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Lockdown not shutdown

How can we unlock the
longevity dividend post-
pandemic?



Finance and wealth
Pensions
Retirement
Consumption
Savings
Productivity
Personal finance

Acknowledgements

Thanks to members of the ILC Partners Programme for their support. This publication has only been possible due to their ongoing support.

Our Partners have been given advance copies of this report. The opinions expressed are those of the authors and do not necessarily reflect the views of our Partners.

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Summary

The wealth and spending power of older people is significant. Bringing this country out of the COVID-19 lockdown with a functioning economy depends on being able to unlock this power.

ILC research into the so-called "longevity dividend" in 2019 revealed that older consumers spent £319 billion (54% of all UK consumer spending) in 2018 – and that this was likely to increase to £550 billion (or 63p of every pound spent by consumers) by 2040.¹ Tackling the barriers that prevent older people spending could result in a boost that helps the UK economy recover.

But they're not spending as much of their wealth as we would expect – economists refer to this as "the retirement consumption puzzle". In 2015 our research found that UK retirees were saving £48.7 billion per year.²

This short policy report looks for the facts behind the retirement consumption puzzle. We tackle 10 potential answers to the question "why does spending fall with age".

¹ *Maximising the longevity dividend* (ILC, 2020) <https://ilcuk.org.uk/maximising-the-longevity-dividend/>

² *Understanding retirement journeys: Expectations vs reality* (ILC, 2015) <https://ilcuk.org.uk/wp-content/uploads/2018/10/Understanding-Retirement-Journeys.pdf>

Why does spending fall with age?

1. Our health gets worse
2. We don't know how long we'll live
3. We want to leave money to others
4. We don't need or want as much
5. We can't get to – or around – the shops
6. We can't find suitable products or services
7. PR, advertising and marketing agencies don't remember or understand us
8. Age discrimination
9. We don't have enough money
10. The digital divide

After examining these potential pitfalls, we believe there are three key priorities to help older people spend more:

- We must invest in preventative health. As our health gets worse, we spend less. And keeping us healthier for longer helps us work longer, as well as supporting spending on the things that are important to us.
- Products and places must be designed inclusively. For example, public spaces should cater for people who need to rest or use the toilet more often, and digital products should have control options that are easy to read and to manipulate.
- We must help people to get a better understanding of how long they're likely to live, and create financial products that offer financial security for their whole life.

We must be aware of age and ageing to maximise the longevity dividend. But an age-neutral approach is likely to reap rewards. Age discrimination penalises both the old and the young, and is at the heart of the retirement consumption puzzle.

Franklin D. Roosevelt's 1933-1939 New Deal sought to support economic and societal recovery following the Great Recession. Governments and campaigners around the world are increasingly discussing a "Green New Deal", with significant investment and legislation to address climate change and economic inequity.

The UK Government's Healthy Ageing Grand Challenge is a good start to engaging with the economic opportunities of an ageing population. But the economic crises facing us as a result of COVID-19 require much more. We need an "Ageing Society New Deal" alongside a Green New Deal if we are to maximise the economic opportunities of our ageing world.

All this is within the context of ensuring that new, more environmentally and socially sustainable products and services are equally attractive to older consumers. It helps no one in the long term to encourage unnecessary consumption by older people or any other consumer group.

Introduction

Just before Easter, social media was awash with posts shaming the public for buying chocolate eggs instead of restricting themselves to what the poster deemed to be 'essential' items. Then Police Chief Constable Nick Adderley suggested that the Northamptonshire Police should check whether people were making "legitimate, necessary" purchases.³ The Home Secretary soon stepped in to say that it wasn't appropriate for the police to introduce roadblocks or check supermarket trolleys.

As the Government relaxes lockdown rules, we should focus not on shaming consumption, but on how to encourage people of all ages to spend sustainably.

Recent OECD analysis in the Financial Times (FT)⁴ highlights the economic crises facing G20 countries as a result of the coronavirus pandemic. Economies across the world will be hit hard over the next 12 months, with growth in G7 countries predicted to be down between 20 and 30%.

Reversing this collapse in growth will be a priority for years to come.

Our ageing population represents an economic opportunity

Finding ways to help older consumers spend to their full potential must be part of the solution. 2019 ILC research into the longevity dividend revealed that older consumers spent worth £319 billion in 2018 (54% of all UK consumer spending), and that this was like to increase to £550 billion (or 63p in the pound) by 2040.⁵

³ <https://www.bbc.co.uk/news/uk-england-northamptonshire-52228475>

⁴ <https://www.ft.com/content/b427db58-77e6-11ea-af44-daa3def9ae03>

⁵ *Maximising the longevity dividend* (ILC, 2020) <https://ilcuk.org.uk/maximising-the-longevity-dividend/>

In recent years there have been a number of Government initiatives to support older consumers, and encourage businesses to respond to this growing market. These range from support for inclusive design to a pledge to invest £98 million into innovative goods and services, as part of the Industrial Strategy Grand Challenge on Healthy Ageing.⁶ Most recently the Government established a Longevity Council⁷ to advise on how best to use innovations in technology, products and services to improve the lives of our ageing population.

In the past, consumer spending patterns have always changed with age, moving to a focus on essentials. But ILC analysis⁸ has shown that people aged 50+ are now shifting their spending towards non-essentials like leisure. We predicted that the top growth sectors for older consumers would be: recreation and culture; transport; and household goods and services.

But businesses in the UK often fail older consumers in these sectors even though targeting this audience could be to their benefit. For example, the evening and night-time economy serves older consumers poorly, while many cities with fewer younger and more older people struggle to keep entertainment districts vibrant.

There is a sharp drop-off in spending at the point when we retire (partly due to the end in work-related spending) and then a further gradual fall as we age, with a particularly big decrease

⁶ UK Research and Innovation, (2019) <https://www.ukri.org/innovation/industrial-strategy-challenge-fund/healthy-ageing/>; A, Newell. (2003) 'Inclusive Design or Assistive Technology' in *Inclusive Design: Design for the Whole Population*, ed. J, Clackson et al., pp. 172–81; L, Etchell and D, Yelding. (2004) 'Inclusive Design: Products for All Consumers', *Consumer Policy Review*, 14(6) (November/December): 186–187

⁷ <https://ilcuk.org.uk/uk-longevity-council-must-seize-opportunities-and-address-challenges-of-ageing/>

⁸ *Maximising the Longevity Dividend* (ILC, 2020) <https://ilcuk.org.uk/maximising-the-longevity-dividend/>

after we hit our mid-to-late 70s.⁹ ILC research from 2015 highlighted the extent of this decrease.¹⁰ It found that:

- On average, people aged 80+ save around £5,870 each year
- Retired people in the UK save £48.7 billion in total each year (2.8% of GDP)

More recent research from the Institute for Fiscal Studies (IFS) showed that most people don't use their financial wealth in retirement; it ends up being bequeathed.¹¹

We can see this 'underspending' phenomenon in a number of countries across the world; economists describe it as the "retirement consumption puzzle".^{12 13}

This policy report isn't intended to answer the question of how to get people spending; nor is it intended as an academic treatise. Our intention is to prompt the Government, industry and individuals to consider what we must do to support spending in old age. We would also like everyone to question existing presumptions and prejudices about older consumers.

The spending power of this group is huge. Businesses and Government must engage with older consumers to maximise the longevity dividend and fully capture their contribution to our economy after the pandemic.

⁹ *Understanding retirement journeys: Expectations vs reality* (ILC, 2015)
<https://ilcuk.org.uk/wp-content/uploads/2018/10/Understanding-Retirement-Journeys.pdf>

¹⁰ *Understanding retirement journeys: Expectations vs reality* (ILC, 2015)
¹¹ *Retired people look set to bequeath rather than use most of their wealth* (IFS, 2018)
<https://www.ifs.org.uk/publications/13041>

¹² J. Banks, R. Blundell and S. Tanner (1998) 'Is There a Retirement Savings Puzzle?', *American Economic Review*, 88: 769-88.

¹³ *Understanding retirement journeys: Expectations vs reality* (ILC, 2015)

Why does spending fall with age?

The 2016 ILC report, *The Missing £Billions*, revealed that for each year that we live beyond 55, our average (equivalised) household expenditure (on food and groceries, eating out, clothing and leisure) declines by approximately 1%. The report predicted an overall drop in spending of approximately 17.1% by the time we reach 75.¹⁴

But why does this happen? There are a number of possible reasons.

Our health gets worse

Poor health is one of the biggest drivers of this gradual fall in spending.

*The Missing £Billions*¹⁵ highlighted the relationship between health and spending or saving decisions. For example, someone with a mobility issue, such as difficulty walking a relatively short distance, is likely to be less willing to leave the house. They're thus less likely to engage in social activities or spend money on them, especially in locations that aren't designed for inclusivity.

The report revealed that a walking difficulty is one of the biggest barriers to consumption among those aged 50+. After controlling for major socio-demographic factors, we found that people with a walking difficulty spend on average 14.5% less.

¹⁴ *The Missing £Billions* (ILC 2016) <https://ilcuk.org.uk/wp-content/uploads/2018/10/ILC-UK-The-Missing-Billions.pdf>

¹⁵ *The Missing £Billions* (ILC 2016)

The IFS has also highlighted the relationship between our health and the extent to which we spend our wealth in old age.¹⁶

In some countries, poor health would drive health spending. But in the UK, universal healthcare from the NHS means we don't need to spend as much of our wealth on our health as we age.

Despite the clear economic and social benefits of investing in preventative healthcare, preventative services are often the first to be cut in times of crisis. Spending on prevention remains consistently low at an average of 2-4% of total health spend across OECD countries.

The ILC's *Prevention in an ageing world* programme highlights the economic and social costs associated with failing to prevent ill health.¹⁷

The ILC report *Never too late* (part of our *Prevention in an ageing world* programme) argues that we need to:

- Democratise access to preventative interventions to tackle growing health inequalities;
- Inspire and engage people, communities, professionals and policymakers to take action to promote good health and prevent illness;
- Use technology to deliver preventative interventions effectively.¹⁸

The ILC *Global Longevity Dividend* report (to be published later this year) will examine the relationship between health and consumption in more detail.

¹⁶ *Use of Financial Wealth in Retirement* (IFS, 2018)

<https://www.ifs.org.uk/uploads/publications/bns/BN236.pdf>

¹⁷ www.preventionageingworld.org

¹⁸ <https://ilcuk.org.uk/never-too-late-to-prevent-ill-health-2/>

ILC thinks: The UK Government must focus on preventing ill health. The longer we have with good health, the more we're likely to continue spending on things that matter to us.

We don't know how long we'll live

ILC Partner Hymans Robertson regularly reminds us that we tend to underestimate our life expectancy.¹⁹ But because we don't know for sure how long we're going to live, we save money just in case.

In a world where fewer people enjoy annuities or final salary pensions, it is difficult for us to know how long we will have to make our money last. It's sensible to have precautionary savings. But this means too many of us end up with cash sitting in our bank accounts when we die.²⁰

Another factor influencing how we spend our wealth²¹ is the fear that we might need to pay for future care. Greater certainty from the Government about how much care will cost could help encourage older people to spend more money.

ILC thinks: Financial products like annuities would help us to manage our own longevity risk, and could give us confidence that we'll have enough money for that rainy day.

¹⁹ <https://ilcuk.org.uk/guest-blog-douglas-anderson-founder-of-club-vita-why-do-people-underestimate-their-longevity/>

²⁰ *Retired people look set to bequeath rather than use most of their wealth* (IFS, 2018) <https://www.ifs.org.uk/publications/13041>

²¹ *Use of Financial Wealth in Retirement* (IFS, 2018) <https://www.ifs.org.uk/uploads/publications/bns/BN236.pdf>

We want to leave money to others

Older people frequently mention leaving money to their children or grandchildren as a reason why they don't spend. But the number of people aged 50+ without children is slowly increasing – at present it's about 1 in 5²² – so whether this reason is true or not, it's becoming a less significant driver either way.

Some older people choose to find ways to give to their children before they die. But the amounts gifted by older people are often relatively small compared to their wealth. A 2010 ILC report showed that just one fifth of grandparents in England aged 50+ gave money to their grandchildren, for a total of £647 million.²³

One motivation for giving to your children and grandchildren while you're alive is control. It allows you to see and enjoy what they are doing with the money. It also allows you to have a degree of control over how it's spent. And if timed correctly, it may allow you all to avoid paying a proportion of the inheritance tax they would be liable for with a bequeathal.

ILC thinks: Our Government should explore whether changes in tax rules would encourage older people to give or spend earlier.

We don't need or want as much

Another reason our spending slows with age is that we don't need as much. Work is a big driver of spending; so when we

²² <https://www.independentage.org/ageism-plus/ageism-plus-blog/news-media/support-for-those-ageing-without-children>

²³ *Grandparental generosity* (ILC.2013) 2010 <https://ilcuk.org.uk/grandparental-generosity/>

retire, we no longer need as many new suits or lunches, and our commuting costs fall.

There's also the possibility that we simply don't value all consumer products in the way we did when we were younger. Previous ILC research has highlighted that while spending on essential goods and services remains constant through retirement, we spend less on non-essentials.²⁴

Perhaps many of us get to a point where we think we have enough clothes and furniture, and we don't want to keep up with the latest technology. If so, products or services that deliver connectiveness, tackle isolation, or simply make life easier (concierge services, for example) might be more popular.

ILC thinks: We should encourage innovation in services that are generally inclusive rather than focusing on physical products specifically designed for older people. Concierge services that help you get things done without leaving the house might be welcomed.

We can't get to – or around – the shops

Not only do we spend less as we grow older; many of us don't go out as much as we'd like. Based on original estimates from the *English Longitudinal Study of Ageing (2014/15)* (ELSA), *The Missing £Billions* revealed that only a small proportion of people aged 50+ engage in cultural activities (such as going to the cinema, theatre or museum) at least once a month.

²⁴ *Understanding retirement journeys: Expectations vs reality* (ILC, 2015)
<https://ilcuk.org.uk/wp-content/uploads/2018/10/Understanding-Retirement-Journeys.pdf>

Approximately 60% eat out at least once a month but over 40% would like to eat out more often.²⁵

Across the UK and much of the world, high streets are struggling and footfall is dropping. Recent statistics produced by PWC found that in the first half of 2019, 1,234 more stores closed than were opened.²⁶

The decline of the UK high street has primarily been blamed on the growth of online shopping, with 82% of people in the UK now shopping online, an increase of 53% from 10 years ago.²⁷ But the demography of the high street customer is ageing, while retailers and planners have failed to adapt to meet their needs. Older people complain that their needs are being ignored.

Public toilets have been closed; cafes and shops blare loud music; public spaces and shops rarely have anywhere to sit; public transport is poor or non-existent... Our towns and cities are failing us all. Fear of crime is also often cited as a reason to stay away, particularly in the evenings. And too often, spaces on the high street just don't feel welcoming for older people, or for anyone with disabilities or impairments.

For our high streets to survive they must become more inclusive. But our high streets needn't just survive – they can thrive. They can play a role in tackling loneliness as well as helping the UK economy succeed. Shared spaces on the high street could help strengthen intergenerational bonds, yet too many places fail to find ways of bringing the young and the old together. And a revitalised high street could even help us deliver more housing.

²⁵ *The Missing £Billions* (ILC 2016) <https://ilcuk.org.uk/wp-content/uploads/2018/10/ILC-UK-The-Missing-Billions.pdf>

²⁶ <https://www.theguardian.com/business/2019/sep/11/retailers-call-for-action-as-high-street-store-closures-soar>

²⁷ <https://www.kisbridgingloans.co.uk/finance-news/the-future-of-the-high-street/>

ILC Partner Anchor Hanover launched a campaign in 2018 called "Standing Up 4 Sitting Down," which sought to improve access to local high streets by increasing the amount of seating available for those who need it.

Equal access to the high street is key if we are to encourage spending. Micromobility technologies and initiatives to improve provisions for walkers and cyclists can really help older people navigate the "last mile" through retail spaces.

ILC thinks: Town planners must explore how a more inclusive high street could better support increasing numbers of older consumers.

We can't find suitable products or services

"If only people made things we wanted, we would buy it", is a frequent complaint from advocates.

It's one of the biggest clichés about older consumers, and to a certain extent, it may be true. But the reality is that our age doesn't make that much difference to what products we prefer.

Some older people might need products specifically designed to address a disability or age-related impairment. But one size doesn't fit all. It would help everyone if more mainstream products were designed to be accessible to all.

One design for all, not many designs for specific groups

Accepting that we're getting older isn't always easy; products specifically marketed for older people won't sell to those who don't see themselves that way. It's undoubtedly true that poorly designed products are harder for us to use if we struggle to get a good grip or find it difficult to read the instructions. But if you

address those problems and market the results as being for "old people", we'll think they're for someone else: someone older than us. Or if you promote a bath plug that changes colour when the water's too hot, and automatically stops overflows, as a disability product, many people won't consider it.

Individual innovators and businesses may see the potential of the older consumer and then try to create a product or service specifically for them, rather than considering inclusivity for all. We don't need a version of TripAdvisor for older people. But many of us might like a service that tells us which hotel room has a shower rather than a bath.

And if you label a particular product as being for a particular market, you can unintentionally influence how salespeople promote them, possibly reducing inclusivity. A salesperson recently told the author of this paper that they "didn't want a cupboard with shelves that pulled down lower" (allowing people of any height or range of physical ability to reach into it) because that was designed for "the elderly". If grab rails were to be introduced into all our homes instead of just those who had fallen over, we would soon see innovations in design.

In the main, innovators, manufacturers and retailers have realised that if they create something that doesn't work, it won't be used. So consumer products are much more accessible and usable than they once were.

The Ford Focus was designed with usability in mind. Its designers famously went to great lengths to model different disabilities and impairments, including using a high-tech suit to help them understand a range of different needs.²⁸ After its launch in 1998, it soon became the best-selling car in the world.

²⁸ <https://eandt.theiet.org/content/articles/2016/02/ageing-suit-helps-ford-engineers-think-differently/>

The company that makes OXO Good Grips products was founded on the principle of universal design – it launched its first products in 1990.

“OXO is dedicated to providing innovative consumer products that make everyday living easier. We study people—lefties and righties, male and female, young and old—interacting with products and we identify opportunities for meaningful improvement.”²⁹

OXO now sells over 1,000 products, which are available in mainstream shops.

Amazon have invested millions of pounds in creating packaging that's usable and accessible. It protects the product securely yet is also easy to open.

Ensuring products are well designed is important for everyone. And advocates must keep highlighting bad practice.

Specialist products aren't cool

Another cliché is that products for older people or those with disabilities are always ugly or unattractive. It has a core of truth but is arguably overplayed.

Disability equipment doesn't have to be ugly. Yet a quick Google search suggests that far too many products are.

There are beautiful walking sticks. There are attractive bathrooms for older people. The issue isn't that designers lack imagination. So why do we end up with unattractive products?

- Often the person using the product isn't buying it. It could be their children or their local authority. So aesthetics isn't at the top of the list when decisions are made.

²⁹ <https://www.oxouk.com/>

- Some of the most attractive products may fail on usability and inclusivity.
- There may be a fear that mainstream products won't do the job. An occupational therapist might think a product is ugly but have absolute certainty that it will be safe.
- Too many of us buy these products once a crisis is happening. We fall over and we don't have time to shop around – and we might be afraid of waiting for it to happen again. So we quickly buy something to help.
- Attractively designed products sometimes cost more. Buyers can be reluctant to pay more for a product just for aesthetic reasons – especially if it's not for them.

ILC thinks: We must encourage inclusive usable design for all, rather than creating special products for different groups. We must encourage designers and manufacturers to think of attractive design as another inclusive feature. We must encourage those buying on a large scale (like local authorities) to attach a value to choosing attractive products, along with all other considerations.

PR, advertising and marketing agencies don't remember or understand us

Despite a growth in interest in marketing to the over-50s, older people (particularly women) tend to be underrepresented and stereotyped in advertising campaigns. These campaigns tend not to target older people³⁰ and stock imagery is pretty poor.

In extreme examples, some imagery representing older people doesn't even show photographs of them as people, preferring

³⁰ *The Golden Economy* (ILC, 2010) <https://ilcuk.org.uk/wp-content/uploads/2018/10/GoldenEconomy.pdf>

to focus on symbolic images like wrinkly hands or a cane. Although it's primarily aimed at newspapers and online news sites, the [#NoMoreWrinklyHands](#) campaign is an example of how some are starting to protest this thoughtless use of imagery that dehumanises and promotes unhelpful representation of older people.

Our natural reluctance to acknowledge ageing is likely to be a significant reason why the marketing and PR industry avoid or struggle with targeting and representing older consumers. The idea that "old age is always ten years ahead of us" has been circulating for over a century and is just as relevant today.³¹

Because advertising and marketing is designed to appeal on an emotional level, the industry will often actively choose to sell to younger versions of ourselves because that's how we think of ourselves. While it may be a contributory factor, dismissing this as purely thoughtless decisions by younger people who don't "get" older consumers is just another ageist assumption.

However, it is clear that market research into older consumers is weak. Segmentation by age is poor, normally grouping together all consumers aged over 65, with some age cut-offs being as low as 50. This severely restricts marketing possibilities for targeting older consumers, whether they are addressed by age band or whether they're treated as any other consumer group and addressed by interests and behaviour.³²

As we age, we become more diverse in our interests, passions and how we engage with society. This makes it just as difficult, if not more so, to reach "older people", as to reach any other age group.

³¹ <https://quoteinvestigator.com/2019/02/05/old/>

³² *The Golden Economy* (ILC, 2010) <https://ilcuk.org.uk/wp-content/uploads/2018/10/GoldenEconomy.pdf>

There isn't one single "older" market; those who target older consumers may well choose to focus on identifying issues and passions, as they would any other target audience. If someone's a football fan, for instance, their age isn't relevant to selling them a TV channel package.

But it's still true that some of the businesses commissioning marketing and advertising simply aren't interested enough in older consumers.

ILC thinks: These industries are let down by a lack of leadership and a clear directive to target the lucrative older market. Much more market research is required to create better, more segmented data on older consumers, both to understand whether they respond differently to advertising and to effectively target them by interest rather than by age alone.

Age discrimination

Upper age limits for products and services are much less prevalent since the Equality Act in 2010 made age discrimination illegal, other than for certain financial products (for example insurance) that have evidence of differing risk levels based on age.

When we don't encourage businesses to think about older consumers as part of their ordinary marketing activities, they may indirectly exclude this group. They may use imagery only featuring younger people and designed to appeal to younger people. The language they use to describe old age may be uninspiring and indirectly discriminating.

Some companies only offer products and services online. As half of those aged 75+ are not regular internet users,³³ this is a form of indirect age discrimination.

ILC thinks: We have made progress with age discrimination in goods and services in the UK but we must work on raising awareness to limit indirect discrimination, as this is likely to still act as a barrier to consumption.

We don't have enough money

There are undoubtedly some older people who struggle financially; with the end of final salary pensions, pensioner poverty is expected to increase.

However, in the UK, public policy over recent decades has helped ensure that older people are not inevitably poorer than other age groups, with the introduction of benefits like pension credit.

For many older people, much of their wealth sits in housing. While equity release has been booming in recent years, it's still not easy to release the wealth sitting in property, and for some it may not be desirable.

This compounds the fact that older people tend to prefer to err on the side of saving, not spending.³⁴ In 2015, people aged 80+ were saving around £5,870 per year on average, with UK retirees saving around £48.7 billion each year (that's 2.8% of GDP). IFS analysis has highlighted that most financial wealth is

³⁴ *Understanding retirement journeys: Expectations vs reality* (ILC, 2015)
<https://ilcuk.org.uk/wp-content/uploads/2018/10/Understanding-Retirement-Journeys.pdf>

not used in retirement, and therefore is left to surviving relatives.³⁵ So some older people may not really lack funds but still be unwilling to spend.

What remains true, however, is that "the poor pay more".³⁶ Older people who aren't online, can't get to cheaper shops or are forced to accept more restrictive contracts due to a poor credit rating, and will find themselves paying more than their peers for essentials.

ILC thinks: There are significant inequalities in income and wealth among older people. Both the Government and the private sector must find ways to avoid penalising the less well-off to tackle the "poor pay more" challenge. This could involve special payment rates and/or methods to address the fact that the poor pay more for services that rely on credit ratings, like loans, phone contracts or utilities, and for products where there's an option to bulk-buy or buy better quality options if you can afford them.

The digital divide

Online shopping may be a solution to replace high street shopping for those who face barriers to visiting physically.

The number of older people who are comfortable going online and using digital technology is increasing. But the pandemic has highlighted the fact that digital exclusion remains a reality. This can have huge negative ramifications for individuals, communities and societies.

³⁵ *Retired people look set to bequeath rather than use most of their wealth* (IFS, 2018) <https://www.ifs.org.uk/publications/13041>

³⁶ https://en.wikipedia.org/wiki/The_Poor_Pay_More

Fewer than half of those aged 75+ are recent internet users.³⁷ And people aged 50+ who don't go online spend 28% less than those who do.³⁸ People who are digitally excluded may struggle to access vital goods and services, look after their health, and interact socially.³⁹ They may also miss out on the range of activities and services that are available to them online, both in terms of leisure activities as well as "essentials".⁴⁰

Fears around online payment

One of the reasons why some older people don't make online purchases is that they simply don't trust or won't use electronic payments. Many seem to have a strong preference for cash: over 70% of people aged 80+ pay cash for their food, compared to just over 50% of those in their 50s.⁴¹ A typical response seen in research by *Britain Thinks* for Age UK:

"I don't trust this PayPal business that they've got, I don't want to use my card, I just give them money and they do it."⁴²

There's also fear of fraud, being scammed or the perceived lack of security around online payment. Many older people consider the internet as a whole to be "an unsafe place". Physically

³⁷ <https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2019>

³⁸ *The Missing £Billions* (ILC 2016) <https://ilcuk.org.uk/wp-content/uploads/2018/10/ILC-UK-The-Missing-Billions.pdf>

³⁹ *Straddling the divide: Digital exclusion during COVID-19 and beyond* (ILC 2020) <https://ilcuk.org.uk/straddling-the-divide-digital-exclusion-during-covid-19-and-beyond/>

⁴⁰ *The Missing £Billions* (ILC 2016) <https://ilcuk.org.uk/wp-content/uploads/2018/10/ILC-UK-The-Missing-Billions.pdf>

⁴¹ J. Wells (2008) *An Inclusive Approach to Financial Products*, Annex 1, London: Age Concern

⁴² *Life Offline | What life is like for older people who don't use the internet*, (2015) https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/life_offline.pdf

visiting the bank or post office is often considered more secure than telephone or online banking. This is not only due to their (justified) fear of fraud but because many older people do not have knowledge of how to protect themselves online.⁴³

But attitudes needn't stay this way. Sweden has moved quickly towards a cashless society and only around one per cent of its GDP circulates in cash.⁴⁴ There are already retailers in the UK which only accept card payments. The coronavirus pandemic may hasten the trend towards cashless payment in the UK, with some retailers deciding that staff are better protected by avoiding touching notes and coins.

Making the digital world more accessible

There are alternatives for people who want to shop online. Pre-payment cards are available in high street stores. Some retailers are exploring using the telephone or alternative ways to pay for online purchases but there's still scope for innovation, including the possibility of choosing goods online but paying for them in a high street shop or other location.

Some direct-to-consumer businesses who provide telephone ordering systems have thrived due to demand from older consumers during the pandemic. In a recent ILC webinar, meal delivery service ParsleyBox highlighted how telephone sales had soared as older people who weren't online had few other choices.⁴⁵

During the first month of the lockdown, mainstream supermarkets reopened telephone lines for creating online

⁴³ *Life Offline | What life is like for older people who don't use the internet*, (2015)

⁴⁴ *Sweden's cashless society dream isn't all it's cracked up to be* (2020)

<https://www.wired.co.uk/article/sweden-cashless-society>

⁴⁵ <https://ilcuk.org.uk/webinar-bridging-the-gap-bringing-food-drugs-and-social-connections-to-the-home/>

orders to help customers deemed "vulnerable" to COVID-19 by the Government. Morrisons introduced a telephone service allowing vulnerable consumers to phone and order from a list of 47 essential items, while Sainsbury's has a full telephone ordering service.⁴⁶ Demand for these services has been very high:

"It is extremely busy so we can only urge customers to keep trying. Customers who have a vulnerable member in their household can register with us to receive this service." Sainsbury's⁴⁷

A recently published ILC paper on the digital divide in the context of the pandemic,⁴⁸ highlighted how companies are innovating to adapt digital products and services for older and "vulnerable" people. It gives examples of innovators:

- Making their products and services more inclusive;
- Taking the needs of the most vulnerable users into account;
- Adapting products to make them safely usable during the pandemic;
- Actively addressing digital exclusion in the community.

The report also explains how more retailers could help by ensuring technologies are easy to use and that services are accessible from the simplest web browsers and devices. And they could follow the lead of supermarkets by offering an additional phone ordering service for those who value human

⁴⁶ <https://www.thesun.co.uk/money/11393406/morrisons-phone-delivery-vulnerable-elderly/>

⁴⁷ *How to secure a Sainsbury's home delivery slot for a vulnerable person* (April 2020) <https://www.hellomagazine.com/cuisine/2020040187271/sainsburys-elderly-shopping-slot-online/>

⁴⁸ *Straddling the divide: Digital exclusion during COVID-19 and beyond* (ILC, 2020) <https://ilcuk.org.uk/straddling-the-divide-digital-exclusion-during-covid-19-and-beyond/>

connection or fear ordering online. The Government could also play its part; for example Greater Manchester local government has been providing free devices (and SIM cards) to those without the facilities to go online, helping disadvantaged groups to master digital skills, and showcasing the diverse range of ways they can use the internet. If this were to be funded nationally it could make a huge difference.

ILC thinks: It's disappointing that it has taken companies so long to recognise the need to adapt digital services, but the innovations being made as a result of the pandemic are a good start and should continue. The Government, banks and retailers should cooperate to make new approaches to online and offline payment accessible and useable for all, particularly to support online shopping for older consumers.

Conclusion

The potential spending power of older consumers is huge; as a country we will need to engage effectively with this group to help our economy recover from the effects of the COVID-19 pandemic.

But at the moment we aren't maximising the longevity dividend. The retirement consumption puzzle is real. Older people are not spending their wealth.

Lockdown has meant that anyone who still has an income has found it harder to actually spend their money. Older people as a group, who may be used to a fixed income likely to be unaffected by the pandemic, and who are more likely to be self isolating, will be finding it particularly difficult to spend.

As the name suggests, it is still hard to find evidence for the causes of the retirement consumption puzzle. The ILC believes that there is room for more research into the causes and issues on this front. But we also believe that there are already three key priorities for the UK's Government and industry:

- Investment in preventative health: As our health gets worse, we spend less. Keeping us healthier for longer helps us work longer and prevents barriers to spending.
- Inclusive design for products and places: We must remove the barriers that discourage older consumers (and others with disabilities or impairments) from public spaces and make some mainstream products less attractive to them.
- We need to ensure people have a better understanding of how long they might live and create innovation to develop financial services products that support spending throughout our later lives.

The overarching message is that while we must be aware of age and ageing, age-neutral inclusion is likely to reap rewards. Age discrimination penalises old and young, and lies at the heart of the retirement consumption puzzle.

Franklin D. Roosevelt's New Deal in the 1930s sought to support economic and societal recovery after the Great Recession. Governments and campaigners across the world have been increasingly interested in the idea of a Green New Deal, which would involve significant investment and legislation to address climate change and economic inequity.

The UK Government's Healthy Ageing Grand Challenge is a good start towards engaging with the economic opportunities of an ageing population. But the economic crises facing us as a result of the COVID-19 pandemic require much more. We need an "Ageing Society New Deal" alongside a green one, if we are to maximise the economic opportunities of our ageing world.

A case for sustainable consumption

This paper doesn't seek to encourage frivolous or unnecessary consumption. Climate change will hit older and younger people equally hard. Excessive waste and unnecessary products are adding to pollution and environmental degradation, putting significant pressure on our ability to live healthily and happily.

We need to ensure that more environmentally and socially sustainable products and services are attractive to older consumers. Encouraging sustainable consumption that enhances wellbeing should be the priority.

What happens next

In 2019 ILC published *Maximising the longevity dividend*,⁴⁹ building on our work studying older consumers over the past decade. This year we plan to produce a report on the *Global longevity dividend*, and to take the messages directly to G20 finance ministers.

We are working with the ILC Global Alliance to explore the interrelationships between climate change and longevity.

Over the last year we've been running a programme of work focussing on understanding how we can best prevent ill health across the life course, *Prevention in an ageing world*. We will continue this work over the next 12 to 18 months.⁵⁰

We intend to continue our work on the future of the high street.⁵¹

We welcome further engagement and thoughts on this paper.

⁴⁹ *Maximising the longevity dividend* (ILC 2019) <https://ilcuk.org.uk/maximising-the-longevity-dividend/>

⁵⁰ <http://preventionageingworld.org/>

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Published in July 2020 © ILC-UK 2020

Registered Charity Number: 1080496.