

# WOMEN AND RETIREMENT REPORT 2016

ONE GENDER, DIFFERENT LIVES

SCOTTISH WIDOWS

# FOREWORD
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**Every year, as part of its annual Women and Retirement Report, Scottish Widows conducts research to assess the unique challenges facing women as they prepare for retirement.**

This 12th edition of the report makes for positive reading in many ways, with record numbers of women (52%) now saving adequately for retirement. But whilst on the whole the numbers have maintained last year's record levels, there still remains a disparity between men and women; 60% of men are preparing adequately. In this report, we seek to understand the driving forces behind that imbalance.

Since last year, Scottish Widows has been working closely with the UK's leading gender equality campaigning charity, the Fawcett Society, to delve further into those challenges still facing women specifically when it comes to saving for later life.

Qualitative research supported by Scottish Widows and released earlier this year revealed, for example, that many women had cut their own pension contributions to cover the costs of childcare or as a result of taking time out of work to look after children. Many of those interviewed are consequently relying on their partner to support them in retirement – and a significant proportion admit they turn to them for advice about pension saving too, suggesting that this imbalance goes beyond a lack of funds and into a lack of confidence.

RECORD NUMBERS OF WOMEN (52%) ARE NOW SAVING ADEQUATELY FOR RETIREMENT. BUT THERE STILL REMAINS A DISPARITY BETWEEN MEN AND WOMEN; 60% OF MEN ARE PREPARING ADEQUATELY.

These findings, coupled with our own insights, help us to further understand the multiple conflicting pressures being placed on women's finances, as well as the barriers which stop them putting more money away.



At Lloyds Banking Group, we are committed to creating an inclusive and diverse workforce, and are proud to be regarded as one of the most ambitious organisations in this space. We remain committed to reach our target for women to fill 40% of senior management roles by 2020, as outlined in our 2016 Helping Britain Prosper plan, for example. It is vital that we focus not just on encouraging women to reach their potential in their careers, but also on ensuring they are reaching their full potential when it comes to saving for retirement.

As a result, alongside bringing to light these issues through our proprietary research, we are also working closely with our own female colleague network and external women's networks to drive behaviour change. Through this activity, we hope to continue raising the profile of this important issue, encouraging women to stop and think about their later life finances early on in their careers.

Whilst it is important that we stop and celebrate the progress made since we began compiling this report in 2004, it is clear that several distinct issues still need to be addressed. By helping to understand where these problems lie, this report aims to provide targeted guidance to keep us on the path to equality in pension saving.



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# WOMEN AND RETIREMENT LANDSCAPE

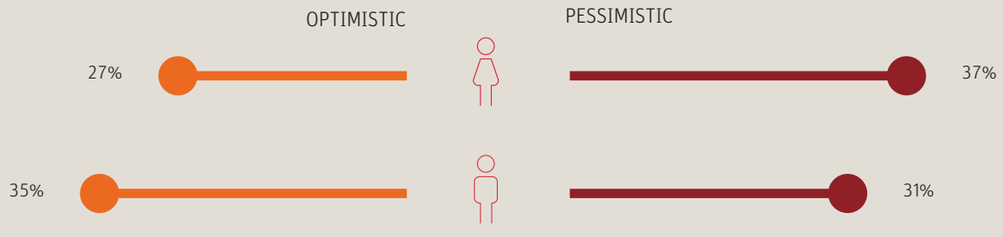
**62%**
of married women are now saving adequately for retirement

**£23**
amount womens savings have increased in the last year (excluding pension)

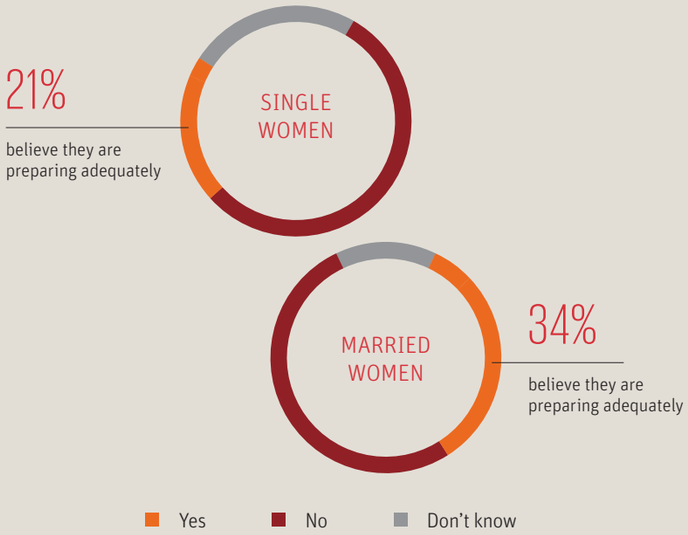
**49%**
of 22-29 year olds feel positive about the future

**36%**
of self-employed women are saving adequately for retirement

## HOW OPTIMISTIC DO YOU FEEL ABOUT RETIREMENT?




## ARE YOU PREPARING ADEQUATELY FOR RETIREMENT?




## ARE YOU OPTIMISTIC ABOUT YOUR LONG-TERM FINANCES?

**36%**
of women are optimistic about their long-term finances



## CHANGING EXPECTATIONS OVER TIME FOR WOMEN

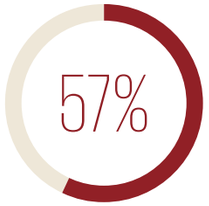
| | What age will you start saving for retirement? | Maximum age you are willing to work? | Minimum income to feel comfortable? |
|---|---|---|---|
| 2006 | 28 | 65 | £29,087 |
| 2016 | 32 | 67 | £23,541 |

## YOUNGEST VS OLDEST FEMALE SAVERS

| 18-29 | | 50+ |
|---|---|---|
| £58 | Monthly retirement savings outside of pension or property | £171 |
| £24,535 | Annual household income you would need to feel comfortable | £23,262 |
| £241,516 | Amount you think you need to save to receive this level of income | £280,256 |
| 62 | Age you would like to retire | 63 |
| 67 | Maximum retirement age | 67 |

# EQUALITY

THE WAY WOMEN ARE INFORMED AND SUPPORTED, FEEL AND ACT WHEN IT COMES TO PREPARING FOR LATER LIFE HAS SEEN MONUMENTAL CHANGE OVER THE COURSE OF THEIR LIFETIMES, ESPECIALLY IN THE LAST DECADE.




of women are concerned they're not preparing adequately for retirement

Dramatic legislative developments, the ongoing adjustments in the perception of women, work and childcare, plus the small matter of a financial crisis and the ensuing recession are only a few of the major influences shaping the female financial landscape.

The good news is that this year's research shows women are more committed than ever to saving for their retirement.

Today, more than half the UK's women (52%, compared with 60% of men) are saving adequately for retirement. It's a figure that has risen dramatically in only a few years and has remained constant over the last 12 months against a backdrop of personal employment and national economic and political uncertainty.

In 2007, just 41% of women (and 49% of men) were saving adequately for retirement, despite the deep recession that the nation has experienced in the years since, when analysing the last nine years of data, it is clear that there has been a marked improvement in the situation.





60%

of men are saving adequately for retirement

To add to the good news, on top of any pension arrangements, women are now setting aside £128 a month outside pension arrangements towards retirement funding, up by an average of £23 since last year. And although men are still saving more outside a pension than women at £178, women's savings are rising quicker than men's, who have increased their average monthly saving by less than £1 over the same period.

The momentum seems to be growing. Some demographics have upped their contributions significantly in the last year alone, such as married women – 62% of whom are now saving adequately for retirement by setting aside 12 per cent or more of their salaries.[1]

24%

of women aren't saving anything for retirement

But others haven't increased their saving and concerns around the female funding gap remain. This year, our data shows 57% of women are concerned they're not preparing adequately for retirement, compared with only 41% of men.

Almost a quarter (24%) of women compared with only 14% of men still aren't saving anything for retirement and those who are still trail their male counterparts by £50 a month (in many cases by much more).

But the everyday challenges faced by women as they juggle the demands of life and money aren't becoming any simpler.

62%

of married women are now saving adequately for retirement

As the legacy of role stereotypes continues to seep through the working and personal fabric of modern women's lives, they must deal with complex, sometimes conflicting messages about financial, family and working responsibilities and outcomes.

1 (It's up significantly from 52% last year and now matches the adequate savings rates of married men.)

# 01

## A COMPLEX LIFE



ARGUABLY, THE KEY PROBLEM THAT WOMEN FACE IN RETIREMENT IS THAT THEIR LIVES DO NOT MIRROR THOSE OF MEN. DIFFERING WORKING PATTERNS, PRIORITIES AND ATTITUDES TO SAVING HAVE AN IMPORTANT ROLE TO PLAY IN THE DISCREPANCY BETWEEN MALE AND FEMALE RETIREMENT PLANNING.





Despite advances in the traditional male/female roles in the home, the truth is that more often than not, the demands of the family will still come down to the female population. The effects are complicated and long-lasting.

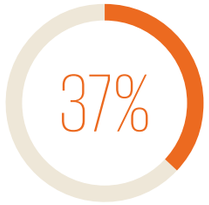
The latest report by the Fawcett Society into women's attitudes towards retirement saving, supported by Scottish Widows, asserts that women are:

> *"Constrained by income inequality throughout their working lives and by structural inequalities in the pensions system, which is still largely designed around men's working lives rather than women's."*[2]

Our findings certainly show that women's attitudes to saving reflect this problem.

Only a third of the women we interviewed are working full-time, a further 16% work up to 29 hours a week in part-time roles and 6% are in full-time education. As we might expect, there is a clear link between work and how optimistic those women in full or near full-time work feel about their short and long-term financial circumstances.

But this year's data suggests a more fundamental connection between women's control of their own careers, the ability to earn and the corresponding ability to save and spend as they see fit. This is particularly evident given the much broader spread of optimism among men of different working circumstances.




of women working full-time said they were solely responsible for managing long-term financial planning

Our study suggests that almost three quarters (71%) of men working full-time still feel they bring in the most income. But there is little doubt that women's financial influence is growing. Indeed, the whole notion of a breadwinner is becoming increasingly antiquated.

This year, our study found that 60% of women working full-time said they, or they and their partner together, were the household breadwinners, almost four in ten (37%) said they were solely responsible for managing long-term financial planning in their home (compared to almost half (44%) of men). 47% said they and their partner shared the role.

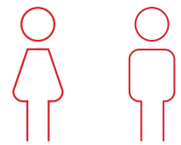
With this growing contribution, control and input come subtle and positive correlations between earning and financial awareness. In particular, those women working full-time were most accurate when it came to estimating what the state pension is worth.

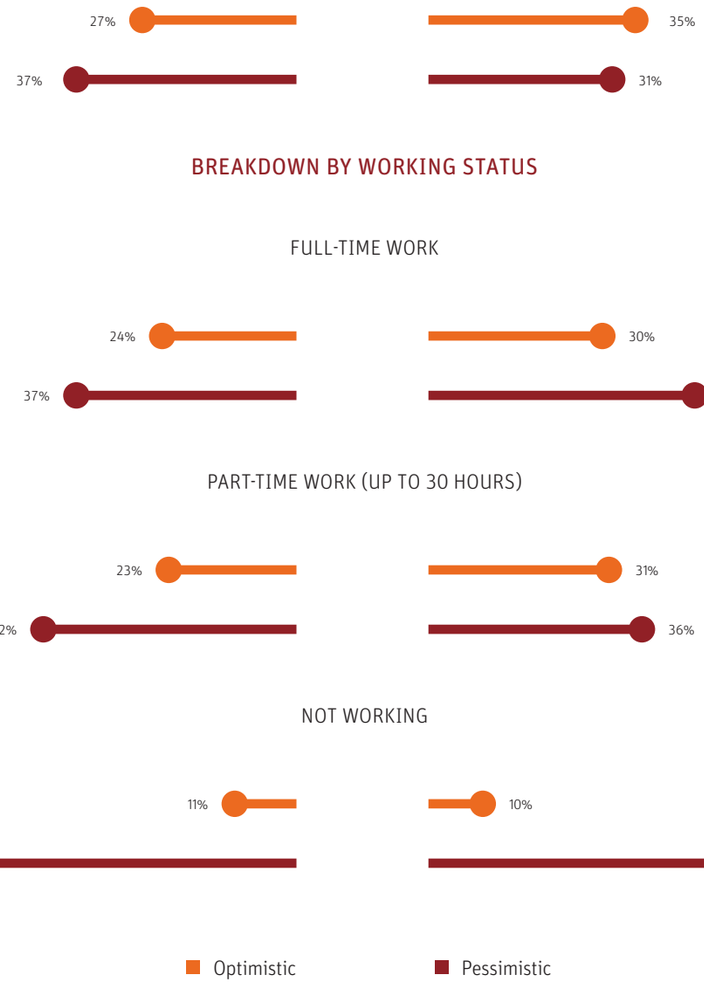
They were also most comfortable, out of all working women, in managing their own savings and investments, and were particularly receptive to the Pensions Dashboard concept. Half (52%) of full-time working women, compared with only 43% of women overall, said the ability to see all their pension pots in one place would encourage them to save more for retirement.

2 http://www.fawcettsociety.org.uk/wp-content/uploads/2016/04/Pensions-web-version-final.pdf









## LONG-TERM FINANCIAL OPTIMISM

| | 2006 | | 2016 |
|---|---|---|---|
| % of people feeling positive about retirement | 35% | ⟷ | 35% |
| | 29% | ↓ | 27% |
| amount saved per month for retirement (excluding pension) | £68 | ↑ | £178 |
| | £41 | ↑ | £128 |
| minimum household income you would need to feel comfortable (age 67 in 2006, age 70 in 2016) | £29,087 | ↓ | £23,541 |
| | £29,899 | ↓ | £24,474 |

■ Male ■ Female







All of this makes career breaks, and their effects, all the more significant. Over four in ten (44%) of those women not currently working aren't earning because they're looking after children or other family, and the impact can be greater than many of us would assume.

The latest study into gender attitudes towards savings by the Pensions Policy Institute draws on wider external research to highlight the so-called Motherhood Penalty. This estimates that the effect of taking a career and earning break is 2% of salary for the first child, 12% for 2 children and 15% for those with three or more children – a situation that doesn't begin to recover until the children are around 16 years old.

With full-time working women earning over £10,000 more than those working part-time (an average of £25,500) and most women saying they aren't setting aside more money for older age because they can't afford to, it comes as little surprise that our study this year shows women with no children are most optimistic about retirement (30% compared with 22% of women with 1-3 children). This will be an interesting trend to review over the next decade in light of figures from the Office for National Statistics which show childlessness is on the rise.[3]

It's also revealing that among men, our data shows optimism about retirement is the same for those with children (35%) or without (35%), suggesting they still don't feel it affects them in the same way that women do.

But the female attitude to saving isn't just about income empowerment. Age and proximity to retirement continue to play a part.

In general, as our previous studies have also shown, women become more optimistic about retirement the closer they get to it – 40% of 60-64 year olds feel optimistic about retirement compared to just 28% of 50-59 year olds and 17% of 40-49 year olds.

**36%**

of women are optimistic about their long-term finances

However, a closer look at data over time shows a more complex story as women age in a period of evolving retirement expectations and realities.

For example, women age 22-29 are more optimistic than the average UK individual about their long-term financial situation. Half (49%) feel positive about the future compared with 36% of all women – but are less optimistic about retirement (19% compared with 27% on average for women).

Back in 2007, age had little effect on optimism. Around 35% of women, compared with 42% of men were optimistic about their long-term finances. Among women aged 18-29 back then, that 35% remained consistent, though only 15% of this age group, compared with 29% of women overall and 36% of men, felt good about retirement specifically.

3 The level of childlessness among women born in 1969 (18%) is higher than for women born in 1942 (11%). One in 10 women born in 1969 had 4 or more children, compared with around 1 in 6 women born in 1942. http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/conceptionandfertilityrates/bulletins/childbearingforwomenbornindifferentyearsenglandandwales/2015-11-10

Now in their 30s, a larger number (42%) of that cohort are optimistic about their long-term finances but the number who feel good about retirement has dropped slightly to 17%. That's despite the fact that, in less than a decade, this group, like all the women we spoke to, have shaved almost £3,000 off their target retirement income at age 70 (£26,500 in 2007 – £23,800 in 2016). Curiously, among men that total has only dropped by a little over £2,000 (£26,800 – £24,500).

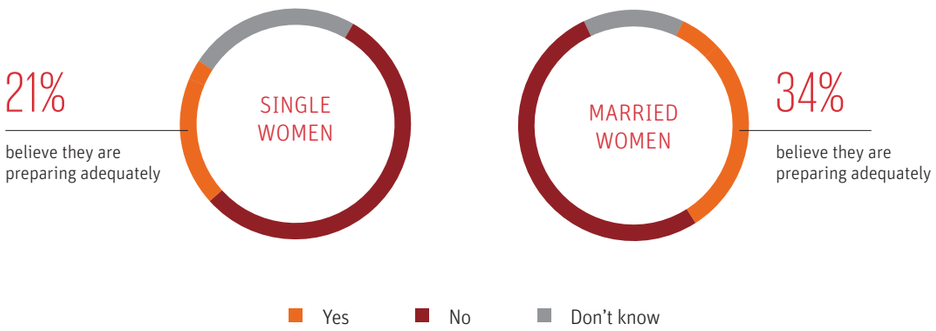
It's a similar story across other age groups as they continue to adapt to a changing retirement landscape.

We've already seen married women tend to be the most confident about retirement. With the highest levels of personal income among women, married women are setting aside an average of £200 every month outside a pension for their retirement, compared with the female average of £128 and the male average of £178 – though they also have some of the highest levels of personal debt among women.

However, that said, only 4% of this demographic said that getting married was a particular catalyst for kick-starting retirement savings levels. Co-habiting women, also among the most optimistic about their retired future, are only setting aside £68 a month towards retirement – one of the lowest amounts when broken down by relationship status.

But optimism and opportunity are only part of the female retirement funding story. As society continues to evolve its attitudes towards gender roles and the economic and employment landscapes continue to shift, so too must women's attitudes towards their own capabilities and responsibilities.

## ARE YOU PREPARING ADEQUATELY FOR RETIREMENT?








## SINGLE WOMEN VS MARRIED WOMEN

| SINGLE WOMEN<br>working full-time<br>No children | | MARRIED WOMEN<br>working full-time/retired<br>2 children |
|---|---|---|
| £57 | Monthly Retirement Savings outside of pension or property | £200 |
| £22,359 | Expected Retirement Income | £25,052 |
| 31 | Starting age for retirement saving | 29 |
| £19,413 | Gross Salary | £20,429 |

# 02

## THE EXPECTATION GAME

LIKE MEN, THERE IS WITHOUT DOUBT AN OBVIOUS LINK BETWEEN THE AMOUNT A WOMAN AND HER HOUSEHOLD EARNS AND THE AMOUNT SHE SETS ASIDE FOR RETIREMENT.

Much of the female retirement funding debate revolves around the gender pay gap. Although that gap is steadily closing, research by professional services firm Deloitte suggests that at around 9.4%, or £1.30 per hour, this gap is only reducing by 2.5p a year. At this rate, it will be another 53 years before the gender pay gap closes.[4]



With less coming in, it makes sense that women are setting aside less money than men for later life. But, surprisingly, our findings this year echo the sentiments of the Fawcett Society research, which used data from Scottish Widows, that suggests:

> *"Low pay and poverty are substantial barriers for many women but we know that women save less than men even when they earn the same amount."*[5]

In fact, our research shows that 59% of women earning between £10,000 and £30,000 a year, with a total household income of between £30,000 and £50,000, are saving adequately for retirement. Among men that figure is only slightly higher at 61%.

Similarly, 58% of women earning £30,000-£50,000, with a household income of £50,000-£100,000 are saving enough for later life. Among men however, the figure improves to 69%. This suggests that even when incomes within a household are broadly similar, men are likely to save more than women.

The Fawcett Society report, supported by Scottish Widows, drew on interviews to explore the reasons women with caring responsibilities in the study were not saving for retirement. Fawcett suggests that:

> *"When probed it emerged that women who had cut their contributions to meet the cost of care were often relaxed about this as they believed they could draw on their partner's pension. Policy may be steering women to build individual pension pots but the survival of the male breadwinner ideology and scant options for women taking time out to care could be damaging women's economic autonomy in retirement."*

As in previous years, our data suggests that perception could indeed be a major factor in the under-saving among women. And with the ability to save for retirement firmly based in the ability to prioritise financial obligations for today, perception differences play out in the way men and women allocate and prioritise their money every day.

The particularly telling figure from this year's research is that a fifth of women (19%) believe they're responsible for funding day-to-day household expenditure. Only 7% of men agree that their partners take care of these outgoings.

Meanwhile, almost half (49%) of women believe they manage the household budget. Only 18% of men agree though, with half (50% compared with only 39% of women) believing it's equally shared.

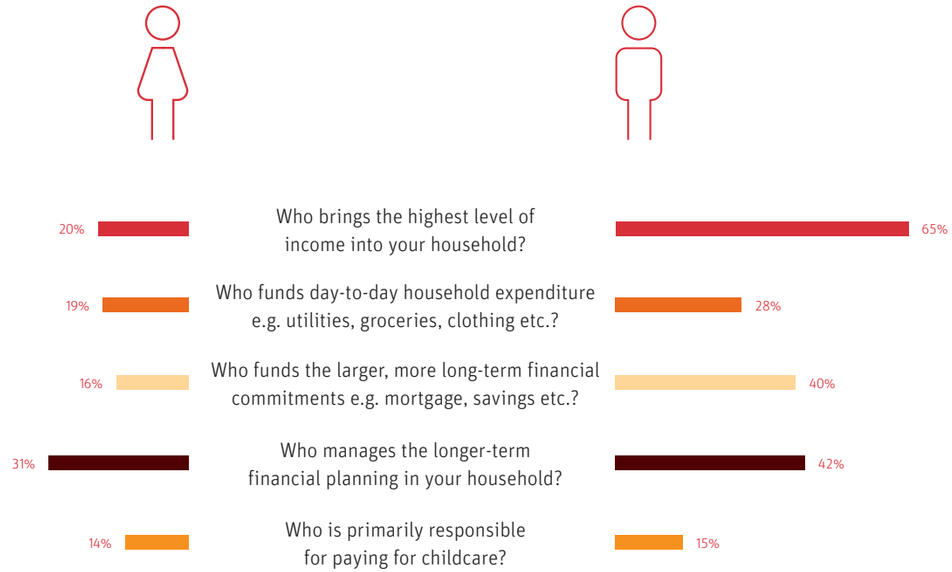
4 http://www2.deloitte.com/uk/en/pages/growth/articles/technology-career-pathways-gender-pay-gap.html. Deloitte analysis based on ONS data. The gap between men and women in full-time median hourly earnings currently stands at 9.4%. The difference in median hourly pay awarded to men and women in full-time work as a percentage of male pay from 2002 to 2015.

5 http://www.fawcettsociety.org.uk/wp-content/uploads/2016/04/Pensions-web-version-final.pdf





## WHO PAYS FOR WHAT?




Men are also more likely to believe they manage long-term finances and fund bigger commitments such as mortgages (40%).

They may seem trivial at first glance, but these differences of opinion when it comes to financial provision, management and the opportunity to earn could point to two vital elements in the female funding challenge.

First, there is a discrepancy between what men and women believe they each contribute financially. Both sexes consistently underestimate what proportion of their income women are spending on everyday joint household costs, which has a direct impact on what women feel able to set aside for their futures. Added to the fact that they are typically bringing in smaller incomes in the first place, it comes as little surprise that more women than men (60% compared with 56%) think it's unlikely they will be able to save more for retirement in the coming year.

Second, there is a clear lack of communication over who has responsibility for the major practical and financial responsibilities within a household – in both now and in the future – as working and family lives change over time. For example, if assumptions are made over one partner's responsibility for covering retirement income for both while the other reduces or stops earning to bring up children, the potential for funding gaps later down the line becomes significant – not least if the couple separates.

Our research this year shows that more than one in ten women (10%) we spoke to were either separated or divorced. A further 5% were widowed and 23% were single. Last year, when we asked whether pensions were discussed as part of the separation, only a fifth of both men and women said they were. This is a slight improvement over time, though. When we asked the same question in 2007 just 16% of women and 18% of men said they were.

Today, only a fifth of divorced women, earning an average of £15,500 a year and setting aside £84 a month for old age funding, are feeling positive about life after work. A huge 70% of divorced women think it's unlikely that they'll be able to save more in the next 12 months than they do now – compared to an average of 60% for all women.




of self-employed women say they don't think they can save more in the next 12 months

And the financial effect of separation appears to hit female divorcees harder than their male counterparts. Just 8% of divorced women think it's likely they'll be able to save more in the next 12 months than they do now, compared with 17% average for divorced men.

Though the pressures of other financial commitments, particularly personal debt, don't appear as severe for separated and divorced women as they have in previous years, the amount of time that has passed since the separation and the financial upheaval it inevitably brings with it clearly has an effect. Those separated after being married are setting aside only £40 a month towards retirement, barely a fifth of the amount married women are saving. However, divorced women seem to become more positive about older age the older they become. 16% of separated or divorced women aged 45-64 are optimistic about retirement compared to 36% of separated or divorced women aged 65+.

In the coming years though, women's personal financial circumstances may go through some of the most dramatic changes yet as the nature of work evolves.

For both men and women, the traditional 9-5 desk job in a large organisation is becoming increasingly fluid. While the majority of workers still work for large organisations, a growing number of both women and men are opting – or being forced – to work for themselves.

Around 1.5 million women are now self-employed – a 22% increase in only four years and twice the rate of newly self-employed men.[6] But our research this year suggests self-employment hits women much harder than men when it comes to savings capabilities.

The most remarkable difference is that at £16,323 a year, self-employed women earn just over half the £30,870 average gross personal income of their self-employed male peers.

It stands to reason, therefore, that just 36% of self-employed women are saving adequately for retirement compared with 47% of self-employed men and 58% of women on permanent contracts. Nor do they expect that to change any time soon. Around two thirds (62%) of self-employed women say they don't think they'll be able to save any more in the next 12 months compared with less than half (46%) of men. Nor will they get support from the workplace-based Automatic Enrolment system in the foreseeable future.

But some employed women may not fare significantly better under Automatic Enrolment either.

6 http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2016/ and https://www.gov.uk/government/collections/family-resources-survey--2





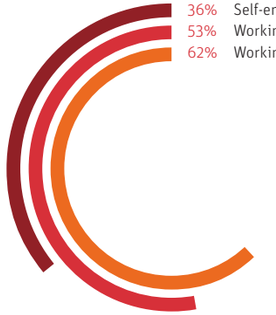
The largest employers have automatically enrolled employees into workplace schemes which has been reflected in our data, showing that women working for the largest organisations are more likely to be saving enough for retirement. Just 37% of women (compared with 48% of men) in micro businesses of 1-9 employees are saving adequately compared with 62% of women (and 68% of men) employed in businesses with 250 staff or more. The hope is that as the Automatic Enrolment rollout process is completed, this employer-related gap, if not the gender-related difference will close significantly.

Many women are also less likely to benefit from employer contributions and Government tax relief because they're excluded from Automatic Enrolment by earning under the £10,000 threshold.

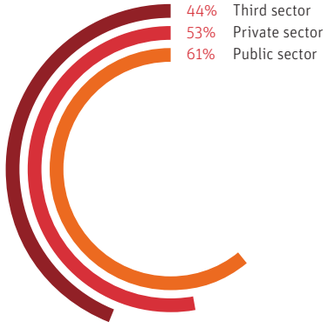
Our data shows that 13% of women have 2 jobs, compared with only 10% of men. Of those, 45% of women are earning less than £10,000 a year in those roles, compared with only 29% of men. So twice as many women as men (6% versus 3%) are working in at least two jobs and still failing to qualify for vital Automatic Enrolment savings boosts.

## ARE YOU SAVING ADEQUATELY?

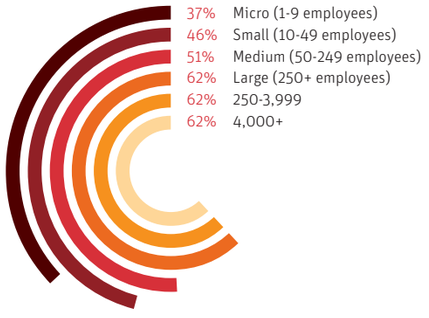
### WORKING STATUS




### WHAT KIND OF ORGANISATION DO YOU WORK FOR?




### ORGANISATION SIZE



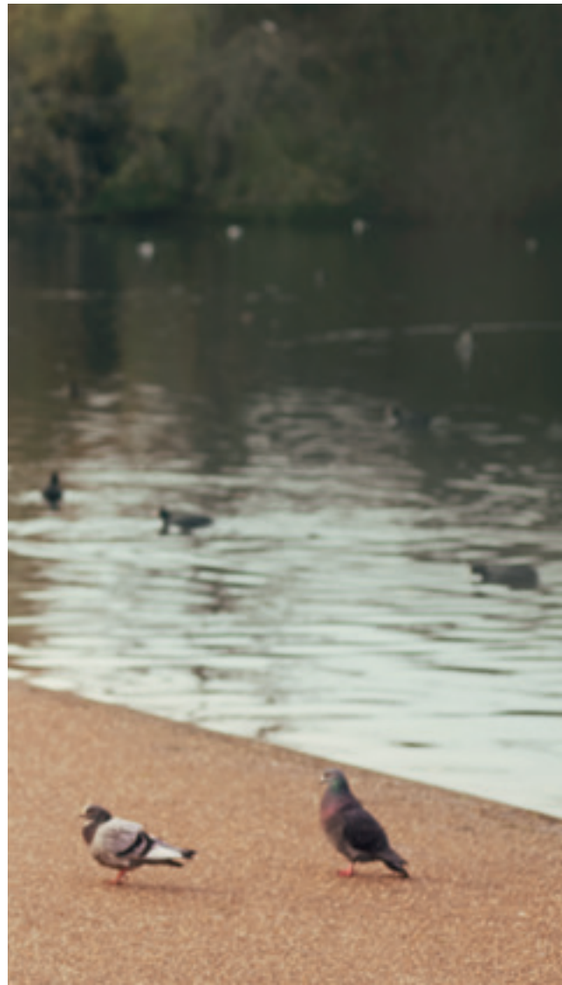




# 03

## AN EQUAL FUTURE

OUR AGEING POPULATION IS A FURTHER FACTOR IN THE PROBLEM WITH SAVINGS LEVELS. LIVING AND WORKING LONGER PRESENTS BOTH A RETIREMENT FUNDING CRISIS AND AN OPPORTUNITY TO BE IN WORK LONGER TO COVER THOSE EXTENDED COSTS. AND THE FACT THAT THOSE AROUND US ARE ALSO LIVING LONGER WILL ALSO LIKELY HAVE AN INCREASING EFFECT IN THE FUTURE.



We've already seen that caring for family members usually comes down to women. Just under a fifth (16%) of women who aren't currently working are looking after a family member who isn't their child.




of non-working 30-something women are caring for children (2016)

While we may believe that the roles of men and women have evolved when it comes to childcare, our data shows little has changed for women caring for others – often an older relative. In 2007, 13% of women and 16% of men who weren't working were caring for an elderly or disabled person instead. For those in their 50s, 16% of men and 21% of women were in this position. This year, 22% of women over 50 weren't working because they were carers. Elsewhere though, there is further evidence of the effects of longer life and delayed life stages. Back in 2007, 67% of those in their 20s who said they weren't working were caring for children, dropping to 48% of women aged 30-50. By 2016 the trend has reversed as women become mothers later. Today, 47% of 20 something women and 51% of 30 something women are caring for children.

Indeed, average first time mothers are now approaching 29 years old. The number of new parents in their 20s has dropped by 40% in the last decade.[7]

Certainly this gives young women more time working to build their careers and earning potential before taking time away. But the Motherhood Penalty has shown the more established they are, with higher incomes, the harder their absence affects their earnings and retirement funding. This is because those with higher incomes will rely more on personal saving to achieve their desired retirement income than the state pension. Women on lower incomes will see less of a gap as state funding kicks in when they retire.

Having children later in life also means that mothers have a shorter period in which to recover their personal pension savings once they're no longer caring for their child. (Though they may do better under the new single-tier state pension than they would have done if they retired before 2016.)

This is particularly true as factors such as youth unemployment and housing market pressures mean children are often remaining at home for longer. They're often financially supported well into adulthood, which once again draws funds away from retirement saving. And it's a situation faced by more women than we might expect. This year's research shows that 14% of women (compared with 11% of men) have children aged 18 or over who still live at home or have moved out only to return.

7 http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthsbyparentscharacteristicsinenglandandwales/2014







## CHANGING EXPECTATIONS OVER TIME FOR WOMEN

| | What age will you start saving for retirement? | Maximum age you are willing to work? | Minimum income to feel comfortable? |
|---|---|---|---|
| 2006 | 28 | 65 | £29,087 |
| 2016 | 32 | 67 | £23,541 |

All of this points to women needing to work and save for longer. And despite the fact that some women recently approaching retirement have seen their state pension age increase as state funding transitions to the new single tier system, the truth is that few women expect to stop working by their 60th birthday.

Today, our data shows women on average hope to retire a few months after they turn 62 (62.3 years). Indeed, women who are already that age and still working hope to retire by the time they're almost 64 but would be prepared to continue until well past their 66th birthday – matching the overall female average which includes women who have only been in work a few months or years so far. 18% of women say they don't ever expect to be able to afford to retire, compared with only 13% of men.

**18%**

of women say they don't ever expect to retire

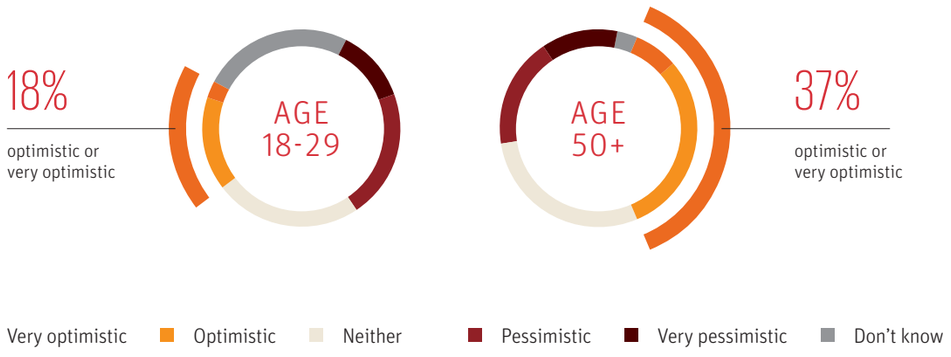
Having traditionally retired a few years before their male counterparts, women's retirement expectations are now broadly in line with men who also hope to retire at 62 (62.8 years) and would be prepared to continue working until they had just turned 67. In fact, women are now prepared to work more than a year longer than they said they would in 2007. Men on the other hand have altered their expectations by less than a year over that time.

It seems women in the UK are taking the seismic shifts in the way their working lives will unfold in their stride.

Above all, this year's in-depth study into women's retirement funding attitudes and habits shows that while a great deal has changed for the good, there is much still to be done to finally deliver the retirement parity they're already pursuing so resolutely.

To do that, it's time to look past the basic acknowledgement that women have different personal, working and funding needs and pressures to those of men. Instead we need to consider the different demands and expectations of the different groups of women that make up our society to pursue a more holistic, fluid, strategy that has the scope to evolve long-term as women and society's attitudes and expectations do.

## OPTIMISM ABOUT RETIREMENT








## YOUNGEST VS OLDEST FEMALE SAVERS

| | 18-29 | 50+ |
|---|---|---|
| Monthly retirement savings outside of pension or property | £58 | £171 |
| Annual household income you would need to feel comfortable | £24,535 | £23,262 |
| Amount you need to save to receive this level of income | £241,516 | £280,256 |
| Age you would like to retire | 62 | 63 |
| Maximum retirement age | 67 | 67 |

# RECOMMENDATIONS

OVER MORE THAN A DECADE, OUR RESEARCH HAS SHOWN POSITIVE TRENDS IN THE WAYS WOMEN FEEL ABOUT RETIREMENT, AND HOW MILLIONS ARE PREPARING FOR IT.

The consistent improvement in the number of women preparing adequately for life after work, despite the most turbulent economic and personal finance environments in living memory, is part of an ongoing success story.

Public policy, in the form of Automatic Enrolment, and changing attitudes to the role women play in society and the economy are continuing to have positive impacts on women's prospects in retirement.

More than half the UK's women (52%, compared with 41% in 2007) are saving adequately for retirement. But while both have seen improvements, the gap between male and female savings rates is not being reduced.

Even when incomes are broadly similar, men are likely to save more than women. This is a socio-cultural phenomenon as well as a structural one. The solutions to the problem need to reflect that.







A key obstacle the pensions debate still faces is that retirement saving is too often seen as not relevant to women's lives here and now.

Much of the pensions landscape remains firmly founded on the male work/life model, leaving women and their evolving personal, financial, working and family roles struggling to fit a space that wasn't originally designed for them.

In addition, the evolution of the female role in modern United Kingdom is not a finite process that has now concluded. Our research, and that of numerous others, demonstrates the roles of both genders are still very much in transition. Our report this year highlights the challenges this presents – for women themselves as much as their male counterparts, society, Government, employers and the pensions industry.

Nowhere is that clearer than when it comes to the choices women make about allocating their disposable income. Data from Fawcett Society interviews suggests women employ a linear approach to these decisions. Paying off debts, getting on the housing ladder, and supporting family all come before pensions saving in a way that isn't as evident among men.

With the major life stages kicking in progressively later with each generation, the pressure is on to encourage women to engage with pensions saving as a matter of priority alongside the other demands on their money.

## MORE EDUCATION

Our research shows that women engage in a range of household financial decisions and yet when it comes to pensions they feel poorly informed. We were also struck by the Fawcett Society's finding that some women continue to express a reliance on their father or partner for advice on pensions. We, therefore, support the Fawcett Society's proposal that the Government build women's and girls' confidence with maths and long-term financial planning.

But it's not just the Government that needs to act; parents and the private sector both have a responsibility to take action as well. Lloyds Banking Group financial education programme, Money for Life, will play a part in increasing women's and particularly young women's understanding of pensions.

## PROMOTING INFORMED DISCUSSION BETWEEN PARTNERS

Our research also shows a clear disparity between male and female perceptions about matters relating to household finances. This can only be resolved by the individuals concerned, but surely employers and the pension industry could help?

Employers should provide information to those embarking on maternity, parental or paternity leave which set out the risks associated with lower pension contributions during this period. This information would enable couples to discuss and reflect on their choices around pensions saving and consider how they wish to share the impact of reduced contributions.

Further conversations are required when one partner chooses to stop working to care. At this juncture a couple should carefully analyse the implications for that individual's long-term economic security, and consider whether the working partner should contribute to the non-working partner's pension during this period.

## MORE ACCESSIBLE INFORMATION

Our research suggests that more accessible information will improve women's savings habits.

We welcome plans for a new public body that will draw together the Money Advice Service (MAS), Pension Wise and the Pensions Advisory Service (TPAS) into one overarching financial guidance service. To be more effective, clear and decisive information must be promptly and pro-actively provided to consumers across the social strata, including comprehensive details on where to obtain more details and how and when to take action.

At Scottish Widows, as part of Lloyds Banking Group's Helping Britain Prosper plan we have committed to help customers plan and save for later life through the use of our Retirement Planning website. Between 2016 and 2020 we aim to support 1 million customers through this channel.

We're also increasing the support we offer to employers to help them educate and engage their workforces with retirement planning, and we're learning from the digital experience of Lloyds Banking Group to evaluate what additional changes we need to implement to improve the format and accessibility of information about pensions.

At a national level we believe that the Pensions Dashboard provides a great opportunity to build confidence and engagement in planning for retirement. However, women will lose confidence in the system if some schemes or plans are missing. Scottish Widows believes that legislation is required to ensure that the Pensions Dashboard is delivered by 2019. Only this will ensure that Government, the regulator and both DB and DC pension schemes work together to deliver this initiative.

## IMPROVE AUTOMATIC ENROLMENT

For all its benefits, Automatic Enrolment is still some way from being truly inclusive. Hundreds of thousands of working women are not automatically enrolled and are not about to be enrolled under the current rules.

Once again, we recommend the earnings trigger for Automatic Enrolment is reduced considerably, and that Automatic Enrolment contributions are based on full salary rather than band earnings.

This would have the additional benefit of drawing into Automatic Enrolment more of those women who have two part-time jobs neither of which currently trigger contributions.





## ENSURE THAT LOW PAID WOMEN RECEIVE THE BENEFITS OF A GOVERNMENT CONTRIBUTION

Women in low paid employment would benefit if all pension providers provided pension tax relief at source, rather than using a net pay arrangement. The relief at source method allows everyone to receive pension tax relief at basic rate, even if they do not pay income tax.

## MORE SUPPORT FOR SELF-EMPLOYED WOMEN

The Automatic Enrolment initiative does not address the self-employed, yet just 36% of self-employed women are saving adequately for retirement compared with 47% of self-employed men.

Without targeted support the lack of pension provision in this sector of the labour market threatens to become a significant problem. We believe that pension contributions made by the self-employed should be exempt from National Insurance, in the same way that employer pension contributions are.



## CONCLUSION

The difference between male and female retirement saving rates is stark, but the reasons for it are multiple and complex, sometimes deeply embedded in our national culture. It will take a concerted and focused effort by Government, pension providers, employers, advisers, campaigning groups and individuals to ensure that more women are empowered to take ownership of their financial futures and can enjoy them.




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