

# WOMEN AND RETIREMENT REPORT 2014

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LIFE FEELS BETTER WHEN  
YOU HAVE A PLAN

**SCOTTISH WIDOWS**



WOMEN NOW  
HAVE MORE OPPORTUNITIES  
TO BUILD A MORE  
COMFORTABLE  
RETIREMENT

THE NUMBER OF WOMEN SAVING ADEQUATELY  
FOR A PENSION IS UP BY TEN PER CENT



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# FOREWORD

## RACHEL REEVES

SHADOW SECRETARY OF STATE FOR WORK AND PENSIONS

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THIS YEAR'S SCOTTISH WIDOWS' WOMEN AND RETIREMENT REPORT CONTAINS SOME ENCOURAGING NEWS FOR THOSE OF US WHO CARE ABOUT WOMEN'S PENSIONS.

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The number of women saving adequately for a pension is up by ten per cent, with more women helped to save through the automatic enrolment programme built on the back of Labour's Pensions Commission. When women are given the chance to save, they overwhelmingly choose to do so.

But for too many women, barriers are still being put in their way to saving. Increases in the threshold for automatic enrolment have left 1.5 million out of the benefits of pensions saving, and 1 million of those are women. This risks leaving those hit by low pay, part time work and zero hours contracts during their working life left out when it comes to retirement. So as well as tackling low pay through increasing the National Minimum Wage, and banning the exploitative use of zero hours contracts, I believe we should

examine whether the threshold should be brought down to include more people automatically in the benefits of saving.

The low pay still experienced by too many women is key to the worrying figures in this report that show that women are still saving a huge 40 per cent less than men – a gap that has widened since last year. Perhaps that's not surprising when the gender pay gap has also widened for the first time in five years, but we should still be shocked that the cost-of-living crisis is still restricting women's ability to save what they need for the future.

The fact that savings are hard won is why it's so important that every penny saved is put to good use. Labour welcomes the Government's final conversion to the case for a charge cap on pensions, although it will be implemented nearly three

years after Ed Miliband first called for this vital protection for savers. But we think there's further to go in ensuring that pensions are always managed in the best interests of savers, so that everyone sees the full benefit of their investment.

We also know that savers will need the best possible guidance when it comes to accessing a retirement income. I welcome the freedom and choice introduced in this year's Budget. But good guidance will be essential to help people make the right choices and it's concerning that this report shows that only just over 40 per cent of women were aware of their options at retirement. Labour has set up a taskforce on how we can ensure that these women – and all savers – can make sure they get the products they need and are protected from rip-offs that could decimate savings.

Building an economy that works for working women will be key to ensuring that the next generation of savers can feel confident about putting money aside. But alongside that we must have a pensions system that people can trust, and that always puts the saver first. I welcome the fact that Scottish Widows are holding politicians' feet to the fire to ensure that Government and industry work together to ensure that more people can look forward to retirement rather than fear poverty in old age. That will be the priority of the next Labour Government, and I look forward to working with Scottish Widows to achieve it.

10%

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Increase of women saving adequately for pensions.

40%

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Women are aware of their retirement options.

# WOMEN AND RETIREMENT LANDSCAPE

The Scottish Widows Women and Retirement Report is based on an online survey of over 5,000 UK adults conducted by independent research agency, YouGov, in March 2014.

## FINDINGS

50%

Are saving adequately for retirement.

£100

Average monthly retirement savings by women.

78%

Didn't know how much they'd need to save for a comfortable retirement.

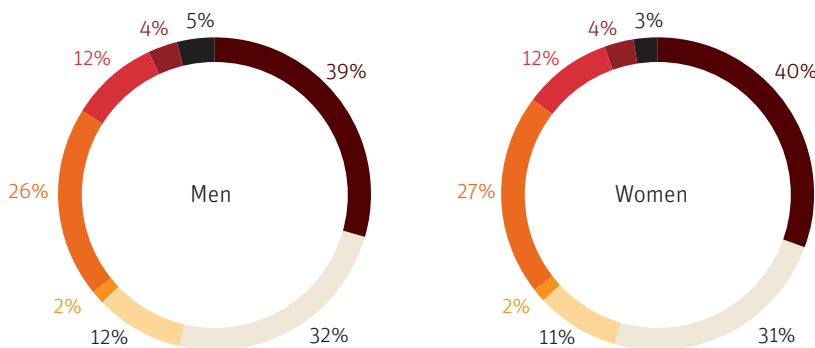


1 in 2 who earn between £10,000 and £30,000 are saving adequately for retirement.



1 in 3 women expect to rely on cash savings in retirement.

## WHICH OF THE FOLLOWING TYPES OF CREDIT COMMITMENTS DO YOU CURRENTLY HAVE EITHER IN YOUR OWN NAME OR JOINTLY WITH YOUR SPOUSE/ PARTNER?



- I don't have any credit commitments
- Mortgage
- A longer-term loan NOT secured on a property
- A loan from a short-term cash lender (also known as payday loan)
- Credit card/store card or credit balance carried over from last month
- Student loan
- Other
- Don't know

## NEED MORE ADVICE, GUIDANCE AND SUPPORT

7%

Were confident in their knowledge of annuities.

22%

Would discuss pensions with their own adviser.

25%

Believe that their company pension will help in retirement.

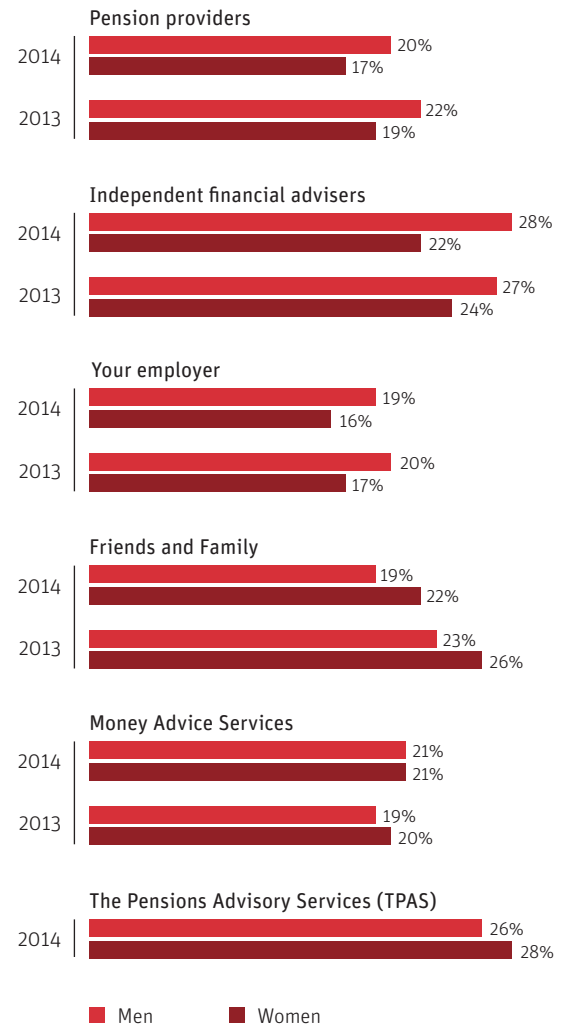
15%

Fully understand pensions.

## FINANCIAL PRODUCT KNOWLEDGE AND CONFIDENCE

	Men	Women
Fully understand		
Home insurance	36%	35%
Current account	54%	53%
Cash ISA	34%	31%
Mobile phone tariffs	29%	24%
Pensions	22%	15%
Savings accounts	45%	39%
Stocks and shares ISA	20%	9%
Annuity	14%	7%

## SOURCES OF FINANCIAL ADVICE





01

WHAT A  
DIFFERENCE  
A YEAR MAKES

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WHEN SCOTTISH WIDOWS  
ASKED THOUSANDS OF WOMEN  
HOW MUCH THEY WOULD NEED  
TO SAVE FOR A COMFORTABLE  
RETIREMENT, MORE THAN THREE  
QUARTERS (76%) DIDN'T KNOW.



A flurry of legislative changes means Brits in 2014 have access to a range of retirement choices and opportunities like never before. Empowered by automatic enrolment into workplace schemes and changes to the rules around buying an annuity, more and more women in particular are taking control of their retirement funding.

Ten years ago, when Scottish Widows began surveying the attitudes, hopes and concerns of women around the country, the situation was very different. Many were retiring promptly at aged 60, but often without even qualifying for the full state pension. Today, our research shows half the female population is now saving adequately for retirement, a number that has increased by 10% in the last year alone.

Not only that but they are clearly committed to saving. Admittedly, fewer women than men are saving into a pension in the first place, but of those who are, just 4% would be willing to stop or reduce their pension saving if their household income reduced by 10% for example. They prefer to scrimp more than their male counterparts on groceries, utilities and clothing instead.

But alongside such positive news, there are still reasons for concern.

When Scottish Widows asked thousands of women how much they would need to save for a comfortable retirement, more than three quarters (76%) didn't know.

Of those who did put a figure on it, their answer was £200,000 less than the amount men said they would need. (£255,000 vs £460,000). Only 15% of women said they fully understood pensions, and only 7% were confident in their knowledge of annuities.

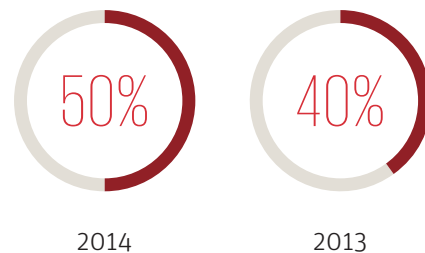
Clearly, the interested parties have a lot of work to do on the confidence and education front. In the meantime, the economy is thankfully back in positive territory after a punishing recession but few people are feeling the effects on the ground yet.

That means huge swathes of the population still have the age-old problem of simply trying to save enough with so many other priorities fighting for their cash. There's no doubt that there's still a long way to go to help women achieve the retirement they hope and work for.

This year's report asks how the latest legislative changes are affecting the attitudes and expectations of women making decisions about their current and future financial circumstances. It asks whether the financial services industry, Government, employers and individuals are doing enough to clarify what automatic enrolment, Budget and state pension developments offer women of all ages.

Our research shows that 11% of women who don't have one have never thought seriously about paying into a pension and around three in ten said they never will. This report investigates how far the recent changes have prompted women to review their retirement positions and what stakeholders should be doing to help improve the future for women up and down the country.

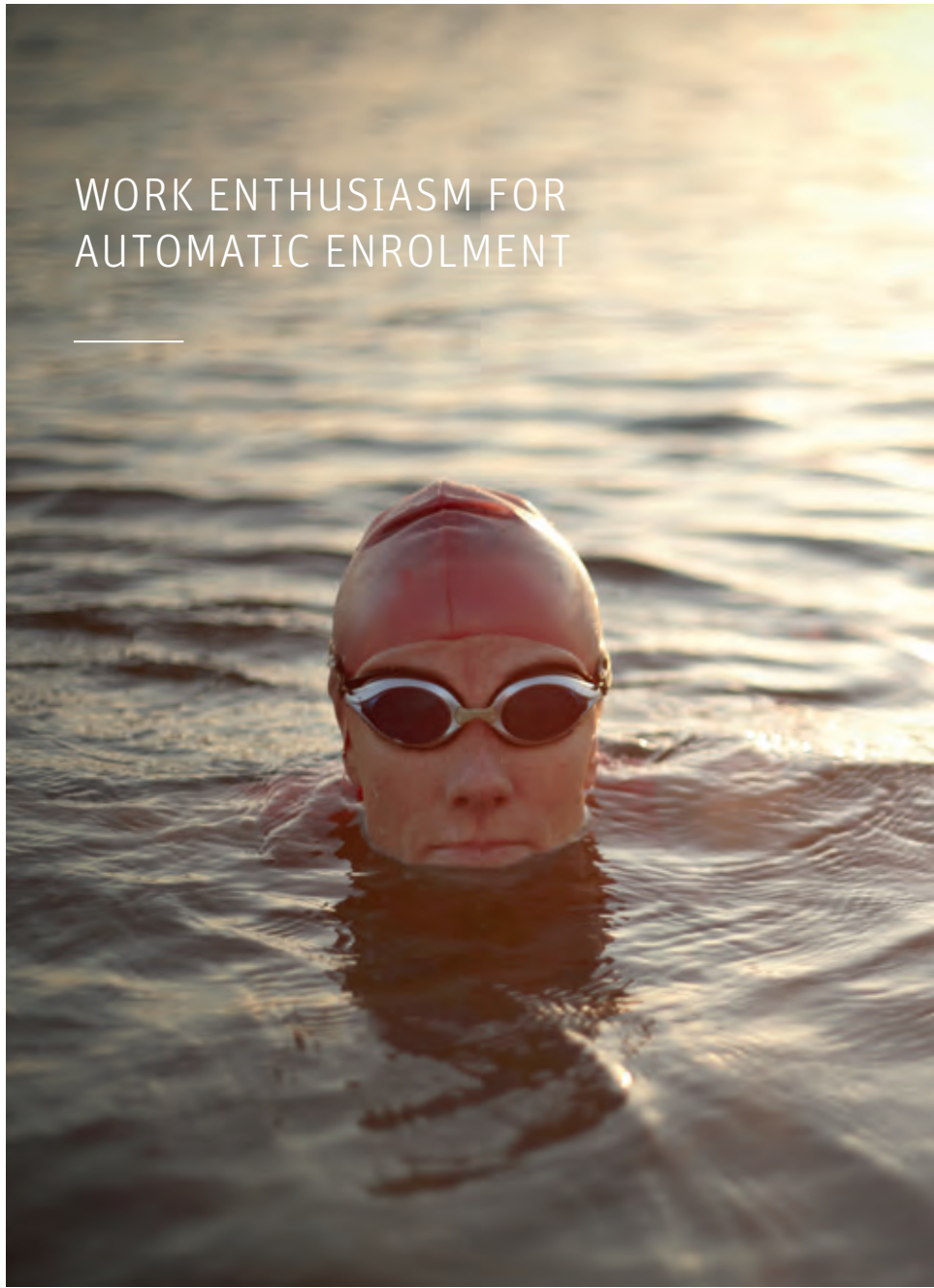
THE NUMBER OF WOMEN SAVING ADEQUATELY FOR RETIREMENT.



# 02

## WORK ENTHUSIASM FOR AUTOMATIC ENROLMENT

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A record 14 million women are now employed in the UK<sup>1</sup> but just 29% of them are currently part of a company pension scheme. Automatic enrolment is set to be the catalyst for a major shift in the fortunes of thousands more women in retirement, not least for the 13% of women who are not yet enrolled but who are only just falling short of the ideal 12% retirement savings goal.



Launched in 2012, automatic enrolment helps employees save for retirement by requiring employers to contribute to a pension for all eligible employees earning between £5,772 and £41,865 a year. Made up of employer, Government and employee contributions, the current 2% minimum contribution will rise to 8% by 2018<sup>2</sup>.

Automatic enrolment started with the largest companies and all UK employers will have to comply by 2018. But those under 22 – and those earning less than £10,000 – aren't automatically included and any working adult can choose to opt out of the scheme. Of those who are aware of automatic enrolment, it seems many are already contributing far more than the minimum 2%. 59% of this group is now saving adequately, 9% higher than those who aren't aware.

With thousands of men and women in small and medium-sized enterprises (SMEs) yet to be affected by automatic enrolment, our data shows that the smaller the company, the less likely it is that the employees are saving adequately. Of the women working in the smallest companies (1-9 people), two in five (41%) weren't saving anything towards retirement.

62

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The average age that most women would want to retire is 62 years and 3 months.

The type of industry doesn't seem to always have the expected effect either. The proportion of adequate savers in the financial services industry for example, where the gender split is fairly even and where we would expect workers to be better informed about retirement saving, is barely higher than in the working population as a whole. There are actually greater numbers of adequate savers among the female-dominated industries of medical and health services and education than among male-dominated industries such as construction, manufacturing, IT, telecoms and transportation and distribution. This may reflect the relatively high percentage of Government employees in industries dominated by women.

1. [www.statistics.gov.uk](http://www.statistics.gov.uk) (ONS February 2014)

2. <http://www.pensionsadvisoryservice.org.uk/automatic-enrolment/how-much-do-i-have-to-pay>

## THE IMPORTANCE OF INCOME



1 in 2 who earn between  
£10,000 and £30,000 are saving  
adequately for retirement.

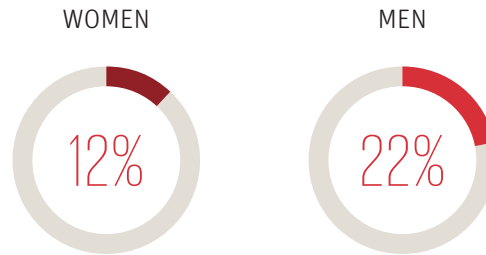
So what about different salaries? This year 62% more men than women said they would probably save more for the long term over the coming year because they expected to earn more. Worryingly, the gap between the number of men and the number of women planning to save more in the future has widened significantly since last year. Almost two thirds of women (65%), compared with around half the men (52%) we spoke to said they wouldn't be able to save more because they couldn't afford to, but it's good to see that this is down from 73% of women and 62% of men last year.

At the same time, thousands of women work part-time, work for themselves, or earn less than the average wage. One of the key concerns surrounding automatic enrolment when it launched two years ago was whether it would reach part-time and lower income workers, especially as women make up two thirds of those paid £10,000 a year or less.

But while these earners will have to actively opt into automatic enrolment if they want to benefit, it's reassuring to find that the proportion of workers earning a little more (£10,000-£30,000 a year), and who are managing to save adequately for retirement, is up significantly from 34% to 50%. It's one of the major successes of automatic enrolment so far.

## WAYS OF WORKING

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Feel that the minimum 8% contribution will give them a comfortable retirement

**With women comprising almost three quarters of those working part-time it is perhaps a little surprising that the news here is also positive. Almost half of those working 8-29 hours a week in part-time roles are saving adequately.**

Elsewhere, the number of self-employed workers in the UK is continuing to climb, particularly among women. With no employer contribution to their retirement savings, just a third of this group is saving adequately for their retirement. However they would be willing to work two years longer than average – to 68 – with most saying they couldn't afford to stop work.

By the time they do stop work, this group feels it would be necessary to have saved almost £650,000 for a comfortable retirement, £200,000 more than average. One suggestion is that this group has more realistic expectations of savings requirements, having already had to rely directly on themselves to generate an income.

However, in general women are striding ahead when it comes to realistic perceptions about how much they need to be saving in order to give themselves a comfortable retirement. Just 12% of women feel that the minimum 8% contribution will give them a comfortable retirement, compared to 22% of men. This contrast is particularly stark when it comes to the younger age group, with 39% of 22-29 year old men feeling that the minimum contribution is adequate, compared to just 16% of 22-29 year old women.

But as we know, women's savings attitudes and abilities are determined as much by life outside work as life within it.



# 03

## HOME LIFE

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The latest changes have certainly helped prepare women for retirement, but outside work there is some evidence that women are making changes for themselves.

They have comparable types of credit to men, including credit and store cards, mortgages and student loans. But they've made an effort to reduce their unsecured borrowing in the last 12 months, from a total debt of £10,000 in 2013 to £9,350 in 2014. Women do still owe £100 more than men excluding mortgages though.

Women typically save £100 a month for retirement, around 40% less than men. This gap has actually widened since last year when they saved 34% less. It's not because women are saving less, it's because they have only increased their monthly retirement savings by an average of £6 in the last year, compared to an increase of £20 among men.

Not only that, but when pushed, men said they could put away another £88 a month on top of their current retirement savings. Among women, that figure was just £44. They also thought they could wait until a year later than men to start saving for older age. (29.6 vs 28.6). But it's also clear

that women know they aren't saving enough, as more than half realise they are falling short. Again, with automatic enrolment still in its infancy, the hope is that these trends are on the verge of a dramatic change.

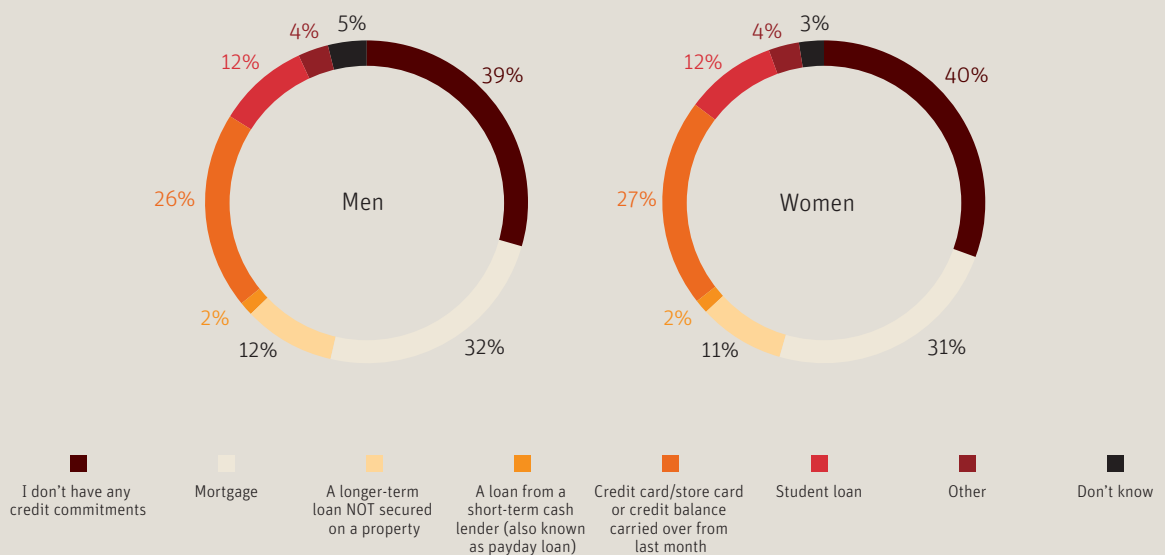
But there are several factors that uniquely affect women's abilities to save money for the short and long term – factors that don't change year on year. We've already seen that salary isn't a factor for women who are determined to save, but once that pay packet comes home, household financial demands, dependants and even the state of relationships can all have a significant impact.

For example, among divorced women, a staggering 84% either said pensions weren't discussed, or that they couldn't remember them being discussed, as part of any settlement. That's despite the fact that more women than men think they would be entitled to a share of their partner's pension if they were to split up.



WOMEN HAVE ONLY INCREASED THEIR MONTHLY RETIREMENT SAVINGS BY AN AVERAGE OF £6 IN THE LAST YEAR, COMPARED TO AN INCREASE OF £20 AMONG MEN.

WHICH OF THE FOLLOWING TYPES OF CREDIT COMMITMENTS DO YOU CURRENTLY HAVE EITHER IN YOUR OWN NAME OR JOINTLY WITH YOUR SPOUSE/ PARTNER?







## OPTIMISM AND CONFIDENCE

This year, once again, we found that men were consistently more optimistic about their short and long-term financial situation, their retirement, the economy as a whole, their job security and their financial circumstances. When we asked men and women the extent to which they understood a series of financial products, men were more confident of their knowledge every time, as they were last year.

Together, this evidence suggests a significant education and confidence problem among the UK's female population. It's clearly holding them back in money and life – particularly as the research also found that the more pessimistic someone is, the less likely they are to be saving.

So what products are women confident in using to save? Almost a third expected to rely on cash savings to achieve a reasonable standard of living in retirement and one in five thought property will help support them. Only 28% of women, compared with 40% of men, said their company pension scheme would help. Of those with a defined benefit pension scheme, women were significantly more pessimistic than men that their defined benefit scheme would deliver as planned when they retire. Only a third were confident and almost the same proportion were unsure.

### FINANCIAL PRODUCT KNOWLEDGE AND CONFIDENCE

	 Men	 Women
Fully understand		
Home insurance	36%	35%
Current account	54%	53%
Cash ISA	34%	31%
Mobile phone tariffs	29%	24%
Pensions	22%	15%
Savings accounts	45%	39%
Stocks and shares ISA	20%	9%
Annuity	14%	7%

## SEEKING OUT SUPPORT

Clearly, what hasn't changed in recent years is the need for financial advice. And yet women would be as likely to go to friends and family as they would be to seek independent financial advice. But they do seem to acknowledge the need for expert guidance with the onset of automatic enrolment. More women than men thought their employer should provide a range of financial information alongside their pension schemes, including 35% of women who thought they should offer full financial advice.

Outside work, the tendency to turn to friends and family, who may or may not be adequately informed, has dropped slightly. Instead, expert resources at the Money Advice Service have become a little more popular and almost three in ten women would turn to the Pensions Advisory Service (TPAS) for information. But women are now less likely to seek advice from an independent financial adviser and just one in ten women have a financial adviser. Of those who do,

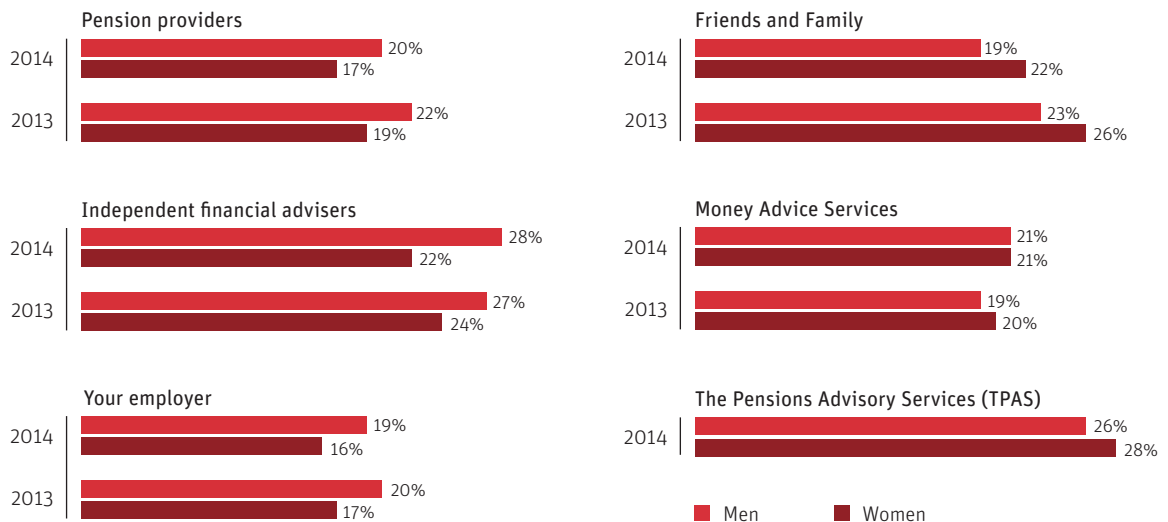
only 37% have discussed pensions, far fewer than have talked over cash ISAs or other savings accounts.

The problem is that, when it comes down to it, women aren't prepared to pay for advice about their retirement funding. Just 27% said they would, compared with 32% of men. Neither sex is as engaged with the value of pensions advice as we might hope, but for women, whose traditional position of under-saving is now being addressed, the need for advice is

becoming particularly acute. Saving for retirement is not going to do much good unless you know what to do with it.

Although there is little to suggest advice is considered more valuable among certain age groups, nowhere is the message more important than among younger women set to reap both the rewards of automatic enrolment and the latest budget changes to annuities.

## SOURCES OF FINANCIAL ADVICE



# 04

## TODAY'S WORLD, TOMORROW'S PLANS

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### NEW RULES, NEW OPPORTUNITIES

A lot has changed for retirees since 2013. In one of the biggest pensions shake ups in recent history, new rules announced in the 2014 Budget give new freedom around pension savings and how they are used.

Those planning to retire after April 2015 will no longer have to buy an annuity to access their entire fund. Instead they will be able to use the money as they see fit, including purchasing an annuity, taking several lump sums or taking the entire pot in one transaction.

The tax implications will change dramatically too, with the 55% tax on pension funds passed on to loved ones abolished for those who die under age 75, and paid at the inheritor's rate of tax if the pensioner dies after their 75th birthday. The move makes income drawdown (where part of the pension fund is taken as income while the rest is left invested) far more attractive for those now looking at a whole new set of circumstances around retirement funding.

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### 41% OF WOMEN WANT A FIXED INCOME IN RETIREMENT



The annuities changes are particularly important because the appetite for a consistent income remains so high. 41% of women want a fixed income in retirement despite the erosive effects of inflation. That said, a third didn't know what was most important to them about the way they would access their retirement savings, suggesting they haven't really thought about it.

## MIND THE KNOWLEDGE GAP

The changes are also critical in raising the British population's awareness and engagement around retirement funding choices. Last year 47% of the population, (49% of men and 44% of women) said they were fully aware of their options at retirement. A further 34% of men and 38% of women said they knew about some but not all. This year, with a focus on the benefits and restrictions of annuities in particular, just half of the women asked said they understood that they couldn't change or cancel their annuity if their circumstances changed, significantly lower than the 72% of men.

Meanwhile, more than a third of women hadn't realised, or didn't know, they would have to pay tax on their annuity income and almost half of women weren't aware they could be entitled to an enhanced annuity under some medical circumstances. All markedly lower than the answers given by men, these conditions and features of annuities represent significant costs and benefits that are still unknown to huge swathes of the female population. Most worrying of all, of those women who had already been through the process of purchasing an annuity, 27% didn't know what income options they chose compared with just 16% of men.

The number of women saving adequately for retirement does, unsurprisingly, improve the closer they get to that point. But, even including defined benefit scheme members, around 50% of those in their 40s, and 40% of those in their 50s, are under-saving.

By their 50s, almost 20% of women are still saving nothing for their older age. Perhaps they feel it's too late to start making a difference to their circumstances. Perhaps, as more than half this age group stated, they simply have no spare money to start paying into a private pension scheme. But there could be other reasons.



1 in 3 women expect to rely on cash savings in retirement.



1 in 5 women believe property will help them out in retirement.

Despite the latest moves to make annuities more engaging by making them more flexible, our research shows that many women still default to the most straightforward savings vehicles. Almost a third expected to rely on cash savings to help deliver a reasonable standard of living in retirement and one in five thought property would help support them

At the same time, there is still a surprising tendency to rely on their partner for financial support in later life. 14% of women expected to rely on their partner's company pension in retirement and 11% expected to rely on their partner's income or state pension. Only 5% thought their own investments would help support them.

But, curiously, that's an improvement on last year, when 20% of women thought they could rely on their partner's income to help give them a reasonable standard of living. Of particular concern is the fact that only 25% of women, compared with 40% of men, said their own company pension scheme would help, and again, that figure hasn't altered significantly despite huge changes in the workplace pensions landscape.

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## MANAGING EXPECTATIONS

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**Despite the encouraging headline figures of more women saving enough for retirement, the underlying unchanging sentiments towards post-work funding – a lack of education and confidence – are still holding too many back. Perhaps, with a gradual drop in desired retirement income over the last decade, some women (and indeed men too) are considering lowering their expectations rather than taking decisive action.**

At the same time, many women are prepared to adapt their retirement plans to the realities of increasing longevity. A quarter expects to continue in their current role for longer, a third would do a different, less stressful job and almost one in five (18%) would do a job requiring less manual effort.

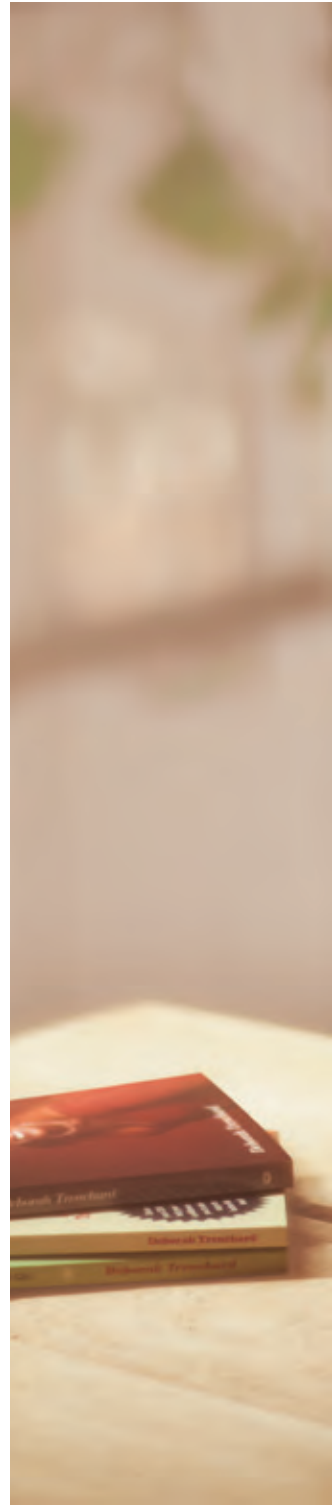
The ways women expect to extend their working life hasn't changed noticeably in the last year, but the age at which they would like to make these changes has. 12% hope to make these changes before 50, down from 14% last year. But this year, almost 53% hope to make the changes by the time they are 60, up dramatically from 43% last year.

The big win here, however, is that women are becoming more certain about when to implement their plans. The number of women who don't know when to make these changes has more than halved since 2013, dropping from 21% to 9%. The same trend is evident among men (19% to 7%). Not only that, it's also worth remembering that the changes aren't only about retirement affordability – more than a quarter of women enjoy working and don't want to give it up.

What's more, the average age that women would like to retire at has increased over the year too – from just over 61 and a half to around 62 and three months. It represents a far bigger change than among men whose plans have barely changed by 2 months.

The maximum age they would be prepared to work until has also increased, from less than 66 and a half to just under 67. These figures continue a trend that has been emerging for several years across the population – a narrowing gap between retirement age expectation and reality. Both sexes are more confident of their retirement age than last year, but the average age women, and indeed men, realistically expect to retire has fallen by almost a year since 2013 to 65 and a quarter.

Once again, automatic enrolment may be clouding the affordability issue – just one of the several actions that the financial services industry, Government, employers and individuals themselves will have to address to make the latest changes truly life-changing for women.





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MANY WOMEN ARE PREPARED  
TO ADAPT THEIR RETIREMENT  
PLANS TO THE REALITIES OF  
INCREASING LONGEVITY

05

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RECOMMENDATIONS

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**The recent raft of changes and developments has, without doubt, given women new opportunities to build a more comfortable retirement.**

The increasing number of women saving adequately for retirement is a very, very good thing, but it is only half the battle if pension pots are not then used effectively when women come to retire.

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WITH THESE HUGELY POSITIVE CHANGES IN PLACE, A NUMBER OF STAKEHOLDERS – IN PARTICULAR EMPLOYERS AND PROVIDERS – NEED TO WORK TOGETHER TO IMPROVE WOMEN’S EDUCATION, AWARENESS AND CONFIDENCE IN RETIREMENT PLANNING.

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There are a number of other changes that would better help prepare women for retirement.

- 1 The first is how to continue to close the gap between men and women’s saving levels. As we highlighted earlier in the year, women tend to have lower levels of long-term savings than men due to career breaks. Although women can save into a private pension while on a career break, it can be difficult and the amount is capped. We need to explore how saving for retirement while outside of paid employment can be made easier.
- 2 The second element is what part of a salary is eligible for pension contributions. Basing automatic enrolment contributions on full salary rather than ‘band earnings’ can have a significant impact, particularly for those on lower salaries. For example, assuming the full 8% contribution rate a women earning £10,000 would see £800 a year going into her pension rather than around £320.
- 3 The third element of this is the use of tax relief. We have previously highlighted the potential merit of moving to a single rate of relief – potentially around 30%, which would be revenue neutral for the Treasury. This would have particular benefit for women, a greater proportion of whom pay basic rate tax.

More widely, engagement and education is key. To encourage engagement in pensions the industry should improve educational resources and access to information and advice that is designed to resonate with a female audience and is delivered at key trigger points, such as career breaks.

We’ve found that women are less confident, but not necessarily less informed, than men about the world of pensions and that they relate well to stories about people like them in helping to navigate pension decisions.

These findings have shaped the design of our new Scottish Widows retirement options website where we’ve included female-specific interactive case studies to boost engagement.

While pensions will rarely, if ever, be front of mind for most people in the UK, women would benefit from making more conscious decisions about their own retirement. Potentially, using independent advice to make these choices is the way to help them take ownership of the retirement they want.



LIFE FEELS  
BETTER WHEN YOU  
HAVE A PLAN



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