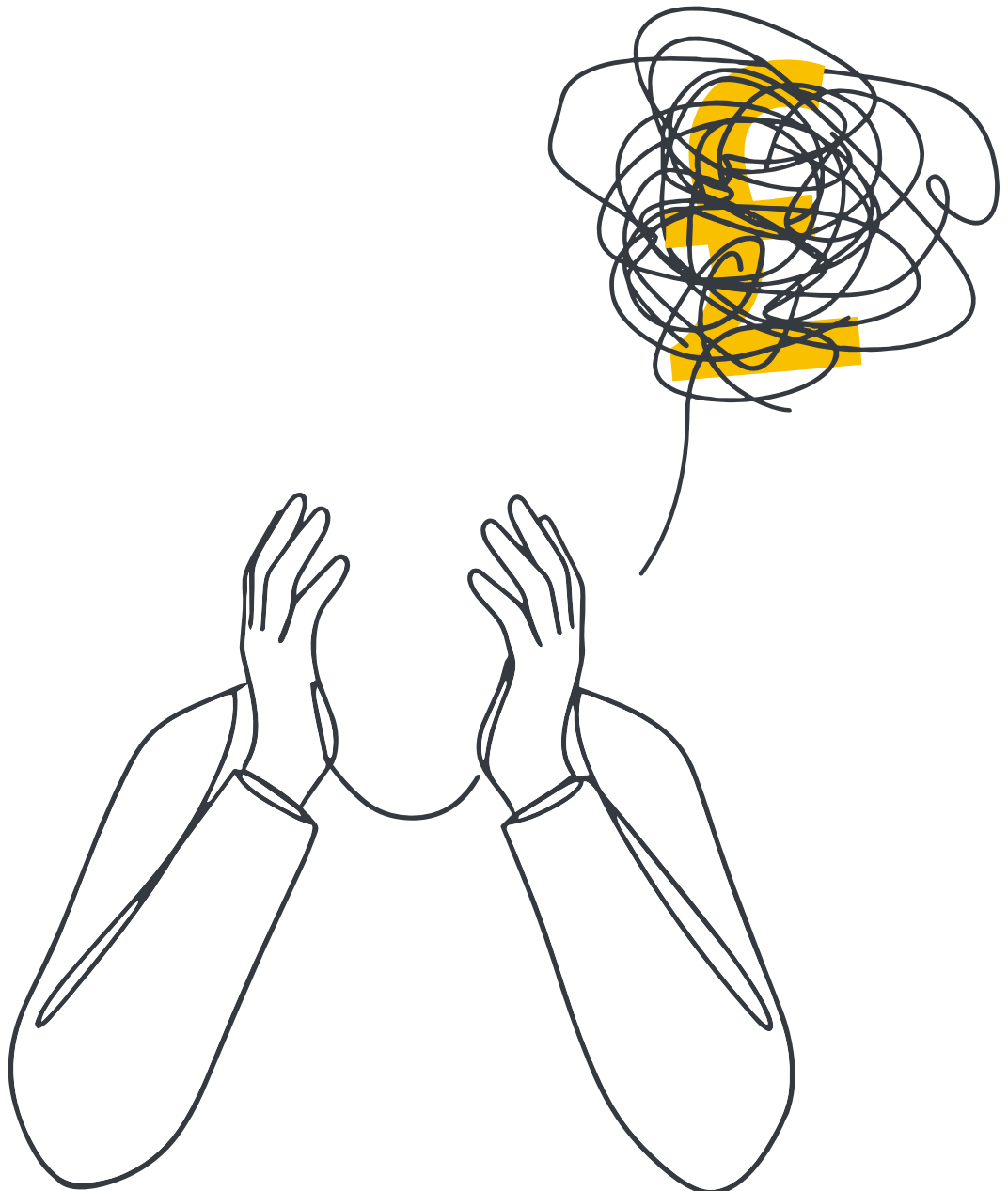


Sick, Tired and Never Retired?

The impact of ill health on future financial security
for the chronically sick and disabled



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Introduction

Unpredictable life setbacks are among the most significant causes of financial insecurity. Job loss and relationship breakdown are well-documented examples of this, but perhaps least understood is the long-term financial impact of becoming chronically ill or disabled.

In 2023, PensionBee examined the retirement consequences of caring responsibilities in its [Carers' Pension Gap report](#). This report turns to those being cared for: disabled people and those living with chronic illness. With the number of working-age and young people reporting disability rising sharply, and a Government review into disability benefits currently under way, PensionBee sought to build a more clearly defined picture of how health status affects long-term financial outcomes.

The findings of the Second Pensions Commission reinforce the urgency of addressing the long-term financial consequences of disability. The Commission's [interim report](#) warns that around 4 in 10 working-age people are undersaving for retirement and highlights that pension participation gaps are particularly acute for disabled people, carers and some ethnic minority groups. It also notes that almost half of working-age people are not saving into a pension in a typical month, with many excluded from pension saving altogether because of automatic enrolment thresholds or insecure work patterns. These findings support the conclusion that disability-related pension disadvantage is not a niche issue but part of a broader structural challenge facing the UK retirement system.

Prevalence of disability

For the purposes of this report, 'disability' follows the definition set out in the Equality Act 2010: a physical or mental impairment that has a substantial and long-term negative effect on a person's ability to carry out normal day-to-day activities. This includes chronic ill health and invisible illness where these affect normal function.

One in four people in the UK is now disabled - up from one in five a decade ago¹. The number of disabled people increased from 12.9 million (20%) in 2014-15 to 16.7 million (25%) in 2024-25, an increase of 3.8 million people, according to the most recent [Family Resources Survey](#) by the Department for Work and Pensions. Almost all of this rise has come from increases among children and working-age adults.

The proportion of disabled children increased from 7% to 12% over the past decade - a near-doubling in ten years.

- Among working-age adults, the proportion rose from 17% to 23% - an increase of six percentage points.
- The proportion of disabled pensioners has remained broadly stable, between 42% and 46%.

Healthy life expectancy is also declining. According to the Office for National Statistics, men in the UK can now expect to live in good health until an age of 60.7 years, and women until 60.9 years (2022-24) - a reduction of 1.8 years for men and 2.5 years for women from 2019-21². This trend has direct implications for retirement policy, which continues to assume an ability to work until age 67.

The Second Pensions Commission also acknowledges the tension between policies encouraging longer working lives and the realities of worsening health outcomes. While the Commission argues that longer working lives are increasingly necessary for pension adequacy and fiscal sustainability, it also recognises that working longer is "easier for some people than others", and identifies people with disabilities among the groups facing structural barriers to pension saving and later-life financial security.

The scale of informal care reflects the same picture. Eight in every 100 people provide unpaid care to someone else; 10% of those care for more than one person. Five in every 100 people receive care each week, with 40% of those receiving continuous care, according to the latest Family Resources Survey.

Notably, PensionBee's research found that 50% of people who meet the legal definition of disability do not claim disability benefits - a significant gap between need and support received.

¹ <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2024-to-2025/family-resources-survey-financial-year-2024-to-2025>

² <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/healthstatelifeexpectanciesuk/between2011to2013and2022to2024>

Youth disability: an alarming and underappreciated trend

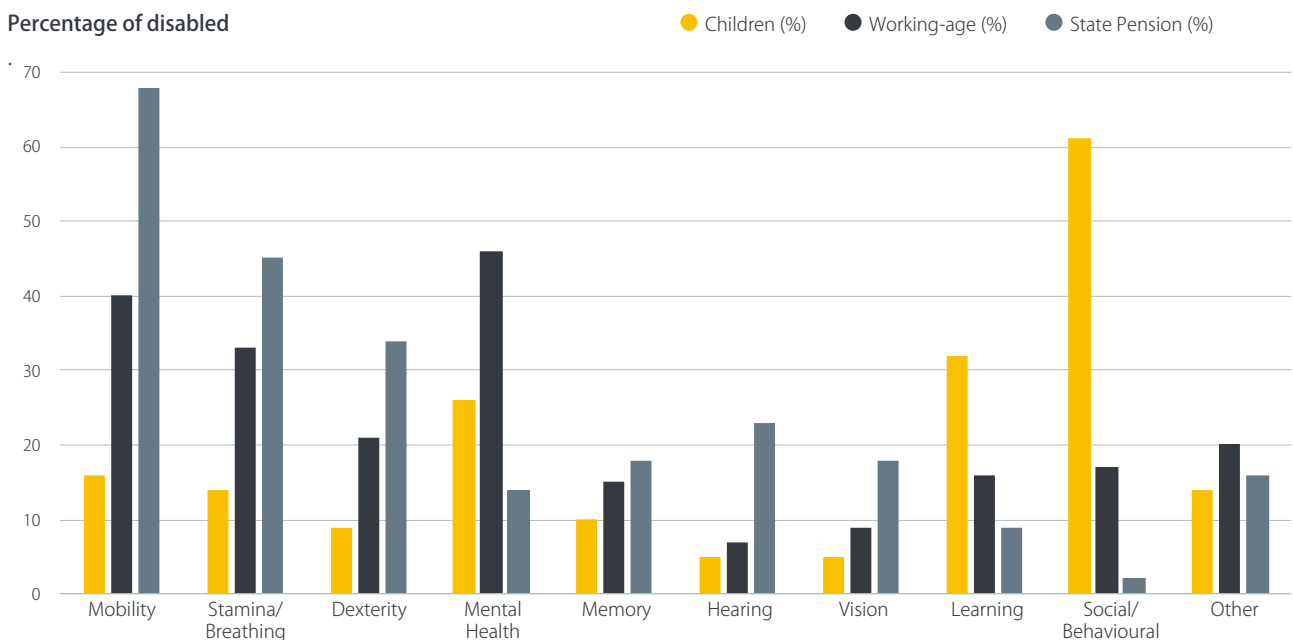
The rise in disability among younger people warrants particular attention. Young people who become disabled before entering the workforce may face barriers to qualifications, employment and savings accumulation, before their working lives have even begun.

The nature of disability also differs by age group, according to the ONS:

- Among disabled children, the most common impairment type is social or behavioural (61%), followed by learning impairment (32%) and mental health impairment (26%).
- Among disabled working-age adults, mental health impairment is the most common (46%), followed by mobility impairment (40%) and stamina, breathing or fatigue-related impairment (33%).
- Among disabled pensioners, mobility impairment is most prevalent (68%), followed by stamina, breathing or fatigue impairment (45%) and dexterity impairment (34%).

The prevalence of social, behavioural and mental health conditions among younger disabled people is significant. These impairment types are less visible and more frequently subject to disbelief, and disability policy that is framed primarily around motivation and work readiness may be poorly calibrated to address them.

Percentage of disabled



Source: Office for National Statistics Family Resources Survey <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2024-to-2025/family-resources-survey-financial-year-2024-to-2025>

Policy and the people it affects

Current policy debate has focused heavily on the fiscal consequences of rising disability. Personal Independence Payment ('PIP') spending has increased substantially, with working-age disability benefit expenditure forecast to rise by 49% between 2023-24 and 2028-29, according to the Office for Budget Responsibility, reaching 1.8% of GDP. PIP forecasts have been repeatedly revised upward due to higher-than-expected claims and award rates³.

The financial pressure on the Government is real, but a narrow focus on cost reduction risks compounding the disadvantage already experienced by disabled people. PensionBee's own research demonstrates that, even within the existing system, disabled individuals report serious financial harm and anxiety. Measures that reduce support without addressing the underlying causes of disability-related financial hardship are likely to worsen long-term outcomes - for individuals and, ultimately, for the public finances.

Government-level responses have tended to centre on back-to-work programmes and tightened eligibility criteria for disability benefits. These approaches carry an implicit assumption that claimants have greater functional capacity than they report. Given the extensive burden of proof already required to qualify for disability benefits, this assumption warrants scrutiny. Those who clear the current eligibility bar should, in all reasonable likelihood, be taken as genuinely requiring the support they receive.

The more productive policy focus may lie elsewhere: in more effective prevention and management of chronic health conditions; and in creating employment opportunities that are genuinely suited to a range of disabilities, with employers playing a more active role. The latter is an area of real opportunity that remains underdeveloped.

The Timms Review

The Government is currently conducting research - co-chaired by Sir Stephen Timms, Minister for Social Security and Disability, Sharron Brennan and Dr Clenton Farquharson CBE - into the lived experience of disabled people and how disability affects their ability to learn, work and earn. The Review, which focuses on PIP in the context of shifting trends in disability and long-term health conditions, as well as changes in wider society and the workplace, has been driven in part by the rise in claimants, itself a predictable consequence of the documented increase in the disabled population.

The Review is taking place against a backdrop of fiscal pressure, which creates a risk that its conclusions are shaped more by spending constraints than by evidence of need. The outcomes of this review have the potential to significantly affect the financial safety net on which a large and growing proportion of the population depends.

What does it mean to be disabled?

Disability exists on a wide spectrum, from mild impairment to conditions that entirely preclude employment. Many conditions fluctuate in severity, with individuals experiencing periods of relative wellness alongside episodes of acute incapacity. Some disabilities are temporary; others are permanent.

A substantial proportion of disability is invisible. There are no external indicators of conditions such as chronic fatigue syndrome or many mental health conditions, yet these can be profoundly debilitating. A further dimension of invisibility is social: many severely disabled people are housebound and therefore absent from public life and public consciousness.

The point at which disability occurs in a person's life significantly shapes the financial consequences that follow. Those who become disabled in childhood or early adulthood face barriers to educational attainment, career development and savings accumulation that compound over time. Those who become disabled later in working life, having already built earnings history and pension savings, face a different but still serious set of challenges.

3 <https://obr.uk/wtr/welfare-trends-report-october-2024/>

Financial impact of disability: short and long term

The ability to earn is the foundation of financial security in retirement, and disability directly impairs that ability for many people.

A central paradox of disability-related financial hardship is that reduced earnings make retirement less affordable at precisely the point when it may become more necessary. Those unable to accumulate adequate pension savings during working life face a choice between extending their working years (often not a realistic option given their health); or accepting a significantly reduced income in retirement (where they may have an even greater need given their health).

Those who can work may be limited to part-time or flexible roles that accommodate their health needs. Such roles typically carry lower pay. Earnings below £10,000 per year fall outside automatic enrolment thresholds entirely; at this income level, only 25% of workers voluntarily opt-in to a workplace pension scheme.

For those who become disabled in childhood - a group that has nearly doubled in proportional terms over the past decade - the consequences begin earlier still, affecting educational outcomes and feeding through into lower lifetime earnings potential.

Previous research on the impact of disability on pension saving

The Pension Policy Institute's Underpensioned Index provides important context. Its most recent report notes that disabled people and carers face the lowest levels of employment and the highest rates of part-time working that also increase the risk of becoming trapped in low-paid work⁴.

The PPI found that one in five (21%) employed people with a disability - approximately 800,000 of the 3.6 million employed disabled people in the UK - do not meet the qualifying criteria for automatic enrolment into a workplace pension.

ONS data suggests working-age disabled adults have a home ownership rate of around 42%, compared to around 53% among non-disabled adults. Many therefore face the additional burden of rental costs in later life, on incomes already reduced by a lifetime of constrained earnings.

Impact of disability on long-term finances: PensionBee survey, April 2026

PensionBee's research identifies what it terms a 'quadruple whammy' of compounding financial disadvantage facing disabled people: lower lifetime savings resulting from constrained earnings; the need to work longer to compensate, compounded by an inability to earn more; higher likely outgoings in later life due to care needs; and a greater probability of renting rather than owning in retirement. The psychological burden of this financial outlook creates a fifth, distinct impact.

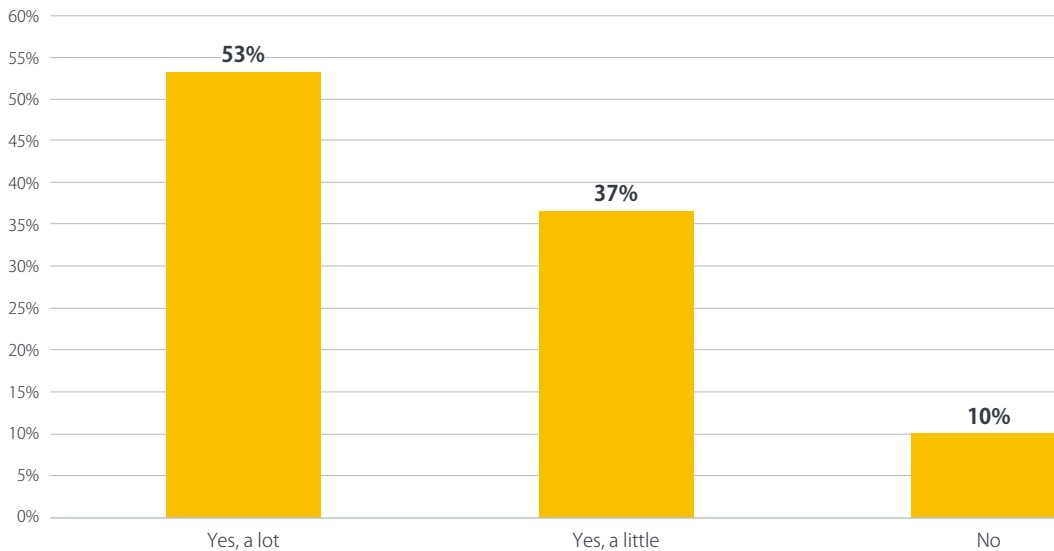
PensionBee surveyed more than 900 disabled people across the UK of working age and in retirement about their long-term financial situation. The findings demonstrate significant and widespread financial harm.

⁴ <https://www.pensionspolicyinstitute.org.uk/underpensioned/>

Financial anxiety

- 91% of disabled people are worried about their future financial security; 54% worry 'a lot'.
- 84% report that disability has negatively affected their ability to save, with 48% saying the impact has been 'a lot'.

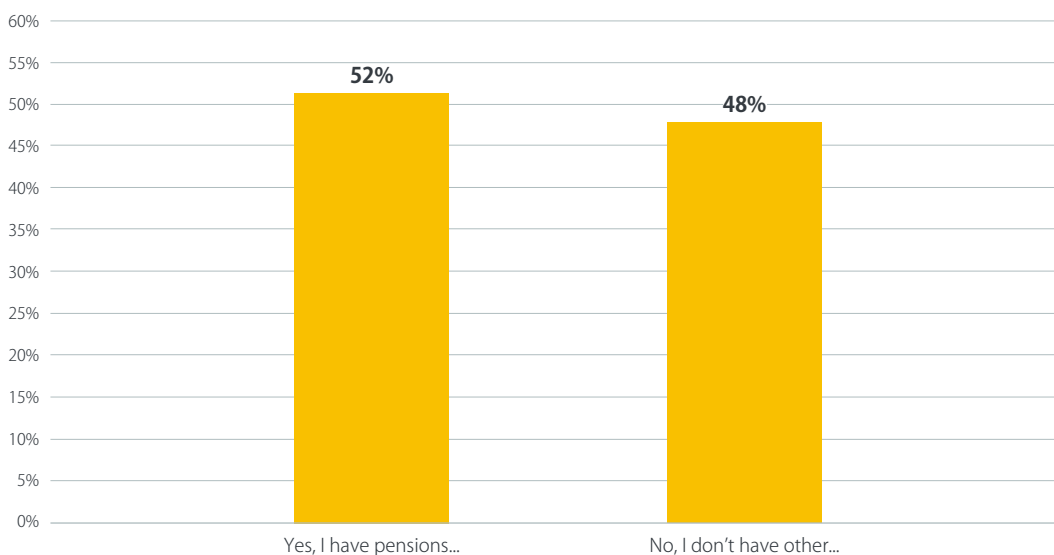
? Do you worry about your future financial security?



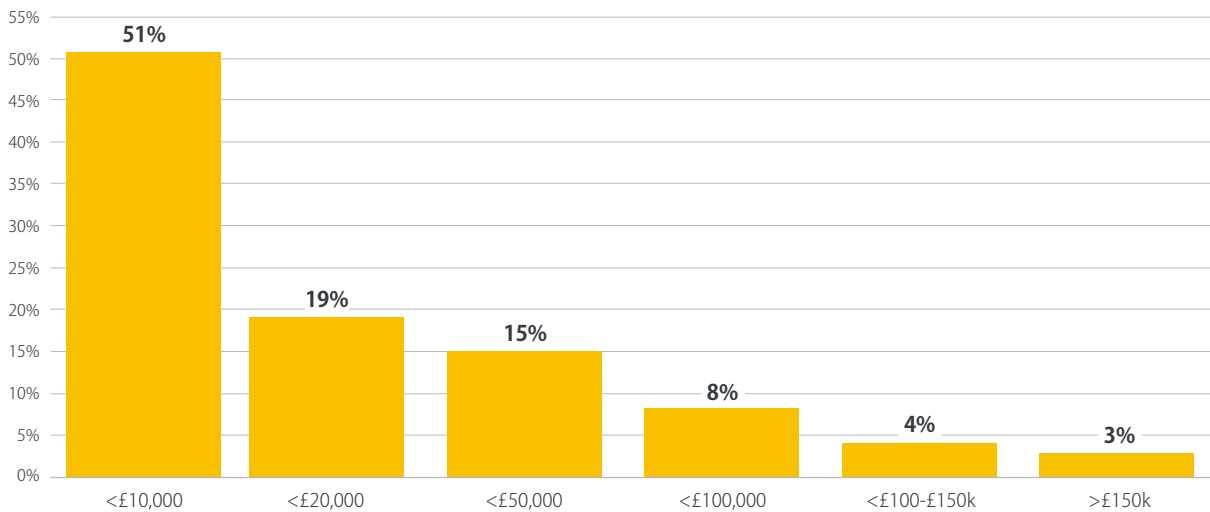
Pension provision

- 48% have no pension provision beyond the State Pension.
- Of those with private pension savings, 52% have saved less than £10,000.
- Only 7% have pension savings exceeding £100,000.

? Do you have any pension provision, aside from any State Pension entitlement (ie. through a former workplace or a personal pension from a source other than an employer)?



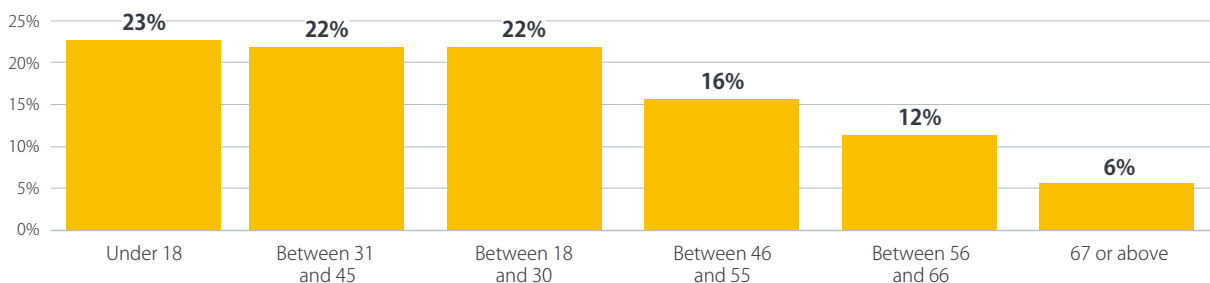
? What is the approximate value of your pension?



Age of onset

- 46% became disabled before age 30 (24% before 18; 22% between 18 and 30).
- A further 22% became disabled between ages 31 and 45.
- The combination of early disability onset and severely constrained savings capacity creates compounding, long-term financial disadvantage.

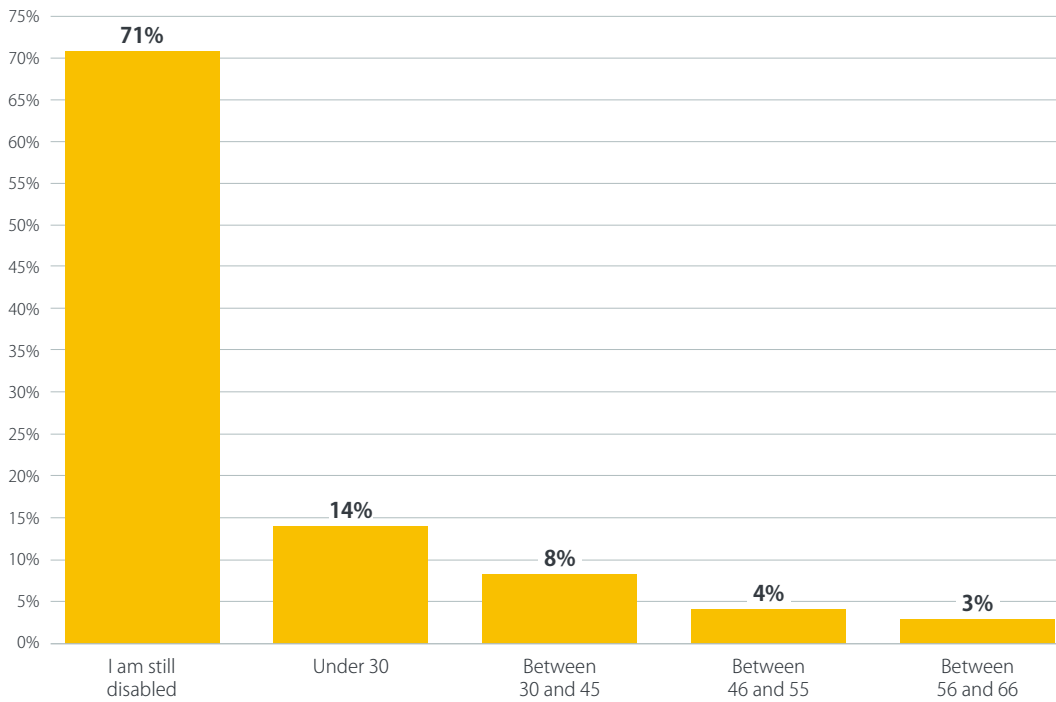
? At what age did you become disabled?



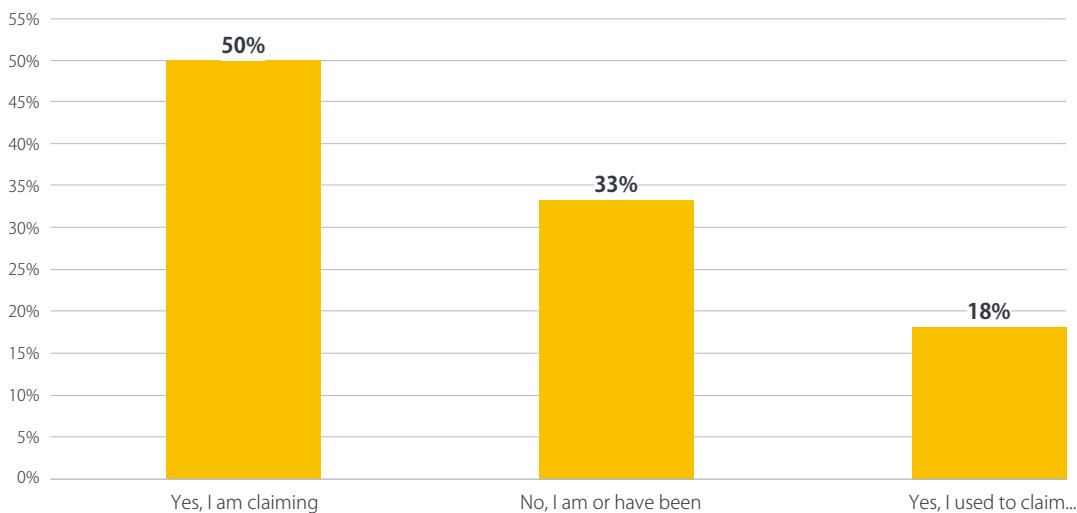
The disability pension gap

- With 21% currently disabled (from our survey respondents) and a further 6% previously disabled, over a quarter of the population faces disability-related financial challenges.
- The gap between those with under £10,000 in pension savings (52%) and those with over £100,000 (7%) indicates stark inequality in retirement outcomes within the disabled population. This contrasts with one third (33%) of the general UK population who report having less than £10,000 in their pension pots (FCA Financial Lives Survey May 2025).

? If you are no longer disabled, at what age did you no longer have a disability?



? Do you or have you ever claimed disability related benefits?



Scenario modelling

To quantify the long-term pension impact of disability, PensionBee modelled retirement outcomes using earnings figures for median hourly rates from the Office for National Statistics 2023 raw pay data and assumed 37 hours for full-time and 17 hours for part-time work, reflecting typical working patterns, giving non-disabled full-time earnings of £29,675; non-disabled part-time earnings of £9,571; disabled full-time earnings of £26,355; and disabled part-time earnings of £9,180. The modelling assumes continuous pension saving at 8% of earnings for comparability purposes, although in practice many workers below the automatic enrolment threshold may save substantially less or nothing at all.

Scenario 1: Disabled since childhood

	Starting Salary	Final pension pot at 67	Pension gap vs non-disabled full-time (£355,213)
Non-disabled, full-time	£29,675	£355,213	-
Disabled, full-time	£26,355	£315,472	-£39,741
Non-disabled, part-time	£9,571	£114,566	-
Disabled, part-time	£9,180	£109,886	-£245,327

Assumptions: median pay based on ONS 2023 raw pay data for disabled and non-disabled full time and part time earnings, throughout working life, pension contributions of 8% annual earnings, 0.7% management fees, 5% annual net investment growth.

A young person who becomes disabled before entering the workforce and works part-time throughout their career faces a pension gap of over £245,000 compared to a non-disabled full-time worker - a shortfall that no reasonable level of state support in its current form is calibrated to address.

Scenario 2: Disabled from age 30

	Pre-disability salary basis	Post-disability salary at 30	Pension pot at 30	Final pension pot at 67	Pension gap (vs non-disabled full-time (£355,213))
Full-time to disability, then full-time	£29,675	£26,355	£30,086	£331,257	-£23,956
Full-time to disability, then part-time	£29,675	£9,180	£30,086	£207,328	-£147,885

Assumptions: median pay based on ONS 2023 raw pay data for disabled and non-disabled full time and part time earnings, pension contributions of 8% annual earnings, 0.7% management fees, 5% annual net investment growth.

Scenario 3: Disabled from age 50

	Pre-disability salary basis	Post-disability salary at 50	Pension pot at 50	Final pension pot at 67	Pension gap (vs non-disabled full-time (£355,213))
Full-time to disability, then full-time	£29,675	£26,355	£145,132	£348,498	-£6,715
Full-time to disability, then part-time	£29,675	£9,180	£145,132	£313,766	-£41,447

Assumptions: 2% annual salary growth from age 21, pension contributions of 8% annual earnings, 0.7% management fees, 5% annual net investment growth (adjusted for inflation). Existing pension reflects non-disabled earnings to age 50. Existing pension reflects non-disabled earnings to age 50 before transition to disabled full-time or part-time earnings assumptions based on ONS 2023 raw pay data.

The modelling illustrates clearly that the earlier disability occurs, the greater the long-term financial penalty. It is important to note, however, that these figures are likely to understate the true scale of the gap for many disabled people. The scenarios assume continuous employment throughout working life, at either full-time or part-time earnings. They do not account for those unable to work at all, for periods of unemployment, or for the gaps in employment that are more likely for someone living with a disability, particularly one that fluctuates in severity. For many disabled people, the reality will be more financially damaging than even these figures suggest.

Conclusions and policy considerations

Disability in childhood and at working-age is rising at a rate that cannot be attributed to individual misfortune. It represents a structural public health challenge that falls squarely within the remit of health, social care and financial policy.

PensionBee's modelling suggests the long-term pension impact of disability can exceed £245,000 where disability significantly constrains labour market participation or limits workers to lower-paid part-time employment throughout working life. This estimate is also likely to be conservative because the modelling assumes continuous employment throughout working life and does not account for periods of unemployment or inability to work, and is based on a constant median salary across the modelled time period. The consequences of this significant gap are compounded further when considering that people with disabilities may also face higher care costs, lower home ownership rates, and the absence of housing wealth in later life. These are not marginal differences; they are life-defining ones.

Employment-based solutions have a role, but their effectiveness depends on employers actively creating roles accessible to people with a wide range of disabilities - a variable that cannot be mandated and may not be reliable, particularly in a constrained labour market. Over-reliance on employment as the primary route out of financial disadvantage risks producing uneven outcomes.

The Timms Review must address both the immediate safety net and the longer-term financial trajectory of disabled people. PensionBee's findings suggest that both are currently inadequate: the safety net is incomplete, and the structural factors driving long-term financial disadvantage - constrained earnings, low pension participation, low home ownership - are not yet the subject of coherent policy response.

Disabled young people, in particular, face compounding disadvantages from the outset: reduced educational attainment, constrained career options, low earnings and a pension gap that grows with every year of reduced contributions. The evidence presented in this report makes a compelling case for policy that takes the long-term financial consequences of disability seriously - not as a secondary concern, but as a central one.

Policy recommendations

Three specific measures may be considered:

1. The £10,000 automatic enrolment earnings threshold should be removed, so that pension contributions begin from the first pound earned. One in five employed disabled people currently falls below the point at which workplace pension saving is triggered automatically, which is approximately 800,000 workers. Removing the threshold would bring this group into pension saving without requiring any action on their part, and represents the most direct available lever for reducing the disability pension gap among those in work.

The Pension Commission's interim report also strengthens the case for reform of automatic enrolment. It notes that 14% of employees — around 4 million people — remain excluded from automatic enrolment due to the current age limits and £10,000 earnings trigger, and confirms that the system “does not work for the self-employed”. These findings align closely with PensionBee's recommendation to remove the £10,000 automatic enrolment threshold, which disproportionately excludes disabled workers and those in lower-paid or part-time employment.

2. **A disability pension credit should be introduced**, similar to the NI carer's credit that already exists, to offset pension saving gaps caused by disability-related unemployment or enforced under-employment. No degree of back-to-work support can recover the compounding pension savings that a person disabled before or during their peak earning years was never able to make. An accrual mechanism that credits pension saving during those periods of absence would begin to address a structural retirement penalty that employment policy alone cannot reach. As a possible mechanism for delivering this, PensionBee invites consideration of whether an enhanced rate of pension tax relief set at 30% for disabled earners, applied as a flat government top up regardless of the contributor's tax status, could form the basis of such a scheme.

Standard basic rate relief of 20% is of limited value to low earners and of none to those below the income tax threshold; a flat 30% addition applied directly to contributions irrespective of tax position would direct meaningful support to those at the lower end of the earnings distribution where disability is most concentrated. This is a matter for HM Treasury as well as DWP, and is put forward as a question worthy of cross-departmental consideration.

- 3. Reform to disability benefits should be required to demonstrate the retirement income it would displace, not only it's short-term fiscal saving.** For nearly half of disabled people, the State Pension is their only pension provision. In that context, disability benefits function not just as a present income support but as the primary financial safety net available to this group in later life. Reform that produces immediate savings to the Chancellor while creating greater long-term costs through pension poverty and care dependency is not reform that serves the public interest.

If you have any comments or questions, please contact report author
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