
Pensions: the final frontier for the gender wealth gap?



Despite the majority of the UK population building up a pension pot, just a third of us are confident that we will be able to retire comfortably. Breaking this down by gender, 38% of men felt optimistic about a financially secure retirement versus just 27% of women.

What's holding the UK population back from a peaceful retirement, are women right to be more worried than men, and are younger people saving enough?

According to this year's *Wealth Survey*, three quarters of us have a pension, with an average pot of £272,045. In keeping with last year's results, women are still less likely than men to have a pension, though this improves among younger age groups. Women over 40 are generally less likely to have a pension than men of a similar age (71% of women versus 83% of men), whereas this is more equal among people in their 30s.

Who **doesn't** have a pension?



Women 28%
Men 19%



However, among women who do have a pension, their savings are typically much smaller. This year, our survey told us that the average (median) pension pot for a woman is roughly £37,500 – half the size of the average (median) male pension pot of £75,000.

Women's pension pots are around half the size of men's pension pots



Why are women's pensions pots so much smaller?

Most people's pension savings are tied to their income, whether this is because it defines how much they can afford to contribute to a private pension, or because their workplace pension is linked to their salary one way or another. With this in mind, perhaps it shouldn't come as a surprise to hear that women's pension pots are typically much smaller than men's.

But isn't the gender pay gap narrowing? In some ways, yes, but unfortunately there is still some way to go. While average hourly wages for younger men and women (18-21 years old) are now roughly even, a pay gap starts to emerge quite quickly as people age. According to Office for National Statistics data, the wage gap between men and women is highest for those aged over 60 years, but even among relatively younger age groups, there has been a worrying creep up in recent years. Over the past few years, the wage gap between men and women for workers in their 20s and 30s has risen back up to levels last seen over a decade ago.¹

We can only speculate about the cause of this, but it's hard to ignore the potential effect of the COVID-19 pandemic on the workforce in general, and on people's career choices individually. Recent UK labour market statistics have highlighted that the UK workforce has shrunk, with many people leaving the workforce completely in recent years. We know that some of this is sadly due to ill health, but it's difficult to ignore the gendered wage gap data for workers in their 20s and 30s – the most common age for people to raise children.

Christine Ross, Client Director at Handelsbanken Wealth & Asset Management, suspects this is no coincidence, and worries about the effect this could have on many women's retirement savings:

"As businesses call upon their staff to return to the office environment, are women in their 20s and 30s resisting? Perhaps they want to maintain the more flexible time with their family that they've experienced over the past few years. Or maybe – in this era of high costs of living – they simply can't afford the extended childcare they'd need to return to higher paying or full time roles.

"Whatever the cause of the increased gender pay gap within these age groups, given the strong link between incomes and pension contributions, this is a very concerning picture for many women's longer-term finances."

What will stop us from paying into our pension pots?

Perhaps surprisingly, our *Wealth Survey* didn't show family or childcare among the top factors people imagined would cause them to take a break from pension contributions. A fifth (20%) of our respondents did expect to take a longer break from making pension contributions, averaging an expected 9 years when they foresaw that they would not be paying into their pension pots.

The main reasons given for this were travel (21%), and health reasons (18%) – the latter is naturally far more worrying given the recent UK labour market statistics on losing workers to ill health. Around 16% of those surveyed thought they would take a break from contributing at some point because they

¹Source: Office for National Statistics

would have accumulated enough wealth and would no longer need to work, while the same number (also 16%) – at the opposite end of the scale – imagined that they would need to take a break from paying into their pensions due to affordability reasons.

Given the UK's spike upwards in the cost of living, Christine is not surprised to hear this, but she does caution against deprioritising your pension savings if at all possible:

“We know that there is currently a huge amount of competition for our financial resources. More immediate concerns like a higher cost of living and increased mortgage payments are making it really challenging for many people to maintain regular pension contributions.

“Even acknowledging these challenges, it would be irresponsible of us not to point out that making up for any lost pension contributions further down the line can be really tricky. If you find yourself unable to save for retirement at the moment, we'd really encourage you to take some professional advice to build a long-term financial plan. It might seem like a contradiction in terms to pay for help when you're trying to save money! But it could save you from an expensive misstep.”

Do we understand our pensions?

When we asked our survey respondents about who was involved in managing their pension, the most common answer was their workplace (38%). Under UK law, all employers must offer a workplace pension scheme. However, according to our *Wealth Survey* results, only 36% of people felt that their employer was helpful in explaining their workplace pension and post-retirement planning.

As Christine notes, this lack of information from employers can be especially problematic if coupled with a lack of engagement from pension scheme members (employees).

“Usually, there will be lots of different investment options within a pension scheme, but most members will simply stick with the default option. This may not offer the right level of risk and potential financial reward that best fits with their retirement aspirations.

“We see this disengagement in particular with younger pension savers, for whom retirement feels a very long way off, especially once set against other competing near-term financial priorities. This is really unfortunate, as the contributions they make to their pension savings in the earliest years will be given the longest time to attract investment growth. Younger people will also have a very different experience of retirement planning to older generations, who were much more likely to benefit from ‘defined benefit’ or ‘final salary’ pension schemes.”

What do your career choices mean for your pension?

With workplace pensions in mind, how could career changes affect people's retirement savings? According to our *Wealth Survey*, most people have had an average of two careers so far – this means working in two distinctly different industries or career paths. Those who have not yet retired expect to average three different careers over their lifetime.

What makes people switch careers?

Career opportunities that didn't exist in the past



27%

Seeking a better salary



23%

Building a varied career path



22%

While career changes can present fantastic opportunities (personal and financial), Christine is keen to highlight that switching industries could mean facing up to some pension-related risks:

“Restarting in a new industry, or returning after an extended break, can feel like entering the workplace for the first time all over again. If you're moving to a self-employed role having previously enjoyed the benefits of a workplace pension scheme, can you afford to make private pension contributions? If your new role includes a workplace pension scheme but offers a lower salary (likely lowering the amount paid into your workplace pension), can you make up the shortfall? These considerations needn't stop you from branching out into exciting new careers, but they should feature in your financial plan.”

Why do we need to engage with our pension planning?

- We have more choice than ever in how we build up (and spend) our retirement savings, but we must be fully informed about the options available
- Pensions form a critical battleground in the gender wealth gap: women need the confidence and information to make viable retirement plans
- Younger men and women need to engage with pension planning earlier, to make the most of the potential for long-term growth in their retirement savings

Methodology

Research conducted by Opinium among a sample of 4,000 UK adults between 12th and 17th January 2024. Respondents were chosen on a nationally representative basis, weighted evenly by gender, age, region and value of financial assets. Of the overall sample, 1,765 (44.1%) were male and 2,216 (55.4%) were female, while 733 (18.3%) had a net worth of more than £100,000.

Results were analysed to focus on gender differences between 10-year age brackets and financial assets to identify trends between demographics. Any population figures are extrapolated based on a UK adult (18+) population (mid-2022), published by the Office for National Statistics in November 2023.

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