WOMEN SAVING FOR RETIREMENT HITS RECORD HIGH DESPITE £78K GENDER GAP

- 37% of lower-middle earning women have opted out of a work pension because of other financial commitments
- 55% of women feel like they’re not preparing adequately for retirement
- Financial hardship, cost of housing and poor engagement makes saving harder for women

Women in the UK are better prepared for the future than ever before, with 57% now saving enough for their retirement – the highest proportion recorded in 15 years.

The 15th annual Scottish Widows Women and Retirement Report shows that average savings amongst women are up 4.6% since 2007/08, equating to an additional £5,900 in income every year of retirement.

The number of women contributing something to a pension pot has risen by 14.6% over the last 15 years, far outstripping the rise in participation amongst men (8%) during the same period.

Despite this progress, the gender pay gap means that men are still putting away more money overall – benefiting from, on average, an additional £78,000 in their pension pot at retirement. This is the equivalent to 2.5 times the average household disposable income in the UK.
Lower-middle earners left behind
While significant progress has been achieved thanks to auto-enrolment, several groups of women remain under-prepared for retirement. Lower-middle female earners, for example those working in supermarkets, call centres, nurseries and care homes, are still feeling the pinch, having seen the smallest improvements in savings rates over the last decade.

Today, just 47% of women earning between £10,000 and £20,000 are saving enough for retirement compared to 65% of those earning £40,000 or more. More than a third (37%) see no other option but to opt out of their pension scheme to manage cash flow, meaning they lose out on valuable employer contributions and tax relief. Women in this lower-middle earner group face competing demands on their income such as paying for childcare or saving for a property, with seven in 10 likely to face financial difficulties.

Ongoing challenges
Life milestones such as having a family or buying a first home, which should be positive steps, can also cause financial stress and hinder the ability to save. Pension contributions stop after 39 weeks on maternity leave, and those who are trying to juggle work with childcare commitments often work part-time – 75% of these workers are women.

When it comes to housing, women face a much greater affordability challenge than men, driven primarily by differences in income. Average house prices across England are 12 times the median salary of women, compared to eight times that of men; median rents in England consume 43% of an average woman’s income, compared to 28% for men.

All of these challenges are compounded by the issue of disengagement: four in 10 women (42%) remain in the dark about how much they are actually saving for retirement and more than half (55%) have doubts that they are putting aside enough money.

Jackie Leiper, Distribution Director at Scottish Widows, said: “We’ve come a long way, but 15 years later there’s still an unacceptable gap between men and women. The groups who are often overlooked, such as lower-middle income women, need more support to overcome the challenges they face in saving for the future.

“Scottish Widows want to see a series of reforms that allow for a more tailored approach to saving. Increased default savings levels, improving the scope of auto-enrolment and managed access to pension savings to support a first home deposit or to overcome a period of financial hardship are just some of the ways we can make a real difference.

“By doing so, we can ease the financial stresses that disproportionately impact women, such as those that go alongside life events including starting a family and buying a first home.”

Consistent improvement across UK regions
The overall progress seen in the number of women saving is consistent across the UK. In 2007/08, Londoners were least likely to be saving adequately – just 37% did. The last 11 years have, however, seen an 18% increase in the proportion of women saving adequately in the capital to reach 55% today.
Scottish women, who were the country’s best female savers in 2007/08, continue to lead the rest of the UK, with just over 60% setting aside enough for a comfortable retirement.

ENDS

Notes to editors

The Scottish Widows Women and Retirement Report outlines a series of proposed reforms, which would be introduced via a new ‘Brit Saver’ retirement savings proposition. This would give more flexibility to those wishing to juggle the challenge of retirement savings, with the challenge of saving for a home and to safeguard against hardship in the short term, helping to address financial constraints as a barrier to saving. Reforms include:

• A mechanism that will provide default access to pensions for the self-employed
• Building greater flexibility into pension products by increasing default savings and allowing savers penalty free access to some of their pension savings in times of financial hardship.
• Limited access to pension funds to support a first home deposit.

These policies should be introduced in tandem with higher default contributions rates for employees and the self-employed, alongside an annual £500 government top-up. Employer contributions should also continue even when employees choose to opt-out. This ensures that those who opt-out as a result of, for example, financial hardship, are not doubly penalised.

You can download the full report here.

About the research

• The Scottish Widows Women and Retirement Report monitors pension savings behaviour annually using the Scottish Widows Pensions Index and the Scottish Widows Average Savings Ratio.
• The research was carried out online by YouGov across a total of 5,036 nationally representative adults in April 2019. 5,148 adults were surveyed in April 2018.
• The modelling in this report was conducted by Frontier Economics and is based on survey responses that probe the current income, savings and retirement income expectations of respondents. The modelling takes surveyed individuals between the ages of 20-29 and projects forward their future incomes and investment returns with an expected retirement age of 68. 140 men and 160 women are included in the sample.
• Housing statistics are based on the findings from the Women’s Budget Group, “A home of her own, housing and women,” July 2019 and are based on ONS data for average housing and incomes.

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About Scottish Widows

Created in 1815, as the Scottish Widows Fund and Life Insurance Society, the business’s purpose was to prevent the widows, sisters and other female relatives of fund-holders plunging into poverty on the loss of the male breadwinner during the Napoleonic wars – an ambitious undertaking. Now, more than 200 years later, the insurance provider continues to do so, helping millions of Britons plan for their financial futures and protect their families.

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