

# Who gets to choose when you retire?

The government's recognised retirement age is moving further away from public perceptions of the ideal point to stop work.

Recent research by Aviva revealed that 60 is the most popular target age for early retirement. Perhaps unsurprisingly, it is also the most common early retirement age among those who have already stopped work. The main reason for early retirement was the same among both groups – “wanting to enjoy more freedom while still being physically fit and well enough to enjoy it”.

Coincidentally, the research favouring age 60 was published a couple of weeks after the government launched a second review of State Pension Age (SPA). The current SPA for men and women is 66, rising to

67 between 2026 and 2028. The increase to 68 is currently legislated to happen between 2044 and 2046.

However, in 2017 the first independent SPA review proposed that an SPA of 68 should be phased in seven years earlier – between 2037 and 2039. Everyone born after 5 April 1970 would be caught by such a change. While the government accepted the first review's 2037–39 recommendation, it decided not to revise the existing legislation until after the second SPA review, due no later than May 2023.

It is unclear whether that second review will prompt any change to the implementation date for an SPA of 68:

- On the one hand, the assumptions about the pace of future life expectancy improvements have been revised considerably since the first review. In 2017, the Office for National Statistics (ONS) projections were that a man aged 68 in 2039 would live for another 21.3 years and a woman, 23.2 years. The latest ONS projections, issued in January 2021, are 18.8 years and 20.8 years respectively, suggesting the 2037 start date should be abandoned.
- On the other hand, not raising the retirement age ramps up government expenditure because pensions for the relevant age group will begin a year earlier than anticipated. Based on UK population projections, that is about an extra 850,000 pensioners each year. In the long run, the lower life expectancy would even out the overall cost, but in the short term maintaining an SPA of 67 would hurt Treasury finances.

Whether or not the government continues with the 2037 starting date, the SPA will remain a minimum of six years beyond age 60. If you do not want to wait for your state pension before retiring, then it is essential to plan for your early retirement. The research that highlighted the popularity of 60 also discovered:

- Nearly half of early retirees said their finances took a hit as a result.
- Close to a quarter of those who returned to work after retiring early said that financial issues were the reason they did so.

The sooner you begin, the better. The state pension may not be generous, but if you retire early, it represents about £9,600 of annual income that will need funding until your SPA arrives.

*The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.*