

# Feeling the pinch

## Women more vulnerable to cost of living crisis

Throughout their lives, women face a number of challenges that can place them at a financial disadvantage compared to their male counterparts. This can include inequality of pay at work, taking career breaks or taking part-time positions due to an expectation they will take on greater responsibility for family commitments.

This often leaves them less financially resilient and in the context of the cost of living crisis, where everyone is feeling the pinch, it places additional pressure on their financial wellbeing. This can have an impact in the here and now but can also contribute to inequalities in the long term, such as with pension savings.

### FINANCIAL RESILIENCE OVERESTIMATION

Working women are significantly closer to the breadline if they lose their income and more vulnerable to the cost of living crisis, according to new research<sup>[1]</sup>. On average, working women are only 14 days away from the breadline in the event they lose their income. This is significantly less than the average working man, who would be able to meet their household costs for 28 days. The household average stands at 19 days.

While the average working woman has comparable debts to men (£558 vs. £665), they have significantly less set aside in all their savings and investments (£1,801 vs. £3,214). With a daily expenditure of £90, calculations show that women would only be able to fund their household spending for two weeks with no income. On average, women overestimate their financial resilience, assuming they are 60 days from the breadline; this is compared to men who assume they have 90 days.

### REDUCING ESSENTIAL SPENDING

Women are considerably more likely to view the cost of living crisis as a 'constant source of worry' (78% vs 68% of men) and therefore take action to address it. Women are much more likely to be cutting back on luxuries (86% vs 76% of men) and reducing essential spending where possible (72% vs 65% of men).

On average, working women surveyed have a lower median annual personal income (£23,245 vs. £31,070), likely due to a number of reasons. Statistics show that in 2021, the gender pay gap among full-time employees was 7.9%, up from 7.0% in 2020<sup>[2]</sup>, signalling that women in full-time employment continue to get paid less than their male co-workers.

### EMPHASIS ON BUDGETING

Similarly, working women are significantly more likely to be in part-time employment compared to men (31% vs 11% of men surveyed), with the expectation of domestic and caring responsibilities often placed on women's shoulders.

While the cost of living crisis has placed an emphasis on budgeting and financial planning, women's financial wellbeing still faces considerable challenges in the long term. Research from earlier last year showed that, on average, women's pensions are half the size of men's (£12,000 versus £26,000)<sup>[3]</sup>. ■

### WANT TO DISCUSS HOW TO MAKE THE MOST OF YOUR MONEY?

With a significant strain on the nation's finances, it's important that everyone is aware of their financial situation to manage realistic expectations. To discuss how we could help you to make the most of your money, please get in touch.

### Source data:

[1] Online survey among 5,021 UK consumers using Savanta's proprietary consumer panel between 28 June and 5 July 2022. The survey covered employed and self-employed consumers aged 18 to 65 only, approximately nationally representative but ensuring a minimum sample in every region of the country.

This extrapolates to approximately 31,228 million adults in the UK. Results were re-weighted to represent the UK population in terms of age/gender, region and employment status. All averages that are shown are median values. References to income refer to household income.

Basic expenses are housing costs, loans/credit card repayments, utility bills and food. When savings and investments are referred to it includes both personal and household.

Legal & General's Deadline to Breadline report explores financial resilience, security and engagement of working households across the UK. The report contains key 'conversation starters' for advisers to help with tricky questions during this difficult time for clients.

[2] Office for National Statistics (ONS), Gender pay gap in the UK: 2021, 26 October 2021

[3] Legal & General 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.