Legal & General Group Plc
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L&G's new Guided Retirement Planner aims to help members navigate the "lottery effect" at retirement

- The Planner utilises member insights, data analysis and behavioural science to offer tailored support and help workplace pension members over 55 make better financial decisions.
- New research by L&G[1] suggests that many retirees could be set to empty their pension pot by their late 70s – leaving nine years of unfunded retirement on average – due to the "lottery effect".

London, 19 February 2025 – Legal & General ('L&G') has seen positive early momentum for its new Guided Retirement Planner, which aims to help deliver better outcomes for its 5.5 million DC workplace members when they reach retirement age.

Based on member insights, data analysis and behavioural science, the Planner creates tailored support for each pension saver, helping them to understand and take control of their decumulation journey. It does so by guiding members through six simple steps: setting lifestyle goals, understanding financial health, setting income goals, exploring retirement options, taking action to meet goals and adjusting the plan.

The Planner has been available to clients since the end of 2024, and has so far been accessed by over 20,000 members. 35% of users are looking to retire now or within 12 months, while 32% are looking to retire within 5 years, demonstrating real demand from members to access information about their retirement options.

Jayesh Patel, Head of DC Clients, L&G: "Far too many people are reaching the age at which they can access their retirement savings without having the support and tools they need to help make informed, long-term decisions.

"Our Guided Retirement Planner provides tailored feedback on the options available for members to achieve their retirement goals. By using the power of technology, our aim is to get members thinking about their finances holistically and building a long-term plan that works for them."

Katharine Photiou, Managing Director Workplace Savings, L&G: "For most people, their pension pot is the largest sum of money they'll have access to, and after decades of hard work and saving, it's natural to view it as a well-deserved reward. As we know, many people do sit on their savings and will have enough to last through the years they are retired. However, our research shows the sudden financial freedom can trigger 'The Lottery Effect' for some savers, which can lead to unsustainable spending. On top of this, with unused pension savings also subject to IHT from 2027, it could add to people withdrawing from their pots in an unsustainable way.

"But what seems like financial freedom now might turn into uncertainty later. Everyone's situation is different, and some people may turn to other potential sources of income, such as their property, to make up the shortfall. Regardless of how you're thinking about funding your retirement, seeking guidance can ensure you fully understand your options, helping you to make the best choice for you.

[1]Research conducted on behalf of Legal & General, by Opinium between 3 - 9 December 2024, among 3,000 UK over 50s.

“There is free support and guidance available for everyone wanting to make more informed decisions, and it is worth speaking to your provider to understand what is on offer. For example, L&G has launched a Guided Retirement Planner for all our workplace members to help ensure that more people can afford the retirement they would like to have.”

New research on the “lottery effect” highlights scale of decumulation challenge

L&G’s new At-Retirement solution coincides with new research by the firm, which suggests that retirees could be at risk of emptying their pension a decade early, as they take large cash lump sums from their pensions and run the risk of withdrawing too much in monthly income. With the average life expectancy of a current 60 year old in the UK sitting at 86, some retirees could be left with a nine-year shortfall between their retirement funds running out and the end of their life.

This could be a result of the “lottery effect”, according to experts. Overnight access to large sums of money can trigger a psychological rush which can spark impulsive or unsustainable spending – similar to winning the lottery. However, many people underestimate how long retirement lasts and overlook the reality that this money needs to stretch across decades, not only maintaining a lifestyle and covering the cost of essentials but potential later-life care costs too.

The lottery effect is draining pension pots

Sudden access to large sums of money can change how people plan their finances for the future, with one in seven (15%) revealing they felt like the cash lump sum from their pension was an unexpected financial bonus, rather than part of their long-term savings plan. A further one in 10 (10%) said it felt like a payday, and they wanted to spend it.

Over a fifth (22%) said they took out a cash lump sum or would consider doing so because they wanted to put it into a current account or cash ISA to keep for a rainy day, and almost half (46%) said they accessed the cash simply because they could, just to have it to hand. But this could leave some people exposed to unexpected tax bills or losing entitlement to means-tested benefits, such as universal and pensions credit, in addition to missing out on the potential rewards of keeping their pension invested.

A further driver for retirees accessing their pension could be the 2024 Autumn Budget announcement, which states that from 6 April 2027, unused pension savings may be subject to inheritance tax (IHT).

Retirees drawing down at unsustainable rates

L&G’s research found that on average, people have £87,500 in their retirement pot before they start accessing it. A third (32%) of people will take a cash lump sum once they are eligible to do so, on average at age 60. Those that access cash from their pension typically take out 25% of their pot – the maximum allowance that people can access tax-free – and typically take an average income of £875 per month once they reach state pension age.

Retirement regret

One in seven (14%) who have accessed cash from their pension revealed they have regrets about doing so or spent more than they planned. Among these respondents, 29% had unexpected costs to cover, and 26% felt they could afford it at the time.

A further one in seven (15%) said that since taking a lump sum, they have become more concerned about outliving their remaining pension savings.

The majority (58%) of those surveyed accessed their pension without seeking any formal advice or guidance from their pension provider, an adviser or from support services like MoneyHelper. Among those with spending regrets, more than one in 10 (11%) admitted they didn’t fully understand the impact of their decisions.

Research partner Dr Emma Hepburn, Clinical Psychologist: “Our biases can influence what we do with our money, potentially resulting in inadequate planning for the future or making us more likely to spend too much in the here and now. As this research shows, if we view our money as a reward or bonus, we may be more likely to spend it, which can lead to what has been dubbed “the lottery effect”.

“Perceptions of risk also often come into decision making, and we tend to favour decisions that feel more certain. As a result, we can feel that having or using money in the here and now is less risky than waiting to access it, even though this may actually create more risk for our future selves.”

-ENDS-

Calculations are based on the following assumptions:

- Inflation = 2.5% p.a.
- Expected life expectancies from Office of National Statistics calculator: [Life expectancy calculator - Office for National Statistics.]
- Investment return on pension pot calculated based on CAPA average portfolio one day before state pension age (as at 31 December 2023), with 33% held in equities (5.5% p.a.)
- Initial tax-free cash lump sum of 25% of the pension pot taken at age 60.
- Regular withdrawals assumed to commence from age 67 (current SPA), with withdrawals assumed to increase with inflation until pot exhaustion.
- Assumed no other sources of income, e.g. property wealth or defined benefit pension.

Notes to editors

About Legal & General plc

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with £1.2 trillion in total assets under management (as at HY24) of which c40% (circa £0.5 trillion) is international.

We have a highly synergistic business model, which continues to drive strong returns. We are a leading international player in Institutional Retirement, in Retail Savings and Protection, and in both public and private markets through our Asset Management division. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

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