retirement raises concerns for many, with 20% of Gen Z worrying about the burden of mortgage repayments in their later years.[29] This highlights a potential mismatch between expectations and reality, as the high cost of housing and challenges related to

[26] Brain (2023)
[27] Standard Life (2024)
[28] Department for Levelling Up, Housing & Communities (2023)
[29] Standard Life (2024)

getting onto the property ladder limit the ability of Gen Z to build substantial wealth through homeownership.

Further complicating matters, Gen Z is confronted with financial pressures stemming from limited pension contributions and other competing challenges, such as student debt and low starting salaries. A significant number of Gen Z individuals may face an income shortfall in retirement, particularly those who rent, as rental costs continue to rise, and long-term housing security remains uncertain. The lack of homeownership and a potential reliance on renting in later life exacerbates this challenge, as insecurity of tenure and rising living costs could undermine their financial stability.

In contrast to older generations, who are more likely to rely on pensions as their primary retirement asset, Gen Z's intention to increase their reliance on property reflects a shift in financial priorities that could be unsustainable given current economic conditions. This generation's perceived reliance on property, alongside low pension contributions, may contribute to a growing financial insecurity in retirement, with many Gen Z individuals ill-prepared for the eventuality of retirement without a robust financial foundation. Thus, while property may serve as a perceived means of wealth accumulation, the financial realities of homeownership for Gen Z indicate that more comprehensive pension saving strategies will be crucial to ensuring retirement security in the future.

How do shifts in household composition, such as changes in marriage and caregiving, impact financial priorities and pension saving?

As Gen Z progresses through their life stages, shifts in household composition, particularly changes in marriage and caregiving responsibilities, have significant implications for their financial priorities, including pension saving. Relationships and family structures are evolving differently compared to previous generations. The proportion of adults who have never married or entered a civil partnership has steadily increased with each decade, reflecting changing societal norms and attitudes towards relationships.[30] At the same time, the average age at which people have their first child has risen from 25.5 years in 1990 to 29.2 years in 2022.[31] These trends suggest a delay in traditional life milestones, which may allow Gen Z more time to establish their careers and save in their early working years, but also concentrate financial pressures into later stages of life.

Attitudes towards parenthood are also changing. Among Gen Z, 15% of those aged 18 to 24 say they definitely do not intend to have children, compared to 5 to 10% of young people in the same age group between 2005 and 2007. Another 11% say they probably will not have children, while 22% are unsure.[32] These shifts coincide with a broader demographic trend, as the number of live births in England and Wales dropped below 600,000 in 2022 for the first time since 2002.[33]

These changes have important implications for Gen Z's financial planning. Those who delay or forgo having children may face different caregiving responsibilities in later life, such as supporting ageing parents or siblings instead of children. These trends could also reduce intergenerational wealth

[30] ONS (2023a)
[31] ONS (2024)
[32] University of Southampton (2024)
[33] ONS (2023b)

transfers, placing greater emphasis on individual financial resilience and the need for sufficient pension savings.

Household composition presents further financial challenges. Single individuals may find it harder to save for retirement, as they do not benefit from dual incomes or shared living costs. Cohabiting and married couples often experience economies of scale, with two earners contributing to both expenses and savings. In contrast, those living alone, whether single, divorced, or separated, may see a larger portion of their income consumed by household costs, leaving less for pension contributions. The financial burden of caregiving also needs consideration. These responsibilities, which often fall disproportionately on women, can significantly limit the ability to contribute to pension savings. Women who care for ageing parents or children are particularly affected, which can exacerbate their financial insecurity in retirement.

Gen Z is less likely to marry than earlier generations, and this trend has distinct implications for financial security later in life. Married individuals benefit from specific legal and financial protections, such as asset division in separation and spousal benefits, which unmarried individuals may not access. As fewer Gen Z individuals enter formal partnerships, policymakers and financial and legal advisers will need to address how these shifts influence long-term financial outcomes.

Concealed family arrangements, where families live within other households, have grown among younger demographics. Between 2011 and 2021, the proportion of concealed couple families for those aged 24 and under rose from 10.3% to 15.0%. Similarly, multi-generational households increased from 1.8% to 2.1% of households in England and Wales.[34] For Gen Z, these trends often highlight the financial pressures of rising living costs and limited access to affordable housing. While shared living arrangements can provide short-term financial relief, they may also delay milestones like homeownership and reduce the ability to save for retirement. Caregiving responsibilities within these households, particularly for women, have the potential to further restrict workforce participation and pension saving, creating long-term challenges for financial security.

In conclusion, shifts in household composition, particularly declining marriage rates and evolving attitudes towards parenthood, are shaping Gen Z's financial priorities, including pension savings. A growing proportion of young adults are choosing not to have children, which could alter traditional caregiving responsibilities and potentially provide more capacity to focus on long-term saving. However, for those living alone or facing financial pressures without the support of dual incomes, the ability to save for retirement may still be constrained. As household structures continue to evolve, these trends will play a crucial role in determining the financial security of Gen Z in later life.

[34] ONS (2021)

What challenges do Gen Z face in housing and renting for retirement, particularly as costs rise and homeownership remains out of reach for many?

- Rising property prices and rental costs limit Gen Z’s ability to purchase homes and build wealth through property.
- Many are forced to rent, consuming a large portion of their income, leaving less for retirement savings.
- One-third of Gen Z view property as their primary means of funding retirement, though housing affordability remains a significant barrier.
- The reliance on property as a retirement asset may be unsustainable, especially as rental costs and housing uncertainty undermine long-term financial stability.

How do shifts in household composition, such as changes in marriage and caregiving, impact financial priorities and pension saving?

- Delays in marriage and parenthood reduce immediate financial pressures but concentrate them in later life, potentially affecting retirement planning.
- Single individuals or those living alone may face greater difficulty saving for retirement due to higher living costs and the absence of dual incomes.
- The financial burden of caregiving, especially for women, can limit the ability to contribute to pension savings, further exacerbating financial insecurity in retirement.
- As fewer Gen Z individuals marry, there is a need for policies that address the specific financial security concerns of unmarried individuals, such as access to spousal benefits and asset protection.

Case Study profiles

How do mid-career progression and family life shape pension saving choices for Adrian, Isabella, Malik and Zuri?

This section looks at the individual experiences of our four Gen Z case study profiles: Adrian, Isabella, Malik, and Zuri and what they are likely to be experiencing mid-career, and in relation to their family life.

	Housing costs	Student debt	Pension savings	Living costs
 **Adrian**	High	None	Low	High
 **Isabella**	Low	Medium	Low	High
 **Malik**	Low	Low	Medium	Low
 **Zuri**	Medium	Low	Medium	Medium

Adrian: The Freelance Graphic Designer

Adrian is currently facing the challenge of balancing his freelance work with family responsibilities and high renting costs. His income remains irregular, making it difficult to maintain consistent pension contributions. As he and his partner consider purchasing a house, Adrian is contemplating halting his pension contributions to save for a house deposit instead. This decision reflects the ongoing struggle of prioritising immediate financial goals, such as securing homeownership, over long-term retirement savings. Compared to Zuri, Adrian's situation highlights the challenges faced by gig economy workers, such as sporadic income and the lack of automatic enrolment in pension schemes. Unlike Zuri, who has a more stable income and the benefit of workplace pension contributions, Adrian must manage his retirement savings independently, which is more challenging without a consistent income stream or employer contributions. Despite the flexibility of freelancing, Adrian's financial instability is forcing him to make difficult trade-offs between saving for the future and addressing current financial pressures.

Isabella: The Self-Employed Entrepreneur

Isabella has made the decision to move back home to care for her elderly parents, which has led her to reduce her working hours to part-time. This new dynamic brings a set of financial challenges, including balancing business reinvestment with pension saving. As her business continues to grow, Isabella faces the trade-off between prioritising business expansion and securing her long-term financial future through pension contributions. The financial instability of self-employment, combined with her caregiving responsibilities, means that Isabella is constantly reassessing her financial priorities. Her situation highlights the difficulties that many self-employed individuals face in managing their business, commitments, and personal retirement saving simultaneously.

Malik: The Healthcare Professional

Malik, having inherited his home and continuing to contribute to his DB pension, enjoys greater financial security than most of his peers. His pension contributions are predictable, and his focus is on further professional specialisation within the healthcare sector. This contrasts with Isabella, who has moved back home to care for her elderly parents and is working part-time, trying to balance business growth with pension saving. Unlike Malik, Isabella's self-employment status and caregiving responsibilities create significant barriers to consistent pension saving. Malik's stable pension situation is far more secure compared to Isabella's, which is constrained by the unpredictable nature of both her business income and caregiving obligations.

Zuri: The Corporate Employee

Zuri recently returned to work after an extended maternity leave, resuming her regular pension contributions and purchasing her first home with her partner. However, her maternity leave meant her pension pot did not grow as much as it could have, highlighting the challenges of relying on DC schemes, where individuals are responsible for maintaining contributions. In contrast, Malik, a public sector healthcare professional with a DB pension, enjoys greater financial security. While Zuri faces the challenge of fluctuating contributions due to life events, Malik's DB pension provides predictable retirement income, which contrasts with the uncertainty of Zuri's DC scheme. Zuri's situation highlights how maternity leave and other life events can disrupt pension saving, an issue that Malik is less likely to face due to the stability of his DB pension.

In conclusion

Across these diverse experiences, Gen Z individuals continue to navigate financial instability, career development, and family life in ways that significantly affect their retirement planning. While Adrian, Zuri, Isabella, and Malik each face unique circumstances, the common thread is the challenge of balancing immediate financial demands with long-term savings goals. From Adrian's potential cessation of pension contributions to fund a house deposit, to Zuri's efforts to improve contributions after maternity leave, these decisions reflect the broader struggle to secure retirement savings amidst fluctuating incomes, high living costs, and personal milestones. The financial strain of caregiving, homeownership, and career progression continues to shape how Gen Z approaches retirement planning.

Chapter 4

What will retirement look like for Gen Z?

This chapter explores how changes to the state pension age might influence retirement timing and savings strategies for Gen Z, as well as the average DB and DC pot sizes for our case study individuals at State Pension age (SPa) based on PPI modelling, comparing these figures to previous generations. It also examines the impacts of parental leave and interruptions in pension savings on Gen Z's retirement outcomes.

As Gen Z considers their retirement prospects, they face significant uncertainties shaped by economic and policy developments. With the state pension age (SPa) expected to rise further in response to increased life expectancy and fiscal pressures, this generation may need to adjust their expectations of when and how they can retire. These shifts will likely influence not only the timing of retirement but also the strategies Gen Z adopts to secure financial stability in later life.

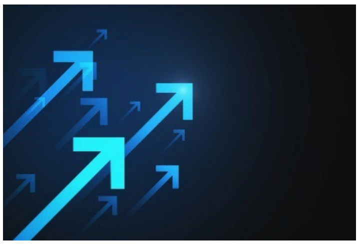
At the same time, changes to workplace norms, career trajectories, and household dynamics continue to impact their ability to build sufficient retirement savings. For many, this may involve balancing long-term goals with immediate financial pressures, such as managing housing costs or supporting dependants. The interplay of these factors will shape how Gen Z approaches retirement and prepares for the future.

This chapter explores:

- How might changes to the state pension age influence retirement timing and savings strategies for Gen Z?
- What would be the average DB and DC pot sizes for our case study individuals at SPa, according to PPI modelling, and how does this compare to previous generations?
- What impacts can parental leave and cessations of pensions savings have on retirement outcomes?

How are pension outcomes for Gen Z impacted by a rising SPa, and what can they expect to have at retirement?

Gen Z faces delayed retirements and risks of inadequate savings due to a rising SPa, financial insecurity, and health disparities



The State Pension age (SPa) plays a significant role in retirement planning, shaping expectations about when individuals can cease working and access a stable income. For Gen Z, whose SPa is currently set at 68, further increases remain a possibility due to demographic shifts and financial pressures on the UK's state pension system. Rising life expectancy and a growing proportion of older adults relative to the working-age population continue to fuel debates about the sustainability of the state pension. On average, healthy life expectancy in the UK for a 20-year-old individual is 66 years for both males and females, leaving many facing potential health challenges before reaching SPa. [35] This disparity may limit the ability of some Gen Z workers, particularly those in physically demanding roles or with limited healthcare access, to remain employed into their late 60s or 70s.

For many in Gen Z, delaying full retirement is already part of their long-term vision. Almost half (47%) say they plan to move to part-time work rather than stop working entirely once they reach retirement age. Additionally, 22% intend to transition to self-employment or start their own business instead of retiring outright. This contrasts sharply with the experiences of current retirees, 76% of whom ceased working entirely at retirement, reflecting generational differences in attitudes towards work and retirement. [36]

These findings suggest that Gen Z is increasingly viewing retirement as a phased process rather than a singular event. The preference for part-time work or entrepreneurship may stem from a mix of factors, including financial necessity, the desire for flexibility, and the pursuit of personal fulfilment. However, the feasibility of these plans depends on factors such as access to part-time opportunities and workplace accommodations.

Research shows that two-thirds (67%) of Gen Z anticipate delays to their retirement, with an average expected delay of 24 months. This delay is longer than the 20-month delay expected by Millennials and the 17-month delay anticipated by Generation X. [37] The longer delay for Gen Z can be attributed to several factors, including financial insecurity early in their careers, lower average starting salaries, the prevalence of gig economy work, and student debt. These factors, which contribute to slower pension accumulation in the early stages of their careers, heighten the risk of insufficient retirement savings in later life.

Moreover, the increased likelihood of delayed retirement highlights broader concerns about pension adequacy and Gen Z's ability to adapt to a later retirement age. While pension savings may be constrained by income volatility and the absence of automatic enrolment for gig economy workers, the uncertainty surrounding future pension provisions and rising living costs further exacerbate these

[35] ONS (2022)
[36] Khan (2024)
[37] PensionBee (2021)

challenges. Additionally, for many in Gen Z, the expectation of working until an older age may be complicated by the variability in life expectancy and health outcomes, particularly for those in physically demanding roles. This generational vulnerability underscores the need for targeted policy interventions that address the specific financial and health-related challenges Gen Z faces in preparing for retirement.

Policies aimed at addressing these challenges could focus on improving workplace flexibility, ensuring part-time roles are accessible for older workers, and incentivising phased retirement options. Support for self-employment and small business ventures could also help align with Gen Z's entrepreneurial ambitions, facilitating smoother transitions into retirement. The impact of an increasing SPa on Gen Z's retirement timing will depend on the balance between financial needs, health considerations, and workplace flexibility. To support Gen Z effectively, policymakers and employers must ensure that opportunities align with the generation's realities as they approach retirement.

What would be the average DB and DC pot sizes for our case study individuals at SPa, according to PPI modelling, and how does this compare to previous generations?[38]

According to PPI modelling, the projected retirement outcomes for our case study individuals highlight significant disparities between DB and DC arrangements. For median earners such as Adrian and Isabella, their DC pots, £146,000 and £158,000, respectively, would provide modest annual incomes of approximately £22,500 and £24,500, assuming a 7.5% drawdown rate and the inclusion of the full new State Pension (£11,500). However, these figures are heavily influenced by housing costs, which can significantly erode disposable income. For instance, if Isabella rents alone, she would fall short of the PLSA's moderate retirement standard for a single retiree (£31,300). Similarly, while Adrian and his partner's combined income may approach the moderate couple standard (£43,100), ongoing mortgage repayments would likely limit their financial flexibility (Figure 2). [39]

In contrast, higher earners such as Zuri, with a larger DC pot of £306,975, would see a more secure retirement. Her projected DC income of £23,000, when combined with the full State Pension, totals £34,500, bringing her closer to the PLSA's comfortable retirement standard for couples (£59,000) if her partner is in a similar financial position.

However, individuals on DB schemes, like Malik, are in a much stronger position. His guaranteed annual income of £41,000, equivalent to a DC pot of approximately £560,000, provides far greater income security. With the addition of the full State Pension, his total retirement income would rise to £52,500, surpassing the PLSA comfortable retirement threshold. DB pensions, once widespread, now provide a level of certainty and financial stability that is increasingly rare. As fewer individuals have access to such schemes, the financial outlook for those reliant on DC savings, particularly median earners without supplementary support, becomes increasingly precarious. These figures emphasise the importance of additional contributions, financial planning, or policy measures to ensure that DC savers can achieve retirement incomes that provide both security and flexibility.

[38] PPI modelling (see Appendix)
[39] PLSA (2024)

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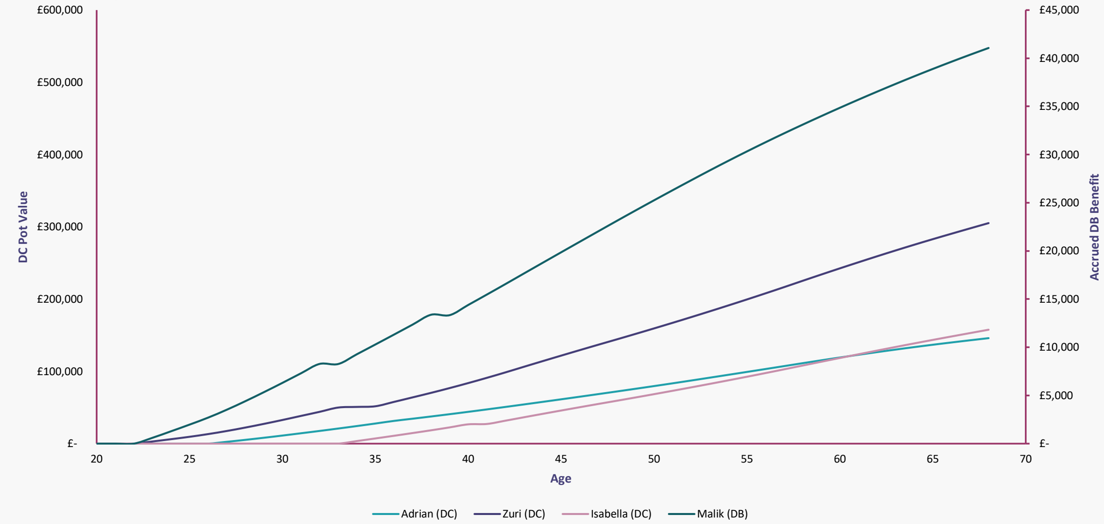
Figure 2:

Reliance on DC savings and low contribution rates leave Adrian and Isabella below moderate income standards

Projected private pension accrual for Adrian, Zuri, Isabella (DC pensions), and Malik (DB pension) throughout their working lives (current earnings terms)



What impacts can parental leave and cessations of pensions savings have on retirement outcomes?[40]

Parental leave and cessations of pension contributions can have a significant impact on retirement savings.[41] For Zuri, taking time off for parental leave results in notable reductions in her DC pot. With two years off, her DC pot would amount to £306,975 (a decrease of 5.7%), compared to £315,657 (a decrease of 2.8%) with just one year off and £324,490 if she took no career breaks at all. This demonstrates how even relatively short breaks from the workforce can lead to lower retirement savings, highlighting the importance of maintaining continuous contributions. Adrian's DC pot would total £146,846 with consistent contributions, however if he ceased contributions for five years, it would reduce to £127,391, a 13.2% decrease. (Figure 3). This illustrates how lapses in pension saving, even during temporary financial hardship, can have a significant impact on long-term retirement outcomes. Beyond career breaks, returning to work on a part-time basis after parental leave or other life events can have an even greater impact on pension savings over the long term. While the case studies in this report focus on earlier career stages, this remains an important factor when considering Gen Z's long-term retirement prospects.

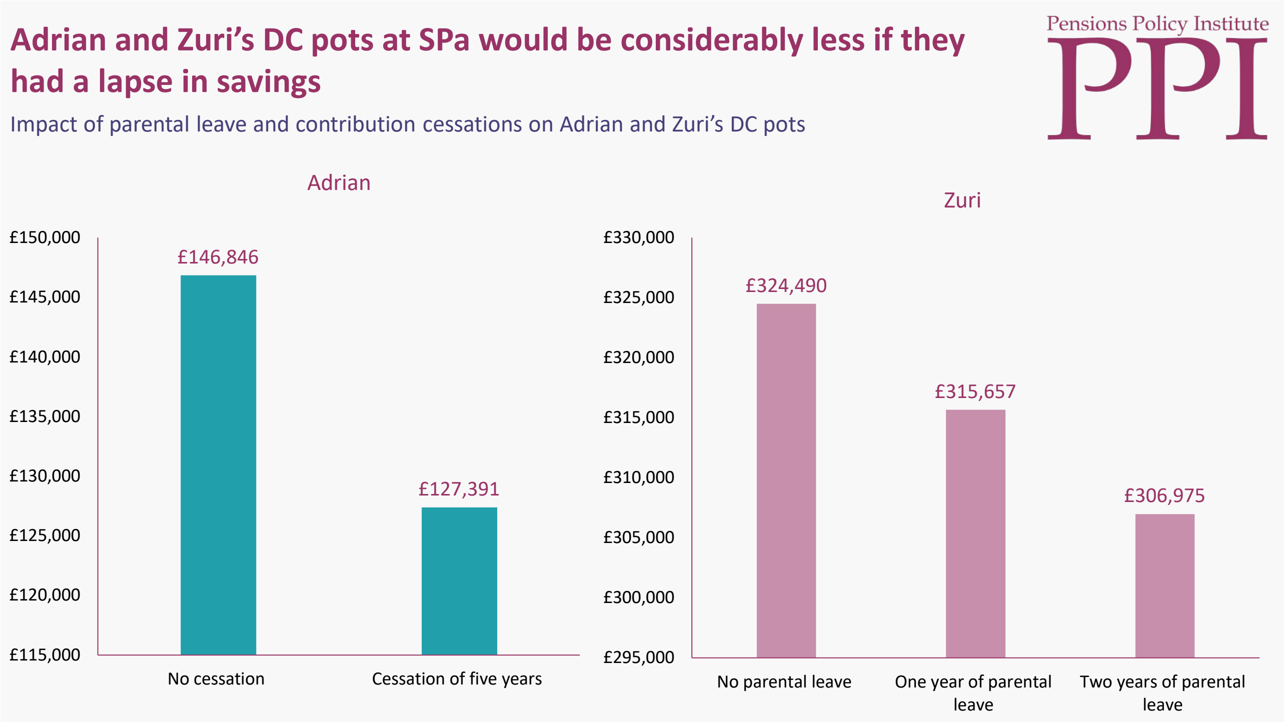
The consequences of such lapses are particularly concerning when considered in the context of the rising SPa which will likely extend the working years for many, including those affected by career breaks. Policymakers should consider measures to mitigate these risks by ensuring that pension schemes are more flexible to accommodate life changes such as parental leave or periods of financial

[40] PPI modelling, previous work also undertaken by the IFoA (2024)

[41] A cessation of pension savings refers to a temporary or permanent stop in making contributions to a pension scheme.

hardship. Addressing these gaps is essential to ensuring that individuals can achieve sufficient retirement savings, regardless of life events such as caregiving or economic disruption.

Figure 3:



How might changes to the state pension age influence retirement timing and savings strategies for Gen Z?

- The potential rise in the state pension age (SPa) may delay Gen Z's ability to access state pension income, extending their working years.
- Many Gen Z individuals anticipate a delay in retirement, with an average expected delay of 24 months, influenced by financial insecurity, low starting salaries, and student debt.
- Gen Z is more likely to view retirement as a phased process, with many opting for part-time work or self-employment instead of full retirement.
- Delayed retirement, coupled with the need to save more for later years, underscores the importance of flexible work options and pension schemes that support gradual transitions into retirement.

What would be the average DB and DC pot sizes for our case study individuals at SPa, according to PPI modelling, and how does this compare to previous generations?

- PPI modelling shows that Gen Z's projected DC pots are significantly smaller compared to DB pensions, with Adrian's pot at £146,000, Isabella's at £158,000, and Zuri's at £305,000, providing annual DC incomes of £11,000, £13,000, and £23,000, respectively.
- Malik's DB pension guarantees an annual DB income of £41,000, equivalent to a DC pot of approximately £560,000, providing more security and a higher income.
- The shift from DB to DC pensions exposes Gen Z to increased risks of inadequate retirement incomes, highlighting the need for additional contributions and financial planning.
- Compared to older generations with greater access to DB pensions, Gen Z's reliance on DC arrangements presents challenges for ensuring sufficient retirement savings and income.

Case Study Profiles

What do the 20 years in the lead up to state pension age look like for Adrian, Isabella, Malik and Zuri?

This section looks at the individual experiences of our four Gen Z case study profiles: Adrian, Isabella, Malik, and Zuri and what the 20 years in the lead up to state pension age may look like.

	Housing costs	Student debt	Pension savings	Living costs
 **Adrian**	High	None	Low	Medium
 **Isabella**	High	Low	Low	High
 **Malik**	Low	None	High	Low
 **Zuri**	Medium	None	Medium	Medium

Adrian: The Freelance Graphic Designer

At 46, Adrian has secured his first 15-year mortgage alongside his wife, who is now a high earner. This marks a significant shift in his financial planning as he transitions from freelancing to a more stable household income. However, his retirement savings remain modest, with a projected DC pot of £146,000 by SPa, which could generate an annual retirement income of approximately £22,500 (assuming entitlement of a full State Pension). Balancing mortgage payments with pension contributions remains a challenge, and Adrian is considering delaying his retirement past the State Pension Age (SPa) to ensure a more comfortable future. Unlike Malik, whose DB pension provides predictable annual income equivalent to a £560,000 DC pot, Adrian's reliance on irregular contributions leaves him vulnerable to financial insecurity. His partner's earnings remain a critical factor in their financial outlook.

Isabella: The Self-Employed Entrepreneur

Isabella's experience as a self-employed entrepreneur adds layers of complexity to her financial planning. Following the loss of her parents, she finds herself back to renting, without the advantage of an employer-sponsored pension scheme. Her projected DC pot of £158,000 by SPa could provide an annual retirement income of £24,500 (assuming entitlement of a full State Pension), leaving her short of the moderate income standard (£31,300 for a single person). To bridge this gap, she is exploring selling her business to fund her retirement. This contrasts with Adrian, who, despite his irregular freelance income, has not faced similar business-related pressures. While Adrian considers delaying retirement to manage limited pension contributions, Isabella is forced to contemplate more drastic measures to secure her financial future.

Malik: The Healthcare Professional

Malik, a healthcare professional in the public sector, enjoys greater financial security thanks to his DB pension, which is projected to provide an annual income of £52,500 (assuming entitlement of a full State Pension), equivalent to a DC pot worth £560,000. This ensures Malik a relaxed retirement well above the comfortable income standards (£43,100 for a single person). His stable career in healthcare and predictable pension contributions allow him to focus on supplementing his DB pension with private savings, further strengthening his financial position. Unlike Zuri, who is planning for early retirement, Malik intends to maintain his standard retirement age, confident in the stability provided by his DB scheme.

Zuri: The Corporate Employee

Zuri, a corporate financial analyst, is on track for early retirement, thanks to her projected DC pot of £305,000, which could provide an annual income of £34,500 (assuming entitlement of a full State Pension). If her husband's pension savings are comparable, together they may exceed the moderate income standard for couples (£43,100 annually). Benefiting from a stable income, structured pension contributions, and regular financial advice, Zuri is taking active steps to optimise her retirement planning. Her position contrasts sharply with Isabella's, who faces financial insecurity due to the lack of an employer-sponsored pension and significant life disruptions. Zuri's ability to rely on professional advice and her employer's pension scheme places her in a far more secure position as she works towards her goal of early retirement.

In conclusion:

The experiences of Adrian, Isabella, Malik, and Zuri illustrate the varied challenges Gen Z faces in preparing for retirement. Adrian, navigating freelance work, faces unpredictable income and delayed retirement plans. Isabella, balancing self-employment and caregiving, must catch up on pension savings and may sell her business for retirement funds. Malik benefits from the stability of a DB pension, with proactive savings to ensure a secure retirement. Zuri, with a stable corporate job and financial advice, plans for early retirement. These diverse paths highlight the need for inclusive pension policies that address the different realities of Gen Z's workforce.

Conclusions

This report looks at the unique retirement savings challenges faced by Gen Z, shaped by economic pressures, different career trajectories, and personal life decisions. As Gen Z navigates a rapidly changing financial landscape, characterised by greater reliance on DC pensions, limited access to DB schemes, and high levels of student debt, their ability to save adequately for retirement is compromised. The case study profiles explored in this report demonstrate that even short-term disruptions, such as parental leave or lapses in pension contributions, can lead to significant long-term reductions in retirement savings.

The findings highlight the need for a comprehensive approach to retirement planning that reflects the realities of Gen Z's financial lives. With increased reliance on DC pensions, the risks associated with market volatility, investment decisions, and the longevity of retirement savings are heightened. Additionally, life events such as career breaks for caregiving further exacerbate the challenges to retirement preparedness, necessitating policy interventions to ensure individuals are not disadvantaged by these circumstances.

The rising State Pension age (SPa) and economic instability further compound the uncertainty surrounding retirement for Gen Z, who anticipate delayed retirements and an uncertain future for the state pension. To address these gaps, pension systems could be designed to be more flexible and inclusive, allowing for continued contributions even during periods of financial hardship. Moreover, given the disproportionate challenges faced by those in irregular or gig economy employment, it is critical to ensure that all workers, regardless of their employment status, have access to secure pension savings.

Addressing these challenges requires not only recognising the differences between Gen Z and older cohorts but also acknowledging the diverse experiences within the generation itself. Policies that improve access to pension schemes, simplify consolidation, increase financial literacy, and offer greater support for renters and caregivers will be essential. By tackling these issues, policymakers can help ensure that Gen Z is better equipped to secure a stable financial future and avoid the retirement insecurity experienced by many in previous generations.

In conclusion, policymakers must create an environment that supports continuous retirement saving, builds trust in financial systems, and provides security for those affected by economic instability and caregiving responsibilities. More adaptable pension schemes and access to suitable long-term saving vehicles would allow individuals to build meaningful retirement savings, regardless of their employment history or life circumstances. Addressing these challenges would help ensure that Gen Z, along with future generations, can retire with financial stability and dignity, reducing inequality and improving long-term financial security.

Policy risks	Description	Implications for Gen Z
Rising State Pension Age (SPa)	Further increases in SPa due to demographic pressures and fiscal constraints.	Longer working lives; potential health challenges for those in physically demanding roles.
Low/minimum contribution rates	Current contribution rates will not ensure adequacy in later life.	Increased risk of insufficient savings and not meeting living standards in retirement
Exclusion from AE	Many gig and self-employed workers are outside the scope of workplace pensions.	Reduced access to employer contributions and lower lifetime pension savings.
High housing and rent costs	Lack of affordable housing or secure rental options impacting disposable income for saving.	High housing costs reduce disposable income, lowering capacity to save for pensions.

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Modelling Appendix

The individual model

The PPI Individual Model is used to project individual retirement outcomes based upon three areas:

1. The individual

The individual to be modelled is specified based upon an earnings and career profile. Saving behaviour for private pension accumulation is considered, as well as the behaviour at retirement.

These are generally parameterised according to the project in question, designed to create vignettes to highlight representative individuals of the groups under investigation.

Earnings profiles are derived from earnings by age and gender taken from analysis of Labour Force Survey microdata.[42]

2. The policy options and pension environment

The policy option maps the pension framework in which the individual exists. It can accommodate the current system and alternatives derived through parameterisation. This allows flexing of the current system to consider potential policy options, in order to assess their impact upon individuals under investigation.

This area has the scope to consider the buildup of pensions in their framework, such as the automatic enrolment regulations for private pensions and the qualification for entitlement to State benefits.

The framework in retirement allows for the tax treatment and decumulation options taken by the individual, as well as other sources of State benefits which influence the post-retirement outcomes for individuals.

3. Economic assumptions

The deterministic assumptions used in this analysis are taken from the OBR's EFO to ensure consistency. They cover both historical data and future projected values.

Presentation of results

Results are expressed in current (2025) earnings terms.

Outcomes are expressed in current earnings terms for two reasons; it improves the comprehension of the results and reduces the liability of either overly optimistic or cautious economic assumptions.

The key output from the model is the built-up pension wealth and entitlement over the course of the individual's work history.

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Limitations of analysis

Care should be taken when interpreting the modelling results used in this report. In particular, individuals are not considered to change their behaviour in response to their pension provision or personal circumstances. For example, an individual will not increase their contributions to pension saving as they approach retirement or have higher incomes.

Key Assumptions

Economic assumptions

Economic assumptions are taken from the OBR's Economic and Fiscal Outlook.[43] This describes future earnings, inflation and asset returns.

Pension scheme assumptions

The Defined Contribution pension scheme is modelled upon master trust architecture. Assumptions are assumed to be 0.5% of assets under management and fund returns are asset returns are assumed to be 1.5% above the increase in average earnings.

The Defined Benefit pension scheme is modelled upon the 2015 NHS pension scheme. This is a Career Average Revalued Earnings scheme offering a benefit accrual rate of 1/54th of pensionable salary. Further details of the NHS scheme design are available from the NHS Business Services Authority.[44]

The illustrative individuals

	Birth year	Annual salary	Pension contributions	Parental leave	Caring breaks
Adrian (the freelance graphic designer)	2000	£35,000	5%	None	None
Zuri (the corporate financial analyst)	2000	£45,000	8%	2 years at ages 33 to 35	None
Isabella (the self-employed entrepreneur)	2000	£50,000	5%	None	1 year at age 40
Malik (the healthcare professional)	2000	£40,000	Employer contribution: 23.7% Employee contribution: 9.8% Total: 33.5%	1 year at age 32	1 year at age 38

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