

STATE PENSION LASTS ONLY ONE DAY IN NORTH WEST

**... National 'Living on a State Pension' experiment sees participants run out of money
by day three ...**

- North West participants in national experiment last only 1 day on a state pension**
- Experiment dashes hopes for a retirement of fine dining and
holiday homes in the sun**
- 69% of adults in North West expect to rely on credit in retirement**

The state pension* lasts UK 'pensioners of tomorrow' just over three full days according to a report published today by AXA. This is the conclusion of a unique 'Living on a State Pension' experiment conducted among adults from across the UK as part of the year long financial social experiment, AXA Avenue. Participants from the North West lasted considerably less than the national average, running out of money after just one day against a national average of three days, and overspending significantly even while trying hard to budget.

As the pension debate continues to gather pace, AXA challenged 26 households, including couples and single people, to live off the equivalent disposable basic state pension. The research found that:

- Having started the experiment on Thursday, the national day for collecting the pension, the households had used their entire week's allowance by the time they sat down for Sunday lunch
- 28% of average spending went on drink, tobacco, papers, leisure activities and gambling
- The highest overspend was £327.18
- The lowest overspend was £0.54
- Only one household lasted the entire week on their pension with £4.36 remaining

Carole Kenny, 44, is a housing support officer living in Salford, with her three children. Carole hopes to be able to retire at 55 but the experiment showed how difficult it would be to live on the state pension. Based on her current fixed outgoings Carole had £42.55 to live on for one week. She spent £61.71.

"I decided to save on petrol by getting the bus to the shops and walking back. I normally buy rounds when I go out but this week I had to make one drink last all night!," said Carole. "Before the experiment I thought I would rely on the state, now I plan to try and make some provision of my own. I also don't expect to be able to retire until 60 which is older than I had hoped."

Office worker Stefano Beneditto, 50, rents a semi-detached property in Bolton. Based on his current fixed outgoings Stefano only had £5.05 of the basic state pension to live on for one week. Stefano actually spent £74.52 in spite of moderating his social life.

“When I went to the pub I only had two pints instead of five or six. I was constantly watching what I spent. I am not far from retirement age and am concerned about the future. I am going to try and find out more about what I can expect and how I can help increase the weekly amount I will get – this experiment has made me realise that I can’t just ignore what income I’ll have in retirement anymore.”

Sales administrator Wendy Keers and her husband Owen, a transport manager, have three children and own a three bed semi in Manchester.

Wendy, 46, and Owen, 39, have given a little thought to planning their finances for retirement but know they would like to retire at 60. Since the experiment they have both agreed to put their plans for improving their pensions into place.

Based on their fixed costs Wendy and Owen were given £59.05 to live on for the week of the experiment. They actually spent £162.14.

“I’m not surprised you don’t see many fat pensioners!,” said Wendy. “To be honest, we are finding it quite traumatic to think most pensioners have worked a lifetime only to struggle in their retirement. They should be able to enjoy nice things without having to panic over money. How do pensioners manage to save for holidays?”

The ‘Living on a State Pension’ participants were all planning a retirement of some twenty to thirty years. They envisaged filling their post-work years with all of the leisurely activities they are unable to do whilst holding down a full time job. However, the results of the experiment have highlighted to this select group the plight of today’s pensioners, and has somewhat dampened their luxurious outlook for their own retirement**.

Despite the proof that people fail to survive on a pension even when carefully budgeting, national research*** from AXA has found that people still have incredibly grand plans for their golden years.

Plans for retirement	Percentage / number of adults planning to enjoy in retirement ...	Percentage / number of adults in the North West planning to enjoy in retirement ...
At least one annual holiday	74% (27.8m)	73% (3.4m)
Weekend breaks / day trips	71% (26.84m)	77% (3.6m)
Eating out	71% (26.64m)	77% (3.6m)
Running a car	67% (25.17m)	69% (3.2m)
Being able to treat the children / grandchildren	63% (23.8m)	60% (2.8m)
Go to the cinema / theatre	51% (19.25m)	52% (2.4m)

Take part in leisure and sporting activities	50% (18.9m)	54% (2.5m)
Improve the family home / garden	50% (18.9m)	48% (2.3m)
Own a place in the sun	39% (14.78m)	39% (1.8m)
Have botox or cosmetic surgery	6% (2.22m)	4% (172,000)

So how are we planning to fund this retirement of plenty? AXA's national research has uncovered a worrying trend, with some 17.13m adults, 45% of the adult population, expecting to use credit cards in retirement and the percentage increases as people get older.

Seven out of ten people (69%) in the North West expect to be reliant on credit in retirement with 44%, expecting to still use credit cards and 12% expecting to have an overdraft to help them survive in retirement. Almost one in three people (31%) in the North West, believe they will not be using any form of credit when they retire, compared to a national average of 26%.

The experiment has highlighted not only the difficulty of living off the basic state pension but the fact that many UK adults are unsure when it comes to retirement planning.

Before the experiment 11% of the participants were planning to rely on the state pension in retirement. After the experiment all but one of those participants understood that they had to take personal steps towards planning their income in retirement. The experiment also encouraged participants to think more carefully about their long-term financial stability. After the experiment 62% of the group (compared to only 25% before the experiment) were planning to take immediate action to understand and improve their income and expenditure for their retirement.

Colin Nelson, AXA, commented, *"The results from our 'Living on a State Pension' experiment highlight some worrying trends in the North West. The fact that we struggle to survive on this small amount is not surprising in itself but it is peoples' attitudes towards funding their retirement that concerns us most. The experiment has acted as a wake up call for those who took part; now we want to communicate that to the rest of the nation.*

"With AXA Avenue we are dedicated to helping people better manage and understand their finances. People have to understand that retirement is not going to be the care-free time we all hope for unless we plan for the expense."

For a copy of the full AXA Avenue Quarter Three Review Report, including a financial update of the participants' progress please go to www.axa.co.uk/avenue.

Notes to editors:

Case studies and photography from AXA Avenue are available. Please call Laura Campbell / Billy Partridge on 020 7282 1081 / 020 7282 2863.

* Methodology for the 'Living on State Pension' experiment

- 26 households participated in the 'Living on a State Pension' experiment. There are 36 participants in total –singles and couples – from all over the UK. Participants are aged between 30 and 50 years.
- At the start of the experiment each household made a list of their weekly standard fixed costs, such as council tax and utility bills.
- The total of the weekly standard fixed costs was then deducted from the average weekly state pension (including the minimum pension credit allowance) for either a single person (£114.05) or a couple (£174.05). This helped to ensure that the participants were living off the actual disposable income that many of today's pensioners have to live on.
- Each household was provided with their weekly 'state pension' allowance.
- The experiment ran from Thursday to Wednesday – to mirror the timings of the real state pension.
- For one week each household carefully recorded everything they spent, from groceries to travel, how long their allowance lasted and their observations about trying to live on that amount for one week.
- The experiment took place throughout July 2006. Participants chose which week in July they wanted to manage on the basic state pension:
 - 6th July – 12th July
 - 13th July – 19th July
 - 20th July – 26th July
 - 27th July – 2nd August

** For an interview with one of the participants please contact Laura Campbell or Billy Partridge on 0207 282 1081. Detailed reactions from all households can be found in the AXA Avenue Third Quarter Review: Planning for Retirement Report.

*** Data based on research conducted by TNS among 1013 people over 16. Fieldwork completed between 10th – 14th August 2006.

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**About AXA Avenue

The 'AXA Avenue' social experiment launched on 4 November 2005 and will last for one year.

The overall aim of this experiment is to use financial education and planning to help to try to tackle the UK's chronic money problem by offering half the households (the active group) access to expert advice while the others (the control group) are left to their own devices.

About AXA

AXA Group is a worldwide leader in Financial Protection. AXA's operations are diverse geographically, with major operations in Western Europe, North America and the Asia/Pacific area. AXA had €1,091 billion in assets under management as of June 30, 2006, and reported total revenues of €41 billion and underlying earnings of €2,090 million for the first half of 2006.

AXA ordinary shares are listed on the Paris Stock Exchange; AXA American Depositary Shares (ADSs) are listed on the NYSE under the ticker symbol AXA.