It's been 15 years since Scottish Widows first began surveying the retirement preparations of women across the UK. This year's report therefore provides an opportunity to reflect on the progress that has been made in that time and look ahead to what this might mean for women's retirement preparations in the future.

The good news is that there has been a great deal of progress. More women than ever before are saving – and they are saving more. This progress is widespread, covering all age groups and regions of the UK. But multiple challenges remain. The gender gap has closed to some extent, in part due to automatic enrolment, but women continue to be less likely to save and when they do, they save less of their income. Compounded by differences in average income, the result is a substantial gap in projected retirement savings.

We've found that women are more likely to feel they are not preparing adequately for retirement. They are more likely to experience financial pressures and face even greater hurdles getting onto the property ladder.

Past reports have also highlighted a range of life events that compound the savings gap. These range from divorce to maternity leave to career breaks and part-time working. Reforms previously proposed include pensions being a mandatory part of divorce proceedings, enhancing maternity pension provision, scrapping the automatic enrolment earnings threshold and lowering the minimum age for automatic enrolment. These reforms remain important and urgent.

In this report, we have paid particular attention to self-employed women, a group that it is great to see is growing in economic importance. Here, we find stark polarisation in retirement preparations. A minority of self-employed women are preparing effectively, but most are saving too little or nothing at all. Financial challenges appear to be a fundamental barrier when there is no mechanism like automatic enrolment to help self-employed women save.

The policy reforms we’re proposing are designed to address these concerns. They look to government to provide self-employed women (and men) with a mechanism equal to automatic enrolment, which is already in place for employees. Increases to default savings levels should be complemented by the reforms outlined in our 2018 report to create a new pensions product that gives greater flexibility in access to funds to help with financial hardship. Further flexibility should also be provided to support home ownership with funds for a first home deposit, helping bridge the gap in housing affordability we have identified.

The progress that has been made over the past 15 years is heartening, but an ambitious set of reforms are needed to tackle the challenges women continue to face in planning their retirement. This will help to drive another 15 years of progress and ensure more women than ever are able to enjoy a satisfying, well-earned retirement.
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A NOTE ON THE MODELLING ASSUMPTIONS USED IN THIS REPORT
Earlier this year the Scottish Widows 2019 Retirement Report tracked the tremendous progress in retirement preparations that have been made over the last 15 years. It showed that we have seen substantial growth in the proportion of people who say they are saving, alongside a marked increase in the rate of saving. The picture for women is a reflection of these broader trends. The Scottish Widows Adequate Savings Index, a measure of the proportion of people saving at least 12% of income (or on a defined benefit scheme), has been on an upward trajectory for some time. In 2019 it stands at 57% for women, the highest-ever level since the survey began in 2005.

Behind this general improvement we can see that the proportion of women who say they are saving has also increased by nearly 15% since 2007/08, and reported savings rates are up more than 4.5%.

Progress on all fronts has been driven, in the main, by substantial policy reforms since 2012. The introduction of automatic enrolment has been key to the expansion of participation, with every employee earning over £10,000 now automatically enrolled by their employer. This has led to more than 10 million people being enrolled into a pension scheme. Each of these individuals is now saving at least 8% of their earnings between £6,100 and £50,000.
£5,900
EXTRA INCOME IN RETIREMENT FOR A TYPICAL 22-29 YEAR OLD WOMAN

THE TANGIBLE REWARDS OF PROGRESS

The increase in participation and higher savings rates make a big difference to the retirement prospects of women. It could mean an extra £5,900 of income every year of retirement for the typical woman saving today compared to 2007/08.

The Scottish Widows Adequate Savings Index measures how many people over the age of 30 are preparing adequately for retirement. This means those saving at least 12% of their income or expecting their main retirement income to come from a Defined Benefit pension. Note that in most of the remainder of the report we use a slightly different base to calculate who is adequately saving, which does not match exactly to the Index. In particular, we include an expanded view of individuals who are under the age of 30 and also use an average across 2018 and 2019 to improve sample sizes.

Additional income in retirement is calculated in line with the modelling assumptions outlined in the note at the end of this report.
PROGRESS ON ALL FRONTS

The overall story for women and retirement planning over the last 15 years is one of material progress – progress that has also been broad-based. Our analysis finds substantial improvement in retirement savings across virtually every demographic of income, age and location.

Progress has not, however, always been evenly spread: women on lower-middle incomes risk being left behind.

Young women have seen a step change in their savings behaviour. The proportion of women aged 22-29 who are saving adequately has jumped 17% over the last 15 years and today stands at 51%.

These are striking gains. Women in other age groups have also taken great strides. Those in their 30s and 40s have seen a 12% rise in the proportion saving adequately. By contrast, the proportion of women over 50 saving adequately has remained broadly flat, but this group started from a much stronger position.

The net effect is that the savings gap between younger and older women has radically closed over the last decade and a half. In 2007/08 there was a 20% gap in the share of adequate savers between women in their 20s and those in their 50s. That gap has now shrunk to just 5%.
The regional picture shows similar widespread improvements. Looking back over more than a decade, women in London were least likely to be saving adequately – just 37% were doing so. That picture has broadly reversed, with an 18% increase in the proportion of women saving adequately in the capital, outstripping the gains made in Scotland (+13%), the North (+11%) and the rest of the country (+8%).

As with the trend across age groups, the result is a convergence across the country in the proportion of women saving adequately. The anomaly is Scotland. Women in Scotland were more likely to save adequately over ten years ago and this remains true today. Just over 60% of women in Scotland are saving adequately, compared to 52-56% in the rest of the country.

Northern Ireland has been excluded from these results because of small sample sizes.
LOWER-MIDDLE INCOME WOMEN ARE FALLING BEHIND

PROPORTION OF WOMEN SAVING ADEQUATELY BY INCOME

The progress of women across income groups is more mixed. It’s true that the share of women saving adequately has risen across all income bands earning above £10,000. These gains are, however, strongly and positively linked to income. Women earning more than £40,000 a year have seen an 11% gain in the share who are saving adequately. This compares to only 7% for women earning between £10,000 and £20,000.

Women on lower-middle incomes were least likely to be saving adequately in 2007/08. They have since fallen further behind, seeing the smallest improvement in the proportion saving adequately. Today, just 47% of women earning between £10,000 and £20,000 are saving adequately – 10% less than the average and even further behind the 65% of women earning over £40,000 who are saving adequately. Perhaps unsurprisingly, lower income continues to be a barrier to retirement savings.
THE PROPORTION OF WOMEN SAVING ADEQUATELY HAS IN RECENT YEARS CLOSED MUCH OF THE GAP WITH MEN

% SAVING ADEQUATELY

THE GENDER SAVINGS GAP

Past Women and Retirement reports have highlighted the gaps between men and women in preparations for retirement. This year, in addition to the progress made amongst women in retirement savings levels, there is also some good news in terms of the gender gap. At a headline level, the Adequate Savings Index has shown a marked narrowing between men and women over time. While the Index can be volatile, over the last couple of years just 2-4% more men are saving adequately compared to women. This compares to a more typical gap of 7-10% that was evident over the last decade and a half.
While good news, the gap in adequate savings has yet to be fully closed.

Taking a closer look, we can see that the proportion of women who say they are saving has risen much more rapidly over the last 15 years compared to the proportion of men who say this. Participation amongst women has risen by 15%, compared to just 8% amongst men. This has diminished, though not eliminated, the gap in participation between men and women, which now stands at 7%.

But it is also unfortunately true that the gender gap has widened in other ways. Typical savings rates (as a share of income) have increased faster amongst men. The result is that while men and women were typically saving the same share of income 15 years ago, men are now saving around 1.5% more of their income. Higher savings rates among men compound the fact that men, on average, continue to earn more than women.

The disparities in participation, savings rates and incomes have real consequences in terms of the retirement outcomes for women.

Men and women have broadly the same views as to how much income would be enough for a comfortable retirement. The typical saver, whether a man or a woman, thinks that £25,000 would be enough to provide them with a comfortable retirement.

Men are, however, much closer to achieving that goal. Our modelling suggests that the typical young woman today could end up with a retirement pot £78,000 smaller than that of their male counterparts. That sizable gap could translate into nearly £3,000 less in income each year of retirement.

Other factors can further compound the gap. For example, women who take maternity leave and time out of work to care for children, or who move to part-time work, will all face even larger shortfalls in retirement savings.

£78,000 could be the typical shortfall in retirement savings between women and men.
YOUNG WOMEN TODAY STILL FACE A TYPICAL SHORTFALL IN RETIREMENT INCOME THAT IS THOUSANDS OF POUNDS MORE THAN MEN

TYPICAL MALE SAVER CURRENTLY AGED 22-29

- State Pension: £8,800
- Income: £12,200
- Savings Gap: £4,000

TYPICAL FEMALE SAVER CURRENTLY AGED 22-29

- State Pension: £8,800
- Income: £9,500
- Savings Gap: £6,700

Automatic enrolment has been an undoubted force for good in helping people better prepare for retirement. These findings illustrate that it has not, however, put the average person in line to achieve the sort of retirement that they want. It is also clear that while automatic enrolment may have helped to narrow the participation gap between men and women, there remains an overall gap in their retirement prospects. As we shall see in the sections that follow, there are a range of issues that automatic enrolment has not resolved when it comes to women’s retirement preparations.
THE CHALLENGES IN PREPARING FOR RETIREMENT

Both of the reports from earlier this year – The 2019 Retirement Report and The Future of Retirement Report – set out a series of challenges in preparing for retirement. The fundamental challenge is the savings gap. Even with automatic enrolment, the default of 8% is not enough and many risk facing real hardship or even poverty. The savings gap exists for both men and women, but as we have seen, could be particularly significant for the latter.

Behind that reality are several interlocking challenges. Too many people are disengaged and do not realise that the default automatic enrolment rates are not sufficient to maintain their standards of living post-retirement. Many face immediate financial pressures that can make it difficult to consistently save more for retirement. Housing and retirement planning are not sufficiently connected, making it difficult to get the balance right and leaving many unaware of the need to save more if they are likely to rent in retirement. The self-employed have not benefited from the same innovations, particularly automatic enrolment, that have been so valuable to employees.

These are challenges that affect millions of people, younger and older, men and women. But evidence suggests that women may be affected to a greater degree by some of these challenges, making it especially hard to secure a good retirement. We set out below how these challenges manifest for women.
Engagement is a systematic and long-standing challenge facing any effort to help people better prepare for retirement. The secret of automatic enrolment’s success is that it has enhanced participation and raised savings rates without individuals having to take any action. The problem is that the mandated savings rates under automatic enrolment assume that individuals will still make active decisions to save more on top of the default contribution. In other words, engagement is still necessary to maintain the same quality of life in retirement as enjoyed during an individual’s working years.

The reality, though, is that widespread engagement remains elusive across all groups in society. Women, in particular, are more likely to say that they do not know how much they are saving and are also more likely to feel like they are not preparing adequately for retirement. At the same time, they are just as likely as men to acknowledge that they are taking no action in response to concerns around a range of issues that may impact their retirement. This is a serious barrier under automatic enrolment, as anyone relying on the default savings rate might find themselves facing tough choices and potential hardships in retirement.

### THE DISENGAGED

| Women | 42% | Women are more likely to **not know how much they are saving** | 35%
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>Women are also more likely to feel they are <strong>not preparing adequately</strong> for retirement</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>
Immediate financial pressures are an inevitable challenge for those who might want to save more for their retirement. Such pressures can also be a critical driver for individuals to opt out entirely of their pension, often losing valuable employer contributions and tax relief. These challenges are likely to be most acute for those on lower-middle incomes – in the range of £10,000 and £20,000. For individuals in this situation, earning below the UK average, this will mean they often face more difficult financial decisions, but are also likely to need private pension savings on top of the state pension to maintain their quality of life in retirement.

Women are more likely to be earning in this range, reflecting the fact that there is a widespread gap in income between men and women.

An important contribution to the income gap between men and women is the fact that women are far more likely to work part time compared to men. Over 6 million women are part time workers, nearly 75% of the total.

Given the gap in typical income, it is perhaps no surprise to find that women are more likely to cite financial commitments as a reason for opting out of a pension, and are also more likely to say they have experienced financial difficulty. These realities are a crucial component in explaining why women are less likely to save into a pension and will often be saving less when they do.

There can also be the compounding factor that low income and often precarious employment is also more likely to be associated with less generous employer pension support. Automatic enrolment ensures a minimum (8% of salary), but low wage employers are less likely to go beyond this. The result is a large gap driven by lower incomes and lower contribution rates.

These are important challenges that clearly hit women hardest, but by their very nature are unlikely to be solved by simply increasing savings rates. To do may risk unintended and undesirable consequences for those on lower-middle incomes, such as more frequent financial hardship.

Part time statistics from ONS, EMP01
It will come as little surprise that women face additional challenges in relation to housing. Recent research has identified that average house prices across England are 12 times the median salary of women, compared to eight times that of men. At the same time, median rents in England consume 43% of the typical woman’s income, compared to 28% of the average man’s. It is clear that women face a much greater affordability challenge compared to men, driven primarily by differences in income.

This matters for many reasons, not least because housing has a vital, though poorly understood, relationship to retirement planning. Alongside a pension, property provides a complementary mechanism for long-term saving. Savings into a home can often be accessed in retirement through downsizing or equity release. Equally, home ownership in retirement eliminates the need to pay rent, one of the most significant expenditures for most people.

Whether you are a home owner – or expect to be a home owner in the future – or not therefore has significant implications for how much must be saved into a pension. Those who rent in retirement need to be saving much more to cover the cost of rent.

Despite these obvious links, housing and pensions are rarely connected. There is, for example, no simple way to save for a house and a workplace pension. The only way to do so, a Lifetime ISA, adds complexity through an additional product and has much stricter contribution limits. Guidance and advice on retirement often has little to say about the balance between pensions and housing and what to do if you are likely to rent in retirement.

While these are universal problems, they are more pressing for women, as renting is a larger burden and home ownership is more challenging. Women are more likely to end up with smaller pensions, paying a larger share in rent to those who have managed to accumulate assets, who are in turn more likely to be men.

Clearly, closing the housing gap is crucial.

At the same time, so long as the gap persists women may face tougher choices in planning for their retirement. That makes it all the more important to draw together housing and retirement planning, so that women are supported in making the best choices they can.

Housing statistics from the Women’s Budget Group, “A home of her own, housing and women”, July 2019 based on ONS data.
The gender balance amongst the self-employed has traditionally been highly skewed. Historically, there have been about twice as many men who are self-employed as women. Things have been gradually changing, however. Today nearly 1.7 million women are self-employed – 700,000 more than in 2005. The number of women who are self-employed has risen faster than men (up 650,000 over the same period), meaning that today 34% of the self-employed workforce are women, compared to 27% in 2005. This growth should be seen within a wider context in which the overall number of self-employed people has risen to around 5 million people, or 15% of the workforce.

Given the growing importance of self-employment to the UK economy, it is worth exploring in more detail how self-employed women are faring with respect to retirement preparations.

Self-employment statistics from the ONS EMP14 dataset.
The picture of preparations for retirement amongst the self-employed is one of polarisation. On the one hand, there is a minority of self-employed women who say they are saving significantly. Self-employed women who are saving have, in fact, the highest average savings rates of any group. This group’s average savings rate of 16% of income is higher than that of self-employed men (14%) and even higher than the average for both men and women who work as employees (12% and 10%).

A 16% savings rate should be enough for self-employed women to stand a good chance of a retirement that maintains their quality of life. Indeed, they are perhaps some of the most likely, on average, to enjoy a comfortable retirement.

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Average Savings Rate</th>
<th>Proportion Saving Adequately</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed</td>
<td>16%</td>
<td>46%</td>
</tr>
<tr>
<td>Employees</td>
<td>14%</td>
<td>38%</td>
</tr>
<tr>
<td>Men</td>
<td>12%</td>
<td>56%</td>
</tr>
<tr>
<td>Women</td>
<td>10%</td>
<td>64%</td>
</tr>
</tbody>
</table>
THE MAJORITY OF SELF-EMPLOYED WOMEN ARE FAILING TO SAVE ADEQUATELY OR NOTHING AT ALL

The proportion of self-employed women who are in the position of saving adequately is relatively low. Only 46% of self-employed women are saving adequately (and only 38% of men). By comparison, 64% of men and 56% of women working as employees are saving adequately.

Perhaps most starkly, we find that over a third of self-employed women say they are saving nothing at all. This compares to only 12% of men working as employees and 18% of women working as an employee.

So, while a minority of self-employed women are potentially preparing effectively, a majority are not saving enough or more commonly, nothing at all.

Markers of the polarisation amongst self-employed women can be found in multiple places. The proportion of self-employed women who don’t know how much they are saving is 37%. This is materially higher than for men and women working as employees (28% and 32%). Even clearer is the fact that 64% of self-employed women feel they are not saving adequately, compared to 59% of women working as employees and just 44% of men who are employees.

PERHAPS MOST STARKLY, WE FIND THAT OVER A THIRD OF SELF-EMPLOYED WOMEN SAY THEY ARE SAVING NOTHING AT ALL.
Polarisation is a growing issue. The minority of self-employed women who are saving, and generally saving adequately, have seen the fastest growth in the rate at which they save. Since 2007/08 the average savings rate for self-employed women who save has grown 5.2% – just exceeding the growth amongst men working for an employer (5.1%) and significantly exceeding the rate amongst women working for an employer (3.6%). Self-employed women who save have been, relatively speaking, pulling ahead of pretty much everybody in their retirement preparations.

At the same time, this group has not grown in size. In other words, the proportion of self-employed women who are saving anything has remained essentially flat. This is better than self-employed men, amongst whom the proportion saving has actually declined by 13%. It compares unfavourably, however, with men and women who work for an employer, who have seen growth of 17% and 23% respectively over the same period in the proportion saving.

A critical factor is undoubtedly automatic enrolment, or the lack of it. This policy was designed to raise participation rates amongst employees, which it has clearly done, but there is no equivalent for the majority of self-employed women who do not save. Other factors may be at play to explain why some self-employed women save and others do not – including the demographics of self-employed women.
The self-employed are a highly diverse group, encompassing everyone from successful business entrepreneurs to gig economy workers. A look at the demographics of self-employed women bears this out and offers some additional explanation for the polarisation in retirement preparations.

Self-employed women who are not saving adequately are much more likely to be earning less than £20,000. Nearly 80% of self-employed women saving inadequately earn below £20,000. This compares to only 53% of self-employed women who are saving adequately and, perhaps even more telling, only 48% of employed women who are not saving adequately.

As highlighted earlier, it is no surprise that financial constraints pose a significant barrier to saving.

One factor contributing to this picture is likely to be the increasing casualisation of the labour market. Resolving the pensions issues for self-employed women on lower incomes is likely to require both labour market and pensions reforms. Our focus is on pensions, in anticipation that any labour market reforms are managed elsewhere.
It is also notable that self-employed women who are not saving adequately are likely to be in their 30s: 37% are aged 30-39 compared to 25%-30% of women who are self-employed and saving adequately or working for an employer. Self-employed women saving adequately are also much more likely to be in their 40s – around peak earning power – compared to other self-employed women and women working for an employer. This suggests that many self-employed women do eventually reach a position of adequate retirement planning. The lack of compound investment growth in their 20s and 30s, however, makes it more costly and difficult to catch-up to save enough for retirement.
CLOSING THE GAP
PROGRESS HAS BEEN MADE...

The last 15 years have borne witness to substantial improvements in retirement preparations amongst women. The proportion of women saving adequately is at a record high. More women than ever before are saving and are saving more. That translates into tangible improvements in the kinds of retirements that women can expect.

Progress is also broad-based: young or old, in the north or in the south, we can see evidence of a broad convergence across the country.

...BUT GAPS REMAIN

There are, however, important issues that remain.

The gender gap has not gone away. The proportion of women saving is slowly catching up to that of men, but savings rates amongst men remain higher. The combination of higher savings rates and higher average pay also translates into tangible differences in likely retirement outcomes.

Both men and women continue to face a savings gap. There are a range of factors that contribute to the problem. Disengagement, financial pressures, the role of housing and the challenges of saving when self-employed.

We find that women are more likely to face financial pressures. Lower average pay also makes housing less affordable and makes understanding the relationship between housing and retirement planning even more important. An exploration of self-employment finds polarisation between a minority of women who are appear to be effectively preparing for retirement and a majority that are not.

Added to these challenges also a range of life events that continue to disproportionately affect women, contributing to the savings gap. For example:

- The 2017 Women and Retirement report found that women lose out on £5bn each year as most couples do not discuss pensions during divorce proceedings.
- Maternity leave can substantially reduce the amount being saved into a pension for many women as pension contributions stop after 39 weeks, compounding the highlighted gap in savings between men and women.
- Women are more likely to be part-time workers, reducing income, potentially missing out on automatic enrolment and making it harder in general to prepare for retirement.
RAISING REFORM UP THE AGENDA

There are a number of reforms that are already on the agenda:

- **Scraping the automatic enrolment minimum earnings threshold** to make pensions more inclusive for part-time working women.

- **Lowering the minimum age for automatic enrolment from 22 to 18** to give some women four extra years to help mitigate future part-time working and career breaks.

- **“Nudging” couples to consider pensions as part of the online divorce process**, outlined as part of the Government Equalities Office’s recently published roadmap to improve gender equality.

The government should bring forward these changes as soon as is practically possible, while still giving businesses time to adjust.

The new Money and Pensions Service (MaPS) will not only provide guidance services directly to members of the public, but will also take responsibility for galvanising the focus of the financial services industry, the business community and the education sector to deliver better and more consistent support to the public. We believe this is a key area where MaPS can play a valuable role and we understand it will be a priority for the organisation.

Reform can and should also go further to tackle the issue of divorce and gaps that result from maternity leave. Past Women and Retirement reports and the Insuring Women’s Future programme have outlined reforms that should also be adopted:

- **The inclusion of pensions in divorce proceedings should be compulsory**, as recommended in the 2017 Women and Retirement report.

- **Enhanced maternity pensions**, which retain their pre-maternity level and replicate salary sacrifice schemes and incorporated as part of statutory pay reclaim.

- **Clear communication regarding registering for Child Benefit**.

- **Equalise shared parental leave rights**.

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REFORMS TO MOVE THE DIAL

The reforms outlined above will play an important part in supporting women and reducing the gender gap. But continuing another 15 years of progress will require more radical reform to the pensions and retirement savings system. Policymakers must face into the real challenges presented by the picture we have painted.

The barriers facing most self-employed women are perhaps the most challenging to address, reflected in the fact that only 46% are saving adequately today. Reform is needed to drive a step-change in retirement preparations, at a minimum mirroring what we have seen amongst employees. Failure to do this would leave the majority of self-employed women without retirement savings.

New tools and technologies could help to improve engagement and prompt active decision-making, but it is doubtful this alone will be sufficient. Instead, the Government needs to step in and develop a mechanism that will provide default access to pensions for the self-employed. This will not be easy, but such a default remains the only proven way to drive real change in savings behaviour. Options the Government could explore include the use of the tax system to set up and collect savings from the self-employed.

A default mechanism alone will not be enough, however. In our 2018 Women and Retirement Report, we called on the government to build in greater flexibility into pension products. This should be achieved by increasing default savings and allowing savers penalty free access to some of their pension savings in times of financial hardship.

The government can and should go further in the flexibility it provides. Limited access to pension funds can also be extended to support a first home deposit. The large gap in housing affordability between men and women cannot be fully resolved without addressing inequalities in pay, but this reform can play a role in helping to bridge the gap, providing an additional source of funds to support home ownership.

There are many ways for these flexibilities to be implemented. We propose they should take the form of a new retirement savings proposition which gives 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.

Both of these policies should be introduced in tandem with higher default contributions rates for employees and the self-employed. 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.

These policies align with the proposals we have set out for a “Brit Saver” concept in the 2019 Retirement Report and Future of Retirement. They would be of universal benefit but women, especially those on lower incomes and self-employed, would stand to benefit most. Self-employed women saving little at the moment would see some of the largest increases in their savings under a new automatic enrolment scheme. They would also gain flexibility that we know that they want and need.1

Equally, women on lower paying jobs receiving only the minimum automatic enrolment contributions would see material improvements in savings rates. They would also benefit from continued employer contributions if they need to opt out from automatic enrolment. The flexibilities proposed to address financial hardship would also be of most value to women who may face financial barriers to savings. Finally, women in general are more likely to benefit from additional funds that can help them reduce the affordability gap they currently experience with housing.

1 Based on research carried out on 1,200 self-employed individuals in Q1 2019.
SUMMARY OF POLICY RECOMMENDATIONS

HELPING THE SELF-EMPLOYED
Support the majority of self-employed women who are saving little or nothing achieve parity with employees who benefit from automatic enrolment.
The government should develop a mechanism that will provide default access to pension savings for the self-employed.

TACKLING FINANCIAL PRESSURES
Helping women who are more likely to face financial hardships access vital savings and continue to participate in their pension.
Flexibility to use pension savings in times of financial hardship.

SUPPORTING HOME OWNERSHIP
Closing the gap on housing affordability between men and women by making it easier to access funds.
Flexibility to use pension savings to help fund a first home deposit.

GETTING A FAIR SHARE IN DIVORCE
Ensuring women no longer miss out on £5bn of pension assets.
Inclusion of pensions in divorce proceedings should be compulsory.
Government-led education campaign to help people understand the legalities.

SUPPORTING LIFE EVENTS
Helping close the gender gap that results from maternity, career breaks and part-time working
Enhanced maternity pensions
Clear communication regarding child benefit
Equalised shared parental leave rights
Scrap automatic enrolment earnings threshold
Lower the minimum age for automatic enrolment from 22 to 18
A NOTE ON THE MODELLING ASSUMPTIONS USED IN THIS REPORT

The modelling in this report of retirement outcomes is based on survey responses that probe the current income, savings and retirement income expectations of respondents.

Our modelling takes surveyed individuals between the ages of 20-29 (20-39 for the self-employed due to smaller sample sizes). The aim is to reflect how current savings behaviour might translate into long-term retirement outcomes for those who are at the earliest stages of their savings journey.

We take the reported age, wages and savings rate for each individual in the survey. These are then projected forward using the following assumptions:

- **Savings rates**: we assume these follow the same savings profile as demonstrated by older cohorts. Our survey finds that savings rates tend to rise as people get older and this is reflected in the assumed savings rates for each individual we model.
- **Investment growth**: we assume that, apart from savings into the pot, people’s pension pot show yearly real investment growth of 2%.
- **Wage growth**: we assume a yearly real wage growth of 2%.
- **Retirement age**: we assume that the people for whom we model retirement outcomes, namely 20-29 year olds, have a retirement age of 68.

For simplicity, we then convert the pension pot at age 68 into an annualised retirement income using an annuity rate of 3.5%. This allows us to combine the retirement income with the state pension and to compare against the expectations that people have for what would be a comfortable retirement income.

These assumptions are intended to reflect a broad middle-ground of retirement outcomes. Actual outcomes could rise or fall with different wage growth, savings rates, investment returns, and time spent working. That said, given current savings behaviour reaching the retirement outcomes people want would require highly unrealistic assumptions for these other factors. So, while the exact size of the savings gap is inherently uncertain, it undoubtedly exists and is likely to be significant for most people.

Note also that in our recently published policy paper we used the same assumptions, but also modelled retirements with investment growth of 3% and wage growth of 1%. These assumptions produce different pre-retirement incomes, but do not materially change the overall pension pot that someone will accumulate. For simplicity in this report we show only one scenario.

The analysis presented in this report is based on responses to our annual Retirement Report survey in 2018 and 2019, which was carried out online by YouGov Plc. 5,036 adults aged 18+ were surveyed in April 2019 and 5,148 adults were surveyed in April 2018. Surveys have been combined over two years to provide larger sample sizes.

The modelling showing retirement outcomes is based on a subset of responses from 140 men and 160 women who are currently saving and aged between 22 and 29.