Public Policy Statement – Executive Summary

Income and Finances

July 2025

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Background

Age Cymru believes that older people should enjoy a regular income which enables them to live comfortably and participate in society. We believe that older people should have financial autonomy and security, and that they should never have to experience a dramatic reduction in their standard of living as they move into later life.

For most older people in Wales, 'income' encompasses a range of different financial sources, regardless of whether one is a pensioner or not. These sources include the State Pension, workplace pensions, welfare benefits and entitlements, and wages from paid employment.

When Age Cymru's last policy statement was released in 2018, the finances of older people in Wales were experiencing a transformation. The period between the mid-1990s and early 2010s had seen a rapid improvement in older people's financial situations, with growing private pensions and state benefit increases leading resulting in pensioner poverty dropping from around 30% in the early 1990s to just 13% in 2012-13.[1] However, pensioner poverty began to creep up again over the 2010s, following the fallout from the 2008 global economic crisis, with those who relied on the State Pension and benefits (rather than private pensions) hit hardest.[2] At the same time, the population of Wales continued to age, increasing the number of people claiming the State Pension and pension-related benefits.[3] Evidence also suggests that the austerity programme of the 2010s had a harmful effect on older people's health, resulting in a further reduction in wage income and a greater dependence on benefits.[4] By 2018, the population of Wales was becoming older, unhealthier, more unequal and more reliant on government support.

The intervening years have seen a speeding up of these trends, fuelled primarily by the Covid-19 pandemic and the start of the Ukraine War in 2022. The beginning of the pandemic saw a brief drop in pensioner poverty, as emergency government support provided temporary relief.[5] Once this support ended, however, pensioner poverty returned to its upward trajectory. In part, this was a matter of public health: the pressure placed by the pandemic on NHS services resulted in an overall reduction in population health as appointments were cancelled or delayed, placing more people in precarity as their income decreased and/or they were pushed

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[1] Joseph Rowntree Foundation, *UK Poverty 2024* (January 2024), https://www.jrf.org.uk/uk-poverty-2024-the-essential-guide-to-understanding-poverty-in-the-uk.
[2] Jonathan Cribb, Anna Henry, Heidi Karjalainen, *How have pensioner incomes and poverty changed in recent years?,* Institute for Fiscal Studies, July 2024, https://ifs.org.uk/publications/how-have-pensioner-incomes-and-poverty-changed-recent-years.
[3] Welsh Government, *Age friendly Wales: our strategy for an ageing society* (October 2021), https://www.gov.wales/age-friendly-wales-our-strategy-ageing-society-html.
[4] Carys Pugh, Chima Eke, Sohan Seth, Bruce Guthrie, Alan Marshall, 'Frailty before and during austerity: A time series analysis of the English Longitudinal Study of Ageing 2002-2018', *PLOS One* (February 2024), https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0296014#sec017.
[5] Joseph Rowntree Foundation, *UK Poverty 2024*.

towards private healthcare.[6] The financial aftershocks of the pandemic were subsequently worsened by the period of rapid inflation (popularly termed the 'cost-of-living crisis') that began in 2022, linked to global trade disruption sparked by the Ukraine War. This crisis reached a high point in October 2022, when inflation stood at 9.6%.[7] Although inflation would return to more manageable levels by 2024, the older population of Wales is still feeling the effects of the cost-of-living crisis: as of May 2025, 1 in 6 older people in Wales were living in relative income poverty.[8]

This period has also seen changes in the way that older people manage their finances. Chief among these has been the shift from face-to-face to digital financial services, which has seen 395 (out of 560) bank branches in Wales close since 2015.[9] While some older people are happy to use digital financial services, there are also who feel that digital services reduce their ability to manage their personal finances, and thus their financial autonomy. This is particularly true of the roughly 170,000 adults in Wales who are digitally excluded (most of whom are older) but also applies to people who feel safer dealing with bank staff face-to-face, especially at a time when online fraud is increasingly common.[10] Financial transactions have likewise become increasingly digitised, with card or phone payments gradually taking the place of cash. Again, while many older people have adapted to this change, others feel that the digitisation of transactions makes it harder to manage money and exposes them to greater risk of financial crime.

This policy statement therefore comes at a time when older people in Wales are facing significant financial instability. Higher inflation, reduced public services, tightening benefits eligibility rules, an ageing population and the digitisation of financial services and commerce – all continue to play their part in exacerbating the financial precarity of over-50s in Wales. With the charity Independent Age predicting that 1 in 4 older people in the UK will be living in poverty by 2040 (a figure likely to be higher in Wales) it is now vital that policymakers explore new ways to ensure that older people are able to afford to live long, healthy lives in future.[11]

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[6] Age Cymru, *What matters to you? – Current experiences of people aged 50 or over in Wales – August 2024* (August 2024), https://www.agecymru.wales/our-work/policy/annual-survey/.

[7] Office for National Statistics, 'CPIH ANNUAL RATE 00: ALL ITEMS 2015=100', 21 May 2025, https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23.

[8] Work and Pensions Committee, 'Wales' pensioner poverty approach examined by MPs in Cardiff', 12 May 2025, https://committees.parliament.uk/event/24198.

[9] Josh Wilson, 'Bank branch closures: is your local bank closing?', *Which?*, 23 May 2025, https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-ayYyu4i9RdHy.

[10] Digital Communities Wales, 'Digital Inclusion in Wales', https://www.digitalcommunities.gov.wales/digital-inclusion-in-wales-2/; National Economic Crime Centre, *National Economic Crime Centre Annual Report 2023-2024* (2024), https://www.nationalcrimeagency.gov.uk/who-we-are/publications/730-national-economic-crime-centre-annual-report-2023-2024/file.

[11] Independent Age, 'Pensioner poverty could almost double in next 15 years: new research predicting a surge in financial hardship in later life', 11 June 2024, https://www.independentage.org/news-media/press-releases/pensioner-poverty-could-almost-double-next-15-years-new-research.

The Income and Finances policy statement covers 5 policy areas relating to different aspect of older people's income and finances. These are: the State Pension, private and workplace pensions, welfare benefits, living on low income, and financial services. The aim of this statement is to explore the key changes that have affected older people's income and finances over the past seven years, and to recommend policy changes that will maintain a secure income for older people in Wales, ensuring that they can live in good health, security and dignity for the rest of their lives.

Note: This executive summary makes occasional reference to related matters such as employment, housing and safeguarding. For more detail on Age Cymru's policy positions on these, please see the relevant public policy statements on the Age Cymru website.

Executive Summary

Age Cymru believes that no one should have to experience financial uncertainty in later life. The Income and Finances policy statement offers policy recommendations to ensure that older people in Wales receive an income that is high enough to give them a good standard of living, regular enough to avoid a sudden loss of security, and accessible enough to allow them financial autonomy.

This executive summary covers policy matters relating to both devolved and reserved powers. Where possible, we have linked individual recommendations to the relevant authority, whether UK Government, Welsh Government or local authorities.

Our recommendations are as follows:

1. **State Pension**

The State Pension guarantees a basic level of financial security in later life that is vital to personal health and wellbeing. As such, the State Pension must remain a non-negotiable right for all people of pension age. Age Cymru supports the continued use of the Triple Lock mechanism for maintaining financial parity between pensioners and the rest of society and believes that the Triple Lock should be extended to wider elements of the State Pension, such as the Additional Pension.

Changes to the State Pension age must be communicated clearly and in a timely manner (i.e., a minimum of ten years' notice). Greater financial support should also be offered to people aged 60+ who are physically unable to work up to the State Pension age, due to health conditions, disabilities, long-term caring responsibilities or other factors.

2. **Workplace pensions**

The last two decades have witnessed the rise of Defined Contribution pension schemes, which offer greater flexibility but also greater risk to savers. Age Cymru believes that workplace pension providers must offer accurate and accessible information to employees who hold Defined Contribution pensions so that they can better manage their money in preparation for later life. At the same time, pension providers should be more proactive in managing investments to guarantee good outcomes for pension holders after they retire.

The UK Government, Financial Conduct Authority and pensions industry should develop new 'retirement income pathways' to help people make the most of the Defined Contribution system's flexibility by guiding them through the product market to avoid poor investment choices, scams and unnecessary charges. As part of this effort, the UK Government should trial an auto-appointment system for Pension Wise to direct savers automatically towards impartial pensions guidance.

3. Welfare benefits and entitlements

To alleviate the growing reliance on welfare benefits and entitlements, the UK and Welsh Government should direct greater public spending towards services that have a clearly positive impact on quality of life. These include healthcare, social care, social housing and green spaces, among others.

Age Cymru also supports multiple adjustments to the current benefits system. Firstly, the Department for Work & Pensions (DWP) should reduce the complexity of the benefits system, thereby making it easier, less time-consuming and less mentally strenuous for people to navigate the benefits application process. The DWP should also work with the Welsh Government and local authorities to encourage take-up of Pension Credit, e.g., via a targeted campaign. Those who are eligible for Pension Credit should also be automatically alerted to other benefits for which they may be eligible.

Age Cymru recommends that any major legislative changes to the benefits system should not be made suddenly and should be given a long lead-up time to allow people to adapt their financial situations. This is to avoid placing people in sudden financial precarity.

Lastly, the Welsh Government should work with cultural and charity sector to break down the still widespread social stigma around claiming benefits. Instead, a narrative of solidarity with those who need to claim benefits should be encouraged.

4. Living on a low income in later life

UK Government policy must avoid (as far as is possible) creating circumstances that place sudden inflationary pressure on the cost of living, particularly those costs relating to energy, food and care. On energy, the UK Government should work with the Welsh Government to develop a social tariff for people living on lower incomes.

Greater resources should be invested by the Welsh Government in formally accredited financial advice services, whether provided by public bodies or charities. These services play a vital role in helping older people to maximise their personal incomes and insulate themselves against financial precarity.

Further research should be undertaken into the situation of those older people in Wales who live in ‘asset rich, cash poor’ circumstances.

5. Financial services

The closure of high street banks limits older people’s financial autonomy and security, particularly in rural areas. Age Cymru therefore recommends that banks consult with communities before deciding on branch closures to ensure that face-to-face banking services do not become inaccessible for older people. At the same time, we support the expansion of banking services available in Post Office branches and urge the Post Office to work with banks on building a network of trained financial advisers. Age Cymru also supports the expansion of banking hubs to cover all major settlements across Wales, with at least one hub in each of the 22 local authorities.

Age Cymru also supports the right of older people to access and use cash when paying for small transactions, as many people find it easier and safer to manage cash than electronic payments. We recommend that businesses continue to accept cash as a valid form of payment and ensure that staff are trained to handle cash transactions. We also call upon the UK Government to legislate to maintain enough free ATMs across the country that no one struggles to access cash for free.

List of public policy proposals

1. State Pension

- Access to the State Pension must remain a non-negotiable right for all people of pension age in Wales, guaranteeing a basic level of financial security in later life.
- The Triple Lock policy must be maintained as a robust means of maintaining financial parity between pensioners and the rest of society.
- The Triple Lock should be extended to apply to other elements of the State Pension, such as the additional pension.
- The UK Government must improve the level of public communication about any future changes to State Pension age and produce timely and clear State Pension forecasts. Any future changes to State Pension age should provide a minimum of ten years' notice of any change.
- Greater financial support should be offered to people aged over 60 but who are unable to work up to pension age, whether due to disability, health conditions, long-term caring responsibilities, or other issues. This financial support could take the form of a one-off reduction in the pension age, or of the introduction of a new benefit to people aged 60+ who are unable to work.

2. Workplace pensions

- Workplace pension providers must offer accurate and accessible information to employees who hold Defined Contribution pensions so that they can better manage their money in preparation for later life.
- The UK Government, Financial Conduct Authority and pensions industry should develop new 'retirement income pathways' to help people make the most of the Defined Contribution system's flexibility by guiding them through the product market to avoid poor investment choices, scams and unnecessary charges.
- The UK Government should trial an auto-appointment system for Pension Wise (a government-backed MoneyHelper service), to push savers automatically towards impartial pensions guidance.
- Pension providers should be more proactive in managing investments to guarantee good outcomes for pension holders after they retire.

3. Welfare benefits and entitlements

- The UK and Welsh Governments should direct greater public spending towards services that have a direct impact on quality of life (e.g., healthcare, social care, affordable housing, etc) to reduce individual reliance on benefits.
- Adequate time should be given to warn people about planned changes to benefits and entitlements. In addition, the UK Government avoid making

repeated changes to the same benefit in a short space of time (as in the case of the Winter Fuel Payment over 2024-25), as this creates financial uncertainty for older people.

- The Department for Work and Pensions (DWP) should reduce the overall complexity of the benefits system, making it easier and less time-consuming for people to navigate the benefit application process.
- The Welsh Government should work with the DWP and local authorities to produce a targeted campaign to encourage take-up of Pension Credit.
- People who are found to be eligible for Pension Credit should be automatically alerted to other benefits for which they may be eligible.
- The Welsh Government and public bodies should work with other sectors (e.g., charities, cultural sector) to break down social stigma around claiming benefits and instead build a narrative based on solidarity with those living in poverty.

4. Living on a low income in later life

- The UK Government must where possible shape its policies to avoid sudden inflationary pressure on the cost of living. This is particularly true for costs relating to energy, food and care.
- The UK Government should work with the Welsh Government and utilities sector to develop a social tariff on energy use for people living on low incomes.
- The Welsh Government must invest greater resources in financial advice services, whether provided by public bodies or the third sector, to help older people maximise their personal incomes and insulate themselves against financial precarity.
- Further research should be undertaken into the experiences of older people in Wales who live in a consistently ‘asset rich, cash poor’ financial situation.

5. Financial services

- Banks should consult with communities before deciding on branch closures to ensure that face-to-face banking services do not become inaccessible for local people and therefore reduce their financial autonomy.
- Post Offices should expand the number of banking services available in-branch and should negotiate with banks to develop a more widespread network of trained financial advisers.
- Banking hubs should be expanded to cover all major settlements across the 22 local authorities of Wales.
- Businesses should accept cash as a valid form of payment and ensure that staff are adequately trained to handle cash transactions.
- The UK Government should legislate to maintain enough free ATMs across the country so that no individual struggles to access cash.