

Bridging the gender pensions gap

Women left with half the pension pot, no matter the job

We've all heard about the gender pay gap, but very few discuss the gender pensions gap, despite the fact so many women experience it. Women's pensions at retirement are half the size of men's, regardless of the sector they work in, new research has highlighted^[1].

The gender pension gap is the percentage difference in income between men's and women's pensions and it begins at the very start of a woman's career.

Long-term financial impact

The research found that every single industry in the UK has a gender pensions gap, even those dominated by female workers. Considering women are likely to live four years^[2] longer than men, this issue deepens as they need to have saved around 5% to 7% more at retirement age.

Worryingly, more than a third (38%) of women who have taken a career break were not aware of the long-term financial impact it would have on their pension.

Three key industries

According to the research, the gender pensions gap exists regardless of average pay across different sectors, and ranges from a gap of 59% in the healthcare industry, to 13% in courier services.

The healthcare (59%), construction (51%), real estate/property development (48%), pharmaceutical (46%), aerospace, defence and government services (46%), and senior care (45%) sectors were found to have the largest gender pensions gaps. Of these six sectors, three are key industries for female employment – healthcare, pharmaceuticals and senior care^[3].

Lower pensions contributions

There are many reasons for the gender pensions gap, ranging from women holding fewer senior positions and being paid less, resulting in lower pensions contributions, to the fact they are more likely to take career breaks due to caring responsibilities.

Of those that have taken a career break, 38% did not know the financial impact it had on their pension contributions^[4].

Gender confidence gap

Another potential driver is a significant gender confidence gap when it comes to managing pension pots. More than a quarter (28%) of women said they had confidence in their ability to make decisions about their pension, compared to almost half (48%) of men^[5].

This lack of confidence extends further to other financial decisions, with women less likely than men to feel confident managing their investments (22% of women versus 41% of men), and their savings (56% of women versus 67% of men).

While many factors behind the gender pension gap are out of most people's control, there are some actions you can take to help reduce it:

Contribute as much as you can to your pension - and start early. Compound interest remains hugely underrated and poorly understood by both some men and women.

Check the charges on your historic pension pots. If appropriate, see if consolidating your pots will bring them down.

Check how much your State Pension will be and when you'll get it. If it's not going to support your ideal lifestyle, plan how you'll cover any shortfall.

Put a bit more into your pension whenever you get a pay rise.

Talk through your pension planning with your partner. Make sure you know about each other's saving plans, contribution limits and that you are both on the same page. Keep a regular eye on your pension to make sure you're in full control of it and saving for your ideal future. ■

NEED ADVICE TO CLOSE THE GENDER PAY GAP IN YOUR PENSION?

Women often have disrupted work patterns, career gaps and work part-time – this can impact their ability to save consistently for retirement without savings gaps. If you are concerned about your retirement plans and would like to review your pension options, please contact us. We look forward to hearing from you.

Source data:

[1] The analysis is based on LGIM's proprietary data on c.4.5 million defined contribution members as at 1 April 2022 but does not take into account any other pension provision the customers may have elsewhere.

[2] ONS: Life expectancy at birth in the UK: 82.9 years for women vs 79 years for men; Office for National Statistics, 2018 – 2020. Average four years.

[3] According to the ratio of female members across the Legal & General book of business.

[4] Legal & General Insight Lab survey of 2,135 workplace members was conducted between 4–26 July 2022.

[5] Opinion survey of 2,001 UK adults was conducted between 4–8 February 2022.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.



Later-life and financial wellbeing

More than one-million over-60's are rethinking later life plans

With people living longer lives and retirement now lasting up to several decades, the reality is that the majority of us will have to pay for later life care at some stage – whether that be for ourselves or loved ones.

When there is no provision for this, it can have a potentially catastrophic impact on someone's later life and wellbeing.

About our futures

The Coronavirus pandemic has changed the way many of us are thinking about our futures. Not only has it made us consider how we want to spend the rest of our days, but also how we want to be with and where we want to be.

So it isn't surprising that some over-60s are starting to rethink their later life care plans, whether that be their own choice or influence from family members. However, many people may still not have considered how they will fund care in later life.

The growing concerns from family members surrounding the pandemic has driven some over-60s to consider options beyond care homes, such as downsizing or moving into assisted living.

Rethinking care plans

Research reveals that more than one million over-60s who were originally planning on going into care homes are now rethinking their care plans in later life as a result of the Coronavirus pandemic^[1].

This shift could be driven by growing concerns from their children. Nearly a fifth (19%) of Britons, who would have previously been open to care homes as an option for their family members before the crisis hit, now wouldn't consider it, the research highlights.

Options to consider

Instead of moving into care homes, some over-60s are primarily looking either to move into assisted living (19%) or smaller and more manageable properties (19%). Moving in with family members was

also a popular option, with nearly one in ten (9%) looking to move into a spare room, and 6% looking to move into a granny annexe.

For those looking to move into an annexe or pay for home improvements, more than two-thirds (67%) think they would need to alter their home or their child's home in some way.

The most popular home improvements include:

- Making modifications to the bathroom, such as adding grab bars and a shower seat (34%)
- Installing an emergency alarm (27%)
- Installing a chair lift (22%)
- Buying new furniture, such as a bed with rails (22%)
- Installing mobility features like ramps (19%)

Growing need for care in later life

But, despite the growing need for care in later life and the average cost estimated at between £600 to 800 per week^[2], more than half (55%) of over-60 year olds still haven't considered or don't know how they will fund it.

For those who have considered it, a fifth (21%) expect to use their State Pension of just £185.15 a week (£9,628 a year), 15% expect the government to pay for it, and a further 15% expect to use their cash savings.

It is important to remember that there is no one 'right' way to approach later life. What matters most is that you are happy and comfortable with your choices.

If you are over 60 and thinking about your plans for later life, here are some things you may wish to consider:

- What is your current financial situation? Do you have enough saved up to support yourself in retirement?
- Do you have any health concerns that could impact your ability to live independently in the future?
- Do you have a strong network of family and friends who can support you as you age?
- What kind of lifestyle do you want to maintain in retirement? Are you hoping to travel or pursue new hobbies?

What kind of living arrangement would best suit your needs? Would you prefer to stay in your own home or downsize to a smaller space?

Opportunity to think

Making plans for later life can be daunting, but it is also an opportunity to think about what you want out of life and what would make you happy. As we get older, we may require help whether this be in the form of family members at home or a residential setting providing domiciliary care.

Change can be difficult but planning for the future can make things much easier. Take your time to explore your options and talk to your loved ones about your plans. With the right planning, you can ensure that your later years are just as fulfilling as the rest of your life. ■

READY TO DISCUSS PLANNING FOR THE COST OF CARE?

We can't predict the future. The type of care we may require, the level of costs at the time and eligibility to state benefits are all changing variables that require ongoing reviews in order to help you keep on track. If you would like to discuss your situation or planning for a family, please contact us.

Source data:

[1] Research among 2,000 UK adults, fieldwork 12–15 June 2020, conducted by Opinium Research.

[2] Age UK - <https://www.ageuk.org.uk/information-advice/care/paying-for-care/paying-for-a-care-home/>

To arrange a complimentary consultation or review, please contact our Independent Financial Advisers on 01803 224888.