QUAY
FINANCIAL PLANNING

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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:

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- 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] Opinium 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.

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