The Impact of the Pensions Gap and wider financial wellbeing

Sheffield CII Women and Finance briefing session

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The Insurance Institute of Sheffield
Chartered Insurance Institute

Money & Pensions Service

Learning objectives:

Understand the barriers to women saving for retirement

Learn why women achieve worse financial outcomes than men

Discover what can be done in the workplace to support women achieve better financial outcomes

Money & Pensions Service

Who we are

The Money and Pensions Service (MaPS) is an arm's-length body sponsored by the Department for Work and Pensions, established at the beginning of 2019.

Sponsored by: Department for Work & Pensions

Engages with: HM Treasury

Vision:

Everyone making the most of their money and pensions

Mission:

We help people – particularly those most in need – to improve their financial wellbeing and build a better, more confident future. Working collaboratively across the UK, we make sure customers can access high quality money and pensions guidance and debt advice throughout their lives, however and whenever they need it.

Our consumer facing brand:

MoneyHelper

Our priorities

Delivering for customers and improving people's financial wellbeing throughout the UK

Coordinating the UK Strategy for Financial Wellbeing

1. Helping people in financial crisis

2. Helping people in need manage their money today

3. Helping people with their pensions and financial future

4. Working with partners to improve financial wellbeing

Financial Foundations

Nation of Savers

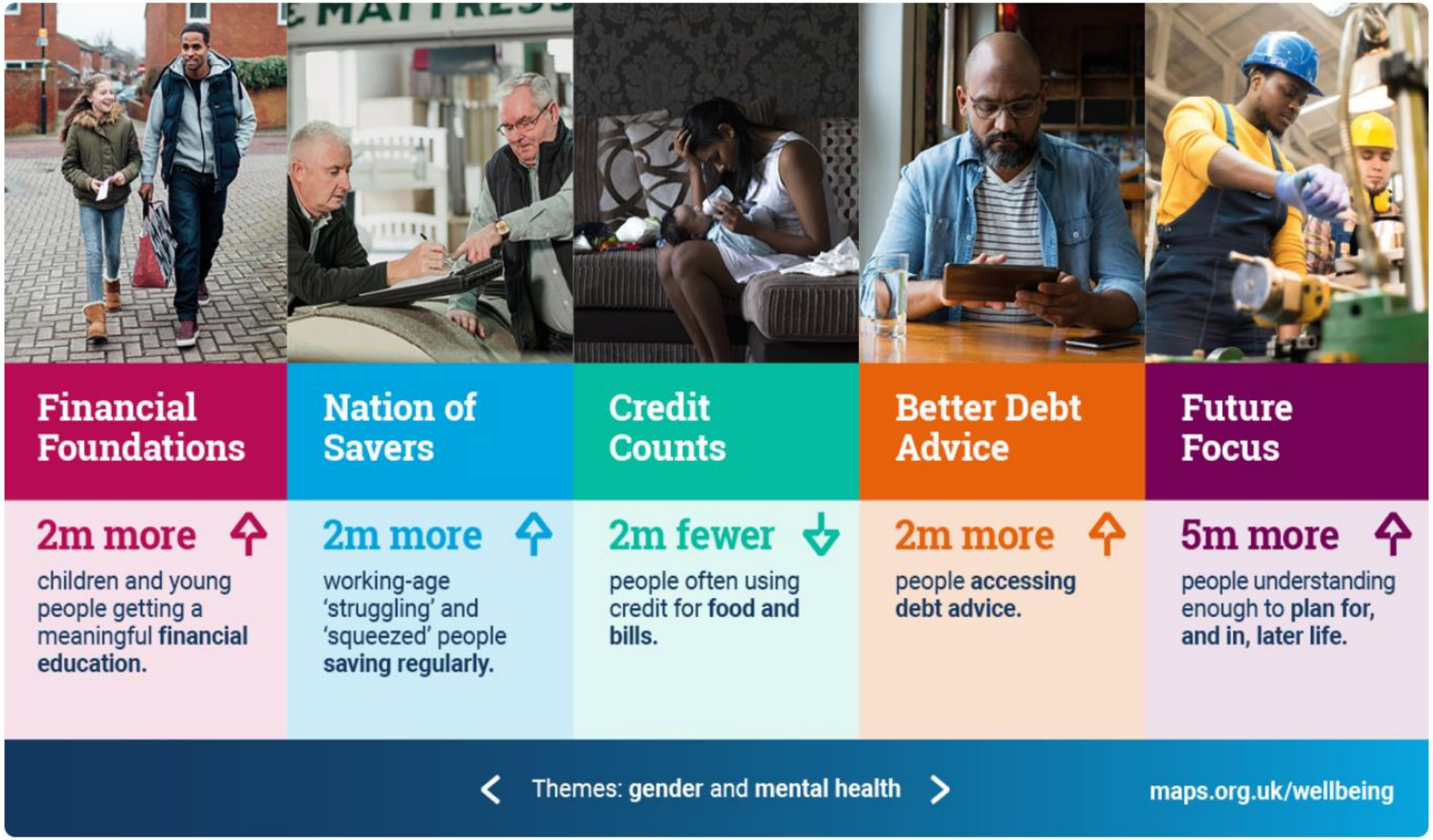
Credit Counts

Better Debt Advice

Future Focus

5. Building on strong foundations

UK Strategy for Financial Wellbeing: Agendas for Change



Why is this important to me?

Money & Pensions Service

HSBC

age UK

citizens advice

Pension wise
Your money. Your choice.

Retirement Living Standards

MENOPAUSE WORKPLACE PLEDGE

Why financial wellbeing is important

Financial wellbeing is about feeling secure and in control. It is about making the most of your money day to day, dealing with the unexpected, and being on track for a healthy financial future.

In short: financially resilient, confident and empowered.

Financial stress can have a significant effect on people's lives. If employees have poor financial wellbeing, employers suffer too — lost productivity has a direct impact on business efficiency.

Financial wellbeing matters for all of us.

A financially healthy nation is good for:

Financial wellbeing

Some headline stats

17%

often use a credit card, overdraft or borrow money to buy food or pay bills because they've run short of money

50%

are struggling to keep up, are falling behind or have fallen behind with their commitments

56%

Of those in the 'struggling' or 'squeezed' segments save money every or most months

16%

are in need of debt advice – that's around 8.5m people!

An estimated

13 million

worker days are lost due to financial worries

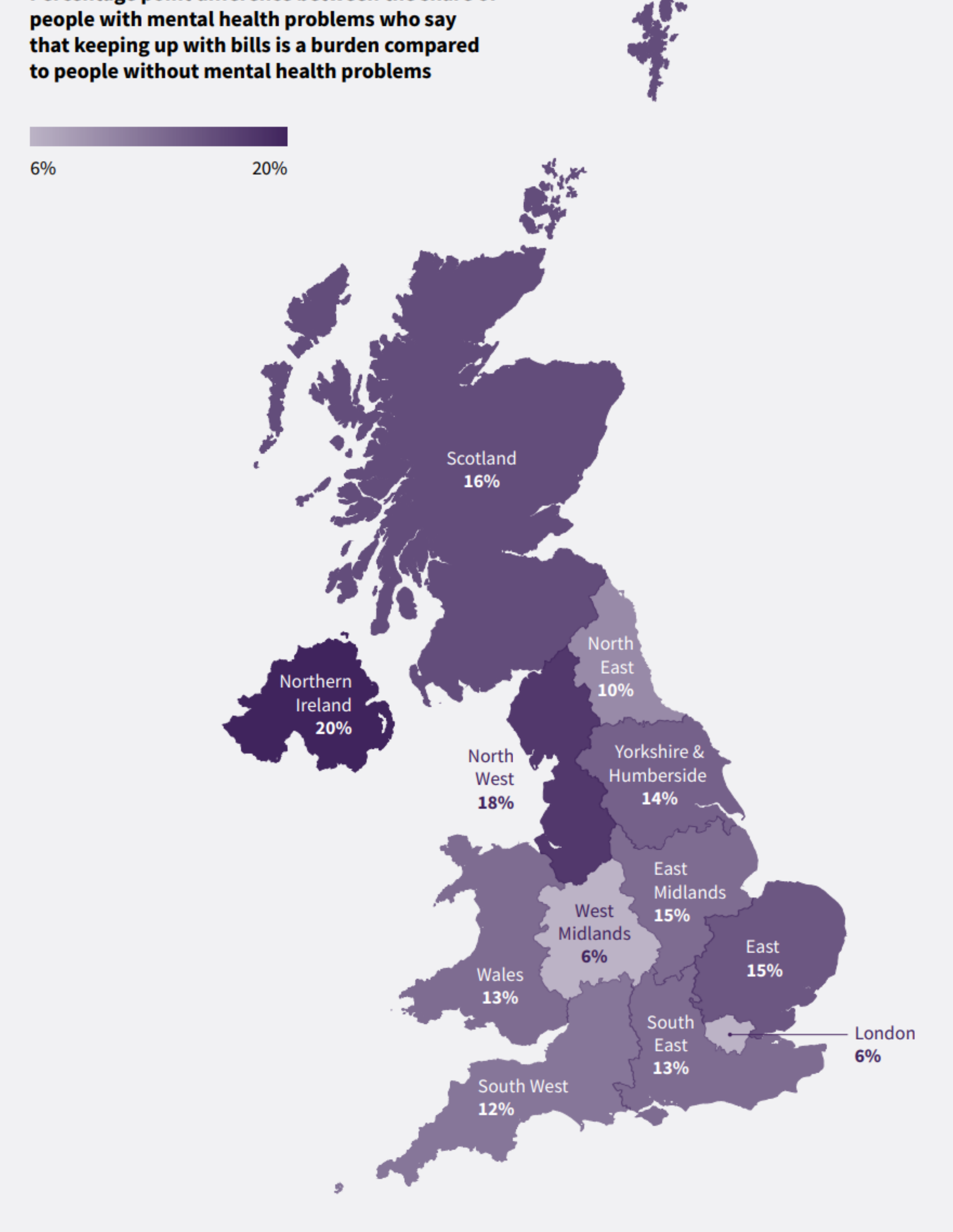
We also know that poor mental health plays a key role in low financial wellbeing

76%

UK employees who are now worrying more about money are suffering worse mental health as a result

56%

People with mental health concerns say keeping up with domestic bills and credit commitments is a burden - compared to 43% of those without



SOURCE DATA: Money and Mental Health Policy Institute, 2022. No One Left Behind.

More people than ever saving into workplace pensions

- People earning £10,000 (earnings trigger) or more in from 1 job will be in a position to take part in auto enrolment.
- Therefore, as earnings continue to grow, keeping the earnings trigger at £10,000 will see private pension participation at 15.8 million in total.
- Maintaining the trigger or reducing it further would bring more women into workplace pension participation.
- Women are more likely to fall into lower earning employment compared to men. Therefore, bringing in more participants who earn below £10,000 per annum will have a greater effect on women than men.
- For example, approximately 70% of new participants in pension saving as a result of reducing the earnings trigger to the NICs LEL are women.
- However 8% contribution into pensions equates to approx. 1 months' salary per year – is this enough?

How much money will you need?

The answer to this question differs for everyone and will depend on your circumstances.

Research originally published in 2018 (and based on prices updated in 2024) sets out three suggested levels of expenditure in retirement:

	Single person	Couple
Minimum – covers basic needs, maybe some left over for 'fun'	£14,400 £15,700 (London)	£22,400 £24,500 (London)
Moderate – allows for financial security and flexibility	£31,300 £32,800 (London)	£43,100 £44,900 (London)
Comfortable – more financial freedom and luxuries	£43,100 £45,000 (London)	£59,000 £61,200 (London)

Read more here: retirementlivingstandards.org.uk/

See what you're on track to get from just your pensions using our budget worksheet and calculator:
moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/check-the-progress-of-your-pension-and-retirement-savings

Financial wellbeing and women

Women are faring less well than men on almost all key financial wellbeing measures. Women tend to be:

- Less confident in managing their money, especially young women
- Less satisfied with their financial circumstances, especially single mothers
- Having more difficulty in keeping up with bills and credit commitments, especially the 55+ and retired age group
- Struggling to pay an unexpected bill, particularly single mothers
- At risk from significant life events such as illness or loss of employment due to lower levels of personal saving

The biggest gaps relate to pensions and retirement planning. In particular, women are:

- Less likely to say they understand enough about pensions to make decisions about saving for retirement

  59% of women say this, compared with 43% of men
- Less likely to have a plan for their finances in retirement

  60% of women say they don't have a plan, compared with 44% of men.
- Less likely to save on a regular basis than men
- Average Pension pot for over 50's Male £43,954, Female £23,962

Why do women achieve worse outcomes than men?

- Most factors point to the same overall problem, which is that women – regardless of socio-economic background or personal characteristics - overall simply have less money than men.
- Female weekly earnings are less than 70% of male weekly earnings
- Amongst those that are employed, women are more likely to be in lower paid industries, are less likely to negotiate pay and are more likely to be on zero-hour contracts than men (55% compared to 47%).
- Single parent families make up around a quarter of all families with children and they are likely to struggle more with finding ways to balance their childcare responsibilities with work.
- Unemployment is more common amongst single mothers than single fathers (and even in couples the employment rate for mothers is 20% lower than for fathers)
- Caring responsibilities for women go beyond childcare, with almost a third of women in their late 50s caring for an adult.
- Women experience low financial confidence (which is a driver of financial wellbeing), and this is a problem even amongst the well-educated. Low confidence seems to be a particular issue when related to making decisions about products and services
- Women are less likely to consult financial advisors than men

How can we help women to achieve better financial outcomes?

- There is an expanding body of global research that associates being a woman with experiencing worse financial outcomes. This association is particularly strong in studies of financial wellbeing and, most notably, those focused on measures of longer-term wellbeing.
- In the UK context, one area of concern is the gender pensions gap. The average man accumulates five times the pension pot of the average woman by the age of 65 and 50% more women than men are heading towards retirement without any private pension savings. In addition to this, fewer women invest their money than men and, in terms of savings, men in their late 30s have over 60% more savings than women of the same age.
- Women are reported to be more capable savers in that they are better at both planning how to use their income and keep track of it and yet they fare less well at building up a savings balance.
- Women are also reportedly better at knowing how to use their income and at keeping track of money, but conversely are less capable spenders, don’t score as well as men for meeting commitments and are twice as likely to worry about meeting their day-to-day living costs as their male counterparts:16% vs 7%.
- Some of these findings suggest that for women financial capability is not necessarily leading to financial wellbeing in the way we might expect.

Why does this matter?

- We know that poor financial wellbeing has negative impacts for the individual as well as those around them. It is one of the main causes of stress for adults and can impact both mental and physical health as well as often negatively affecting close family and friends. Beyond this, there are consequences for business with negative impacts on engagement and productivity.
- Improving people's financial management skills would have substantial effects on stress-related illnesses and the outcomes associated with such problems and would therefore have lasting benefits for individuals and the wider economy.
- Ensuring that working parents are in jobs that match their skillsets, and that valuable skills are not lost through additional time spent out of the labour market, can also boost national productivity. It's argued that greater female labour supply would add considerably to economic growth and could raise UK GDP by 10% by 2030.

What can be done to support women in the workplace?

Close the gender pay gap

The gender pay gap, which shows the difference in average earnings between women and men, usually shows that men earn more than women. Closing the gender pay gap is essential in narrowing the pension divide.

Provide flexible working arrangements

- Consider flexible working arrangements, such as remote working, flexible hours or job-sharing opportunities. These working arrangements can help to dismantle barriers and enable women to balance work and caregiving responsibilities.

Educate and train

- Education and training opportunities can equip women with the skills and knowledge they need to make informed decisions when it comes to their retirement planning, savings, and pension options. The delivery of this training can be specifically tailored to the needs of women, such as exploring what will happen if a woman leaves her job to start a family.
- It's also important to provide information that will highlight the difference that individual choices can have on your pension, take-home pay, and overall financial wellbeing.

Consider salary sacrifice for pension contributions

- Salary sacrifice for pension contributions means that employees agree to give up a part of their earnings. This reduces their overall salaries, but in return the employer agrees to pay these 'sacrificed' earnings directly into employee's workplace pensions. This results in pension contributions being maintained at pre-maternity levels throughout paid maternity leave.

Encourage a family-friendly culture

- We've already established that women are more likely to have gaps in their working lives and make up 72% of the part-time workforce. Building a family-friendly culture (such as enhanced parental leave and additional childcare provision) that helps employees balance their work and home life, can empower women to fulfil their potential at work. Supporting policies should also allow the opportunity for women to progress their career.

How can MoneyHelper support women's knowledge of pensions?

Money & Pensions Service

Find a retirement adviser

> Getting an adviser when you're building your retirement savings or retiring can help you make the right decision for your specific personal situation. And sometimes you have to take advice – your provider will let you know if this is the case for you.

Pension calculator

> How much do you need in retirement and how much are you going to have? Those are the questions our pension calculator will help you answer.

In just a couple of minutes, you'll get:

- A forecast of the likely pension income you'll get when you retire.
- Your forecast will include income from defined benefit and defined contribution pensions, and your State Pension.
- A target retirement income to aim for, taking into account your salary.

And when you get your results, you can alter your retirement age to see how that affects your income. You can also see how increased contributions or taking a smaller tax-free lump sum affect your yearly pension.

We'll also give you some next steps to take if your pension incomes might be less than what you'd want.

This tool is designed for people retiring at age 55 or older.

Start pension calculator

Money Midlife MOT

> The Money Midlife MOT is a tool to help you assess your current financial situation and plan for the future. Your personalised report will tell you what to prioritise and link to guidance on how to improve your financial wellbeing from midlife through to retirement.

You can use this tool to:

- **identify actions to improve your finances**, according to your priorities
- **help you plan for the future** and make sure you stay on track to achieve your goals.

This tool works best for people:

- **between the ages of 45 and 65**
- **living and planning to retire in the UK**.

We will ask a series of questions about your finances.

You won't need any documents or extra information to use the tool. **It should take about 5 minutes to complete.**

The information you provide will be kept completely anonymous, but you can download your results.

Start your Money Midlife MOT

How long might your money need to last in retirement?

> Retirement can last for 20 years or more depending on when you retire and how long you live. Your income in retirement is likely to come from several sources. These include your State Pension, other pensions you might have built up while working and any savings and investments. Before you give up work you need to make sure you'll have enough money to live on throughout your retirement.

talk money week®

4th – 8th November 2024

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Thank you

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