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# Designing a new social care product linked to pensions

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## Title

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## Abstract

*This research presents the design, pricing, and consumer testing results of a potential private financial product that integrates retirement savings with social care funding through contributions to a supplemental defined contribution pension scheme. With this product, some contributions will be earmarked specifically to cover social care expenses if needed post-retirement. Our research indicates that offering benefits that address both retirement income supplementation and social care funding in a combined approach is appealing to consumers and could help overcome behavioural barriers to planning for social care.*

*As with established defined contribution schemes, this product is designed for distribution in the workplace. Employees can contribute a portion of their earnings to their pension accounts. Employers may partially or fully match these contributions, further incentivising participation. In addition to financial support, participants will gain access to social care coordination services designed to facilitate ageing at home. These services will help retirees navigate care options, coordinate necessary support, and optimise the use of their allocated social care funds, ultimately promoting independence and well-being in later life*

## 1. Introduction

Many individuals experience significant anxiety about social care costs. Concerns about affordability, access to quality services, and the financial burden on loved ones are widespread. This anxiety is often exacerbated by personal experiences—witnessing family members struggle with care costs and the strain it places on carers (Dixon et al, 2022). Despite these concerns, many individuals fail to adequately prepare for their future care needs, often postponing planning until it becomes an urgent necessity (The Financial Times, 2024).

A similar pattern emerges in retirement income planning. Individuals fear outliving their savings but fail to plan and save sufficiently (O'Brien et al., 2024). Both challenges stem from similar behavioural tendencies, including delaying, lack of awareness of costs and appropriate financial solutions, and an aversion to thinking about future personal financial circumstances. As a result, many individuals remain underprepared for two of the most significant financial concerns they will face in later life (Just Group, 2024).

Based on in-depth consumer interviews and discussed in more detail in this paper, our research identified three root causes of this retirement and social care planning anxiety-action gap.

- Lack of awareness of needs: Many people lack a clear understanding of how much savings they will need to support the level of retirement they will need. Similarly, there is widespread confusion about the risk of their need for social care, the associated costs and their responsibility to pay for such costs.
- The perceived complexity of planning: Many people feel uncertain and confused about financial planning. They feel overwhelmed by the many options available and struggle to determine what would best meet their future needs. Very few interviewees mentioned working with a financial advisor to help them explore options. Most who have explored planning do their own research or rely on employer-sponsored programs.
- Behavioural inertia: Planning for future financial security is often perceived as an overwhelming and complex challenge, making many uncertain about how to begin or where to find reliable resources. This uncertainty results in inaction, as individuals postpone making important financial decisions rather than risk making uninformed choices. The difficulty in getting started mirrors behavioural inertia seen related to many long-term goals, where the perceived enormity of the task leads to avoidance and delaying instead of proactive planning. Furthermore, the emotional discomfort associated with thinking about ageing, dependency, and potential health deterioration discourages many from addressing these concerns until they become immediate and unavoidable.

Given these shared obstacles, we hypothesise that an integrated solution addressing both retirement and social care concerns could be highly effective and appealing to consumers. By tackling the same behavioural barriers, such a product could encourage proactive planning in both areas, providing individuals with a structured yet flexible framework to build financial security.

To achieve this, we designed a financial product that is:

- Simple and accessible: It is designed to be easily understood and purchased without requiring explanations from a financial advisor, ensuring broader accessibility to individuals who may not have professional financial guidance.
- Easy to start and flexible: This product encourages participation by allowing individuals to start with smaller, affordable, incremental contributions while maintaining liquidity. It reduces the psychological barriers associated with tackling complex financial challenges and committing to rigid solutions.
- Integrated: It combines retirement savings with a dedicated social care funding component, ensuring that individuals can rely on a structured financial plan that addresses both their retirement income and potential social care needs.

We believe the product's design is well suited for distribution via self-service enrolment in the workplace, integrated with automated payroll deductions to make participation effortless. Our United States (US) based research, described later in this paper, demonstrates that employers expressed strong interest in offering this solution as a workplace benefit, viewing it as an effective tool for attracting and retaining talent. Given the similarities between US and United Kingdom (UK) concerns discussed later in this paper and awareness and attitudes about retirement and social care planning, this employer interest would likely carry over to the UK.

This paper explores the development of this financial solution, which is informed by market-backed consumer testing. Specifically, it will cover:

- The design process of the product, including key considerations and research insights.
- Essential features, modelling, and resulting value propositions that drive consumer engagement.
- Strategies for effective messaging and distribution to encourage adoption.

- Summaries of qualitative consumer research regarding awareness of needs, understanding of the product, reactions to it and intent to enrol.

## 2.1 Design thinking

We crafted a solution for working-age individuals between 30 and 60 years old, with annual household incomes ranging from £60,000 to £120,000. We hypothesised that the product must accomplish three primary objectives to fit this market. Firstly, it must offer benefits that substantially address concerns regarding retirement savings and potential social care expenses.

Secondly, the product should be simple, enabling independent purchases without the need for financial advisor involvement. This strategy promotes broader distribution channels and increases consumer confidence in their decision to enrol.

Finally, the product should offer an easy entry point, aligning with the need for an 'easy-to-start' solution. The enrolment process should be seamless, user-friendly, and free of unnecessary complexities.

We conducted a series of in-depth interviews with people representative of our target segment. These comprehensive discussions provided valuable insights and were instrumental in shaping the product's design. It is important to note that early initial interviews indicated a general reluctance to enrol in a stand-alone social care insurance product, which informed the shaping of a combination-styled solution. Through ongoing interviews, we identified the following key features interviewees desired, which would enhance the participants' willingness to engage with and enrol in the product:

- Guaranteed lifetime income is the most appealing product feature. Consumers greatly value the guarantee of a known income stream upon retirement in exchange for contributions during their working years. This assurance mitigates concerns about the growth of their contributions over time, the risks associated with market fluctuations, and their ability to sustain financial security in later years. With this guarantee in place, consumers become less preoccupied with the specific rate of return on their contributions, as their primary focus shifts towards long-term stability rather than immediate gains.
- Enable affordable periodic contributions. The initial contribution should be financially manageable and affordable at various income levels. Allowing smaller, incremental contributions on a monthly or weekly basis is generally preferred over requiring large upfront payments. Providing clear and transparent information showing how a certain amount today will contribute to an incremental lifetime monthly income upon retirement will encourage even small contributions. Additionally, demonstrating how consistent monthly contributions from now until retirement result in a predictable monthly income further supports engagement by highlighting the benefits of sustained contributions.
- Provide the option for one-time or occasional larger contributions. Many older consumers, especially those with higher disposable income or accumulated savings, are willing to contribute more when financially feasible. These consumers also desire the capability to transfer funds from other financial products into this offering. To accommodate varying financial situations, it is essential to allow consumers to combine regular weekly or monthly payments with occasional lump-sum contributions, either at the outset or periodically throughout the contribution period. This flexibility enhances the product's appeal by enabling consumers to tailor their financial commitments to evolving circumstances.
- Rather than prioritising social care financing as the dominant feature, it should be integrated into the product while maintaining a strong emphasis on retirement savings. Although most individuals recognise the importance of both financial preparedness for retirement and future social care needs, they generally view retirement savings as the more immediate and pressing concern. Our research shows that individuals struggled to focus on solving the social care challenge until they first understood how to afford retirement in general. This insight led us to shift our primary value proposition from a social care savings and preparation solution to a retirement savings solution with added benefits.

## 2.2 The proposed product

Although the product could take on the form of social insurance, we propose it as a private insurance product, as that is likely the easiest path to implementation and avoids the complication of integrating with other social insurance. This potential integration was confusing for many of the consumers we interviewed.

The proposed product is built on what is known in the US as a deferred income annuity chassis, which provides guaranteed lifetime income at a much-deferred date in return for premiums paid before that deferred date. In this case, the premiums would be described as contributions made during working years. Most of these contributions would be allocated to a Retirement Income Fund, which funds a guaranteed income stream that begins at the customer's chosen retirement age. The remainder of the contributions are directed to a Social Care Fund, specifically earmarked to cover social care expenses later in life if needed. This dual-structured approach ensures that individuals not only secure their financial future through a steady retirement income but also have a dedicated reserve to address potential social care costs.

We propose that the product would benefit from tax advantages to incentivise enrolment. Ideally, this could be by allowing pre-tax contributions, subject to some reasonable limit. Alternatively, the advantages could replicate those of an Individual Savings Account, where contributions are after-tax, but investment earnings and payments are not taxed.

Contributions to the Retirement Income Fund can be made through a combination of periodic and lump-sum payments. Each contribution secures a fixed, guaranteed monthly income amount that will begin at the participant's chosen retirement age and continue for life. This approach works like building blocks: each contribution purchases a "layer" of future income that is locked in based on the participant's age at the time of the contribution. Over time, these layers stack to create a predictable, cumulative lifetime income stream.

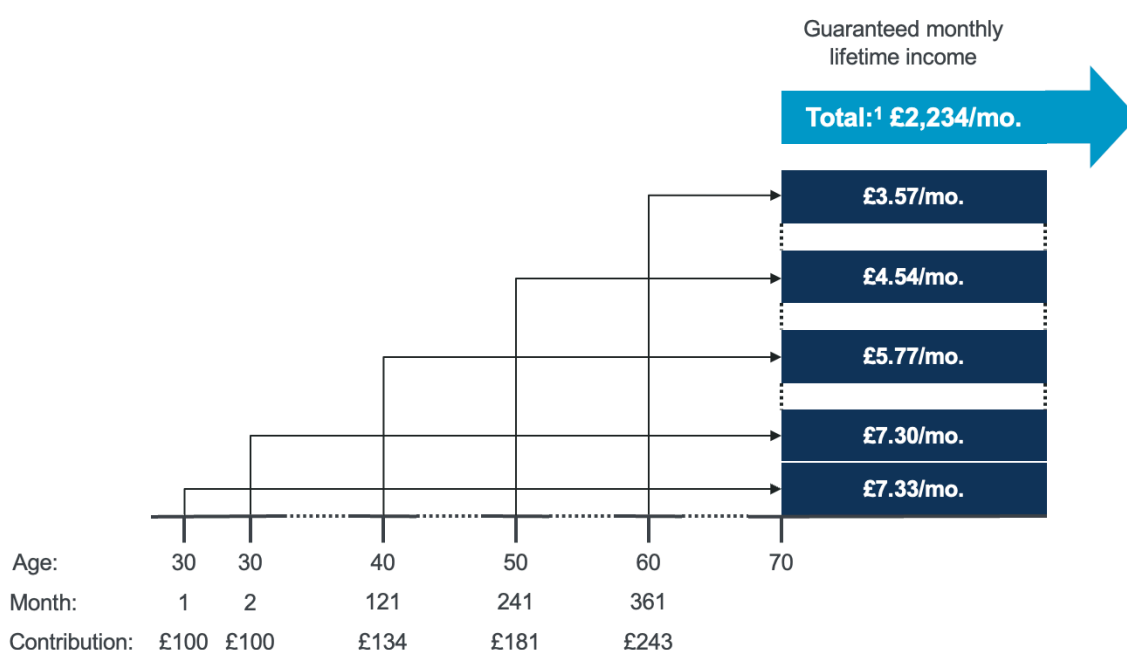
The earlier a contribution is made, the more monthly income it secures, due to the longer time horizon and higher expected return. For example:

- A £100 contribution at age 30 might lock in £6.50 per month of guaranteed lifetime income starting at age 70.
- The same £100 contribution made at age 50 might only lock in £3.75 per month.
- Over time, these individual layers add up—for example, a participant contributing £100 monthly from age 30 to 70 might accumulate £2,200/month in guaranteed income at retirement.

This method provides a strong psychological and financial incentive for early and consistent contributions, as each contribution leads to visible, quantifiable progress.

Figure 1 illustrates how these layers accumulate, showing a hypothetical participant's contributions over time and the corresponding monthly income secured at each stage.

**Figure 1: Example of Layered Income Accumulation Over Time**



Participants can track these income layers in real-time through the online portal, seeing exactly how their ongoing contributions translate into future retirement income. This transparency supports better planning, increased trust, and greater engagement.

The online portal can also link to other known retirement savings information, such as the Pension Dashboard Programme (Money and Pensions Service, 2025), so account owners can achieve a holistic view of their retirement benefits.

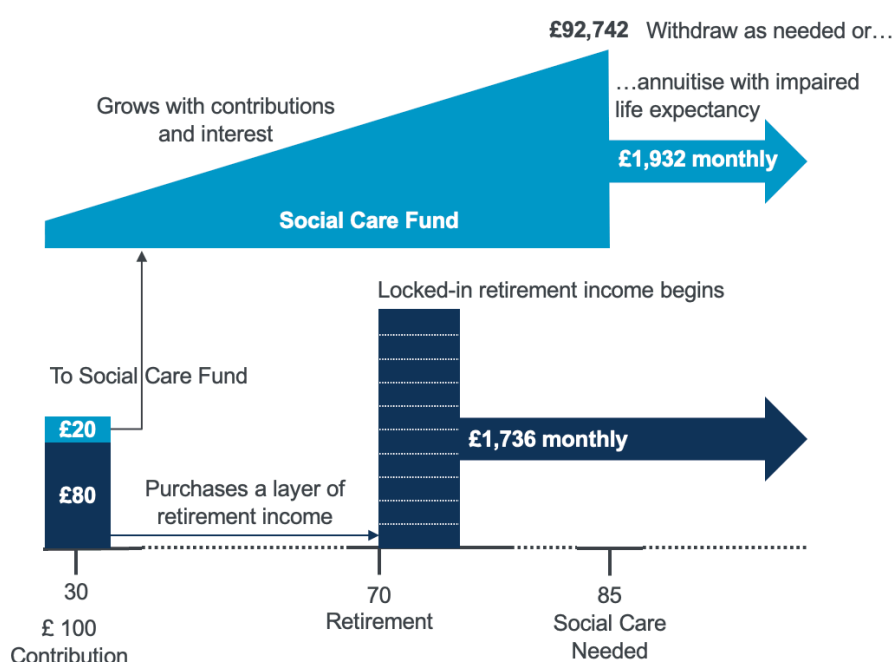
The periodic contributions occur at a level and frequency that suit each customer's financial situation, emphasising aligning contributions with their payroll cycle. Such contributions can be adjusted at any time. Lump-sum deposits can be encouraged when bonuses are received but can be accepted for other reasons and from any source.

A pre-selected portion of total contributions is automatically allocated to the Social Care Fund, which grows in parallel with the Retirement Income Fund. The Social Care Fund is not annuitised at retirement, meaning it remains available post-retirement for social care or other expenses. Even after the Retirement Income Fund has been annuitised, the Social Care Fund continues to grow at guaranteed credited interest rates, ensuring that customers retain financial resources for potential care needs later in life.

If social care is needed, customers can withdraw from the Social Care Fund as required to cover expenses. Additionally, they have the option to pool their longevity risk and annuitise all or a portion of their Social Care Fund at any time. The additional monthly income generated by this annuitisation will be determined based on the customer's health at the time of annuitisation. If the customer exercises this option while receiving social care and health impairments exist, the additional monthly income will be significantly enhanced due to the shorter expected lifespan. This feature provides an added layer of income to fund social care expenses without the worry of depleting the fund prematurely.

Figure 2 builds on Figure 1 and illustrates a hypothetical allocation of 20% of contributions to the Social Care Fund and provides an overview of the mechanics of the product.

**Figure 2: Hypothetical Allocation of 20% of Contributions to Social Care Fund**



A key advantage of the Social Care Fund is its flexibility compared to conventional long-term care insurance products. Unlike such policies that operate on a 'use it or lose it' basis, the Social Care Fund remains the customer's asset, accumulating over time and remaining available as needed. If the customer does not require social care, their savings are not forfeited and can be repurposed for other retirement needs or passed down as an inheritance. Additionally, conventional long-term care insurance policies often required stringent medical underwriting, limiting accessibility for individuals with pre-existing conditions. In contrast, the Social Care Fund is seamlessly integrated into the overall retirement savings plan, with no medical underwriting requirements, ensuring broad accessibility and ease of participation.

Both the Retirement Income Fund and the Social Care Fund are accessible to customers at any time through partial or complete withdrawals, provided they have not already been annuitised. No surrender charges will be applied due to low distribution costs. However, because the insurance company will likely invest in illiquid assets to provide future guarantees, a market value adjustment will be applied to mitigate the insurer's liquidity exposure.

Finally, customers will have access to social care coordination services that promote ageing at home and delay or avoid care facility placement. These services connect customers to local care options, provide guidance on effectively using their Social Care Fund, and offer support to enhance independence, reduce family stress, and promote well-being in later life.

## 2.3 Sample indicative values

We created a simplified model to create indicative values corresponding to various contribution levels. We wanted to confirm that the product could provide meaningful benefits and that these resonate with potential customers.

Table 1 presents key values for four example male customers enrolled at ages 30, 40, 50, and 60. These case studies highlight how different starting ages and contribution patterns affect long-term benefits. Each example reflects varying levels of monthly contributions and initial lump sum contributions, showcasing how the product adapts to different financial strategies and needs.



**Table 1: Sample Indicative Values**

Starting Age	Initial Monthly Contribution	Initial Lump Sum	Retirement Income Fund		Social Care Fund	
			Age 70 Balance	Age 70 Lifetime Monthly Income	Age 85 Balance	Age 85 Additional Monthly Income
30	£100	£0	£211,821	£1,736	£92,742	£1,932
40	£200	£0	£209,662	£1,719	£118,611	£2,471
50	£300	£10,000	£152,329	£1,249	£111,451	£2,322
60	£400	£110,000	£158,635	£1,300	£254,053	£5,293

Customers will be shown their individualised values as they enrol and configure contributions and how they are allocated to each fund. They will also be provided with information on social care costs to better inform these configurations.

To ensure consistency in comparison, we applied the following assumptions uniformly across all cases:

- Customer increases monthly contributions by 3% annually.
- Monthly contributions cease, and lifetime retirement income payments begin at age 70.
- 20% of periodic and 50% of lump-sum contributions are allocated to the Social Care Fund, with the remainder allocated to the Retirement Income Fund.
- The Social Care Fund remains untouched until age 85, at which point it is fully annuitised, assuming the customer is medically underwritten at that age and has developed impaired health conditions that reduce life expectancy to four years.

## **2.4 Model assumptions**

We used a simplified model to produce the values shown in the table in the previous subsection, which incorporates the following assumptions:

- Mortality: CMI S4 Series Mortality Tables
- Pre-annuitisation lapse: Starting at 10% in Year 1, gradually declining to 5% from Year 6 onward
- Social Care Fund annuitisation: Substandard mortality due to health impairments, with a simplified average life expectancy of 4 years
- Liability discount rate: 5.5%
- £3 monthly administrative expense deducted from Retirement Income Fund.

The model calculates values in a manner similar to developing pension scheme liabilities. The population is decremented, and cash flows are discounted using the assumptions shown. We note that if insurance companies offer this product, they will have to develop their own assumptions and consider capital requirements and reasonable returns on such capital, which will affect the values shown.

### **3. Customer experience**

#### **3.1 Messaging strategy**

Through the consumer interviews, we gained insights critical to the messaging needed to get the attention of potential customers, draw them in, and encourage them to enrol in and stay engaged with the product after enrolment.

The messaging should start with the product's most compelling feature: the guaranteed lifetime income it provides in retirement. Customers should feel reassured that their income payments are secured for life, offering protection against investment uncertainties and the risks of outliving savings. Additional messaging should describe it as a personalised supplemental pension plan, reinforcing the idea that it serves as an individualised, reliable income stream in retirement, designed to complement existing savings and investment strategies.

Messaging should illustrate an intuitive online platform, emphasising that users can enrol with just a few clicks and immediately begin contributing at a level that aligns with their financial situation. Furthermore, it should demonstrate how customers have complete control over their contributions, with the ability to adjust periodic payments, make lump-sum deposits, or withdraw funds as needed.

While the primary focus is retirement income, the product's built-in social care funding feature should also be a key component of the messaging. As mentioned previously, this feature addresses a major concern for many individuals and its seamless integration within the plan enhances the product's appeal as a two-in-one financial solution. Messaging should make it clear that this additional benefit is included without adding complexity or requiring separate decision-making, reinforcing the product's ease of use.

To ensure clarity and accessibility, the messaging will deliberately avoid complex insurance terminology that might create confusion or hesitation. Instead, it will be framed in straightforward, user-friendly language.

#### **3.2 Purchase experience is simple**

We envision an enrolment process that is simple, intuitive, and hassle-free. This process ensures that customers can quickly set up their retirement savings with minimal effort while maintaining flexibility. Removing unnecessary complexities makes the enrolment experience more appealing and accessible to a broad range of individuals, regardless of their familiarity with financial planning. The following describes this vision, which was explained and demonstrated via a mock web during the customer interviews.

Customers start by providing basic information and answering three simple questions regarding their age, gender and desired retirement age. Next, customers select their preferred monthly contribution amount. To assist in decision-making, an interactive display presents three adjustable sliders that visually illustrate the impact of different choices. These sliders dynamically update in real-time to reflect monthly contributions, the resulting lifetime income in retirement, and the additional monthly income available at age 85 in case of health impairments. Customers will be provided with information about the monthly costs of social care to inform them of what portion of contributions they may wish to allocate to the Social Care Fund to create the additional income they could need to pay for such care.

Customers can experiment with these settings to better understand how their contributions influence future benefits, allowing for a more informed and confident decision-making process.

A dedicated input field allows those looking to make a one-time contribution to enter a lump sum amount and determine how much should be allocated to social care funding. This feature provides additional flexibility for individuals wanting to boost their savings through periodic lump-sum additions.

Once customers have customised their plan to their satisfaction, they proceed with finalising enrolment by providing additional personal details such as name, contact information, and beneficiary designations where applicable. At this stage, they receive a reminder that they have ongoing flexibility, including modifying their periodic contributions, making lump-sum additions, or withdrawing funds whenever necessary.

The enrolment details are processed through the insurance company's administrative platform upon submission, finalising the account setup and activation. Customers receive immediate confirmation and access to an online portal to monitor their accounts, track contributions, and explore additional financial planning tools.

### **3.3 Ongoing engagement**

Enrolment in the product also creates an online portal that can be accessed via a desktop website and a smartphone app. This portal aims to facilitate ongoing customer engagement and gamify the retirement security journey by providing a dynamic and interactive experience that encourages ongoing participation and product stickiness.

The portal provides interactive figures and charts that display the real-time values of both fund accounts, offering a clear breakdown of current and projected balances. Users can track their retirement lifetime income alongside the additional social care lifetime income, gaining a transparent view of their long-term financial outlook.

To enhance engagement, customers receive personalised notifications about reaching key financial milestones, such as hitting a new savings threshold or achieving a projected increase in their retirement income. These notifications act as motivators, reminding users of their progress and encouraging them to stay committed to their financial goals. Additionally, periodic prompts suggest making supplemental contributions, emphasising how even small additional deposits can have a significant impact over time.

Beyond financial tracking, the portal serves as a hub for relevant financial and longevity-related updates. Users receive curated insights on retirement planning and social care considerations, ensuring they remain proactive in their long-term strategy. The portal also offers access to an information marketplace, providing a resource for navigating various aspects of retirement needs, social care funding, and care service coordination. This marketplace includes educational materials, expert advice, and tools to help individuals make informed decisions about their future financial and care-related requirements.

## **4. How it is sold and distributed**

As mentioned, this product and its enrolment and engagement processes are designed to reduce the need for financial advisors. This allows for a broader reach through multiple distribution channels. We envision the primary distribution channel being through employers, leveraging the workplace to introduce and promote the product. By embedding the product within existing employee benefits programs, it gains instant credibility and trust, making adoption more likely.

The product can integrate with payroll systems to encourage ongoing participation and simplify contributions. While this integration is not a requirement, it provides a powerful mechanism for employees to contribute through automatic payroll deductions.

An annual program fee will be charged separately from the insurance product to sustain the engagement platform, information marketplace and offer care coordination services. This fee ensures continuous improvements in service delivery and product features, allowing users to receive comprehensive support throughout their participation.

## 5. Consumer research

### 5.1 Method used

We conducted an extensive consumer testing process to evaluate the product's appeal, engaging with over 40 individuals representative of our target demographic. These participants were between the ages of 30 and 60, actively employed, and earning annual incomes ranging from £60,000 to £120,000. Their professional backgrounds span various industries, including finance, technology, healthcare, and public service, ensuring that our feedback reflected diverse perspectives on financial planning and long-term security.

We employed ethnographic research methods, specifically in-depth, one-on-one interviews lasting approximately 45 minutes. Our goal was not merely to validate a product concept or solution vision. Instead, we sought to understand the underlying motivations behind financial decisions. Why individuals take or avoid certain actions, along with the beliefs that shape their perspectives on retirement and saving and their perceptions of available options considering their personal goals.

This approach allowed us to step back and identify the specific financial problems each individual aimed to solve, whether it was figuring out how to afford saving at all, growing their existing savings, or working toward a specific lifestyle they envisioned with a partner. With this context in mind, we could then introduce questions about a potential solution in a way that felt natural and highly relevant.

By designing our research conversations this way, participants did not feel they were being sold to. This is a critical factor, as individuals often express interest in products they believe they *should* buy rather than those they realistically *will* buy. This approach ensured that responses were more genuine. Because we spent most of the interview discussing participants' personal goals, we could identify inconsistencies. For example, if a response about the solution conflicted with a goal they had previously shared, we could probe further to understand why. Where interest in the product emerged, we could connect it directly to their stated objectives rather than allowing it to remain a vague curiosity.

We designed the solution testing environment to be as realistic as possible, utilising a fully interactive mock website that closely mirrored the intended user experience. During the interviews, participants navigated through the product interface, engaged with the messaging, and progressed through the step-by-step enrolment process. This approach provided valuable insights into usability, comprehension, and overall appeal, highlighting potential friction points and areas for improvement.

To ensure objective feedback, we led the participants to believe that the product had already been launched, positioning the interviewer as an independent researcher. This approach fostered an environment where participants could freely express their thoughts, preferences, and concerns without fear of offending one of the product's creators.

Our research approach leveraged insights from similar interviews conducted in the US. These earlier findings informed much of our design thinking and initial expectations for product reception. When conducting interviews in the UK, we found virtually no difference in concerns about retirement savings and social care expenses and only minor differences in the understanding and appeal of the proposed product. This was unsurprising given the similarities between public retirement income programs, employer-sponsored pension and retirement savings plans, and public coverage of social care expenses in both countries.

The key differences we observed were subtle: UK participants exhibited slightly lower awareness of the risk of needing social care than their US counterparts, but their overall savings habits were slightly stronger. Given these minimal variations, we synthesised insights from both sets of interviews, prioritising findings unique to UK participants.

Although not directly applicable to the UK market, we also interviewed US employers to assess their willingness to offer the product as part of workplace financial wellness initiatives. These discussions

provided valuable insights into how the product could be positioned for maximum adoption and logistical considerations for payroll and benefits integration. While supplemental benefit programs are less common in the UK, the US findings offer relevant guidance on employer engagement and potential implementation strategies.

## **5.2 Key findings and insights**

As previously discussed, the key findings and insights we obtained from the interviews were incorporated into the product's proposed design, distribution, messaging, enrolment and engagement, as described in this paper's previous sections. The following is a summary of key themes we observed to supplement those descriptions.

Concerns about having enough money in retirement are high in general, but this varies among the interviewees. Many expressed significant anxiety about their savings, especially those who had first-hand experience of managing finances for ageing family members or who felt behind on their own retirement planning. Others express concern about the evolving pension landscape and uncertainties surrounding government support. One participant remarked, "The state pension won't be enough, and I don't want to rely on it entirely, but it's hard to know how much I'll really need." Another lamented, "They keep changing the rules, and it just seems like a con." Others, particularly those who had spent time planning their retirement, felt somewhat more confident but still acknowledged the unpredictability of future costs.

A major challenge was predicting how much money would be needed for a secure retirement. Instead of working towards a specific financial target, several participants described simply saving as much as possible. One person suggested that an AI-powered tool could help by generating a financial roadmap based on lifestyle choices and future goals. "Right now, I don't have time to do all the research, and Google leads me down rabbit holes. I just want something clear and reliable."

Social care was a lesser concern among the interviewees, as many expected to rely on the National Health Service or government provisions for support. Many acknowledged that they had not given it much thought, instead prioritising general retirement savings. However, those with personal exposure to older adult care costs recognised the potential burden it could place on their finances. "At first, it was manageable, but when she needed full-time care, the costs skyrocketed. It makes you wonder—what happens if you don't have enough saved?" one interviewee noted. Another stated, "Here in England, if you have money, you're expected to spend it on care before getting any government help. It made us realize that planning for care isn't optional—it's inevitable." While some participants viewed social care as a future challenge to address, it was generally secondary to broader retirement savings concerns.

The ease with which interviewees understood the product varied. Some quickly grasped the concept, especially when compared to a pension scheme, while others required further clarification. The guarantee of lifelong income was an appealing feature, with one participant stating, "It sounds like a pension you set up for yourself, which is quite clever." However, some struggled with differentiating it from other financial products and wanted more details about how the guarantees worked. "I like the idea, but I'd need to know more about where the money goes and how secure it really is," one interviewee commented. At the same time, liquidity concerns were commonly expressed, underscoring the need for such a feature in the product. One interviewee asked, "I get that it's like a pension, but what happens if I need to take money out early?"

When considering the product's social care component, understanding was more limited. Many interviewees had not previously considered insurance or financial products specifically designed for social care, leading to a steeper learning curve. While some appreciated the concept of integrating social care planning into a broader retirement strategy, others were sceptical about whether it would adequately cover future costs. As one participant said, "I get the idea, but I don't know if this would be enough to cover real social care expenses." This highlights a need to demonstrate that the product could create a meaningful fund and the value of an added layer of income to fund those costs.

The most appealing aspects of the product were its guarantee of lifelong income and its ability to complement existing retirement options. For some, the ability to adjust contributions over time was a strong selling point. Others appreciated the low barriers to entry and flexibility, while a few saw potential value in an alternative to traditional market-based retirement savings.

Regarding purchasing preferences, opinions were mixed. Many saw workplace enrolment as the most convenient and credible avenue, particularly when offered alongside traditional benefits. One participant noted, "If my employer sent this out, I'd at least take a look. It's way easier than figuring it out on my own." Others preferred direct purchasing, particularly in cases where they perceived their employer's involvement as unnecessary or where they preferred to manage their retirement planning independently. Employer contributions were seen as highly desirable but not essential to adoption. If employers contributed, interest in the product increased significantly, but many interviewees were still open to enrolling without an employer match.

Concerns centred on the credibility of the provider, flexibility in accessing funds, and whether the product would truly deliver on its promises. Others wanted more clarity on how the product compares to existing insurance products, investment options, and pension schemes. Some participants questioned whether they would really have access to their funds in case of emergency or how changes in their financial situation might impact their ability to contribute. "I'd want to be sure I'm not locked in with no way out if my circumstances change," one interviewee said.

Overall, the likelihood of enrolment varied based on personal financial habits, trust in the product, and employer involvement. Those who already prioritise retirement savings and value financial security were the most enthusiastic. Among all interviewees presented with the product as designed, 57% expressed strong willingness to enrol, with 24% indicating they would commit immediately and 33% stating they were likely to participate but wanted more details.

Younger interviewees or those with a higher risk tolerance, were more hesitant, viewing it as an optional supplement rather than a core financial tool. Older participants found the idea of guaranteed income more compelling.

Across the board, education and clarity of communication emerged as critical factors in driving adoption. The interviews emphasised that ease of understanding and transparency would be necessary to overcome scepticism and encourage participation. "The easier you make it to understand, the more likely people will actually sign up," one participant advised.

When discussing contributions, amounts ranged from £50 to £500 per month, with a smaller group considering occasional lump-sum contributions. "I'd start small and see how it works, maybe £100 a month to begin with," one participant shared.

A few interviewees also mentioned the possibility of making lump-sum contributions, particularly from bonuses or tax refunds. Interviewees, at least 19% specifically stated they would consider making lump-sum contributions, with amounts depending on their financial situation at the time. "If I got a bonus, maybe I'd throw in a few thousand all at once," one participant shared.

## **6. Additional background**

Defined benefit pension schemes, which historically provided the guaranteed retirement income feature contained in this product, are becoming less common. Instead, most new employees are enrolled in defined contribution plans, which prioritise investment returns but often fail to provide a clear projection of how these investments will translate into sustainable income in retirement. As a result, and as described in our consumer research findings, many individuals are left uncertain about their long-term financial security.

Concurrently, employers are shifting the risks associated with their pension obligations to insurance companies through bulk purchase annuity transactions. These transactions allow employers to offload

their pension liabilities while insurance providers manage their long-term financial commitments. Insurance companies favour such arrangements, enabling them to accumulate long-dated assets, including illiquid investments (Legal & General, 2024). This aligns with the government's economic objectives of channelling capital into domestic infrastructure and growth initiatives (HM Treasury, 2022).

This product is uniquely positioned within this shifting landscape, offering a solution that allows insurance companies to engage with individuals at an earlier stage. Providing a pension-like experience on an individual level bridges the gap between the diminishing prevalence of defined benefit plans and the limitations of defined contribution schemes. This structure not only grants individuals a more predictable and secure retirement income stream but also leverages the expertise of insurance providers in managing long-term liabilities efficiently.

## **Conclusions**

Our qualitative research confirms that consumer anxiety regarding sufficient retirement savings and social care costs coexist and are driven by similar underlying causes. It also reveals that individuals are open to straightforward financial solutions that assist them in beginning to address these concerns.

Initial interviews indicated a general reluctance to enrol in a stand-alone social care insurance product. However, participants viewed a guaranteed layer of lifetime retirement income as the primary attractive feature of a more holistic solution. This aspect was seen as a highly appealing supplement to other retirement savings and pension programs. Consequently, this made the product more desirable and led to an increased acceptance of its social care funding and support features, enhancing its overall appeal.

As presented, the product concept strongly appeals to most interviewees. Among all interviewees presented with the product as designed, 57% expressed strong willingness to enrol, with 24% indicating they would commit immediately and 33% stating they were likely to participate but wanted more details.

The ease of enrolment and the ability to start with smaller contributions also appeal to the interviewees. Interviewees also expressed a desire to make periodic and lump sum contributions in amounts that could fund a meaningful supplemental retirement income layer and a meaningful social care fund.

The product was positioned as a privately funded insurance product, which appealed to the interviewees given their concerns about the state pension program. Tax favourability would increase its appeal.

This qualitative research should be expanded to a more robust and quantitative consumer receptiveness study. We also suggest constructing a more refined pricing model of the product to validate the value proposition. Finally, we recommend a macro study of such a product's impact on government social care spending and the avoidance of asset depletion by persons incurring social care costs.

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