

WOMEN AND RETIREMENT REPORT 2017

RETIREMENT INDEPENDENCE

SCOTTISH WIDOWS



THE 2017 ANNUAL WOMEN AND RETIREMENT REPORT

OVERVIEW

Every year, as part of its annual Women and Retirement Report, Scottish Widows conducts research to assess the unique challenges facing women as they prepare for retirement. Women are struggling to save for retirement for a number of reasons. Firstly, they are more likely than men to miss out on automatic enrolment (AE) contributions paid by employers into a workplace pension scheme because they typically earn less, and will also lose out on contributions if they take time out of work to care for children. Secondly, our research also suggests women are less likely to have considered their savings options or their pension rights during a divorce.

In the 13th annual Women and Retirement report, we've examined these issues in more depth.

The persistent gender pay gap, maternity leave and career breaks can all have an impact on women's earning potential and they already fall behind men in terms of adequate pension savings. It's important that they take steps to understand their finances and prepare for later life in case they cannot rely on their current partner. It's also crucial to ensure both men and women better understand the legalities around what happens to pension pots during divorce proceedings and treat them like the high-value assets they are.

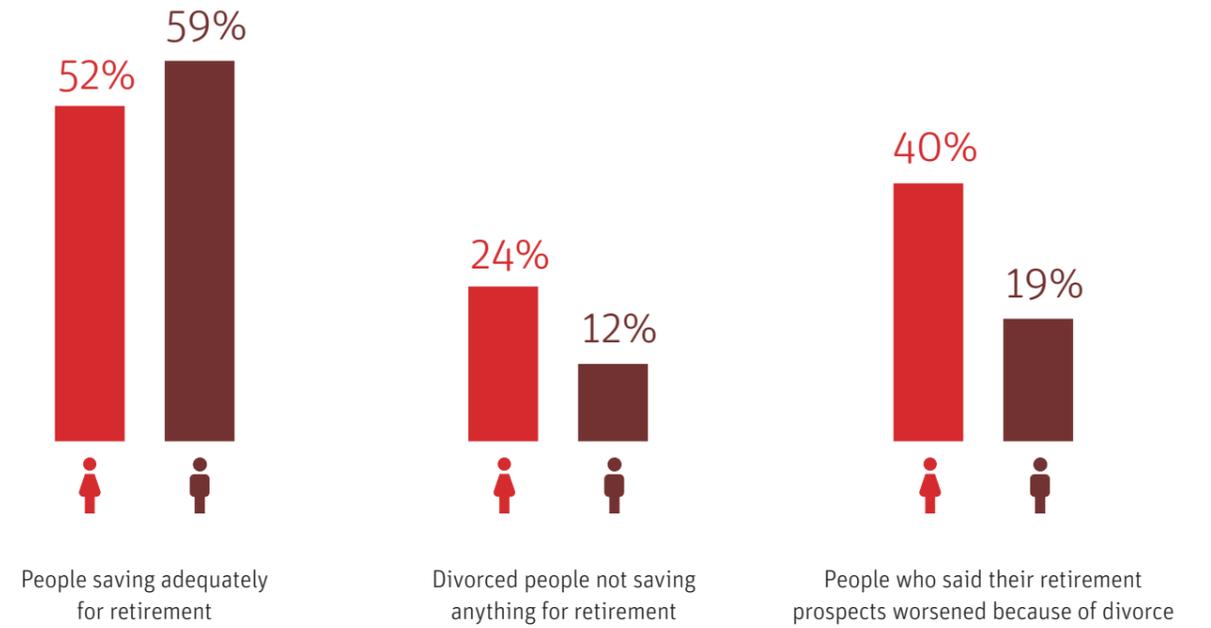


WOMEN ARE SAVING LESS THAN MEN

WOMEN ARE LESS LIKELY TO BE SAVING ADEQUATELY THAN MEN FOR A NUMBER OF REASONS, INCLUDING BECAUSE THEIR SALARY DOES NOT MEET THE MINIMUM AUTO-ENROLMENT CONTRIBUTION THRESHOLD.

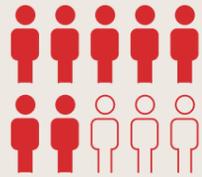
	 
How much women/men say they have saved for retirement	<p>£64K £125K</p>
How much women/men put into their defined contribution scheme each month	<p>£80.57 £149.13</p>
Average monthly auto-enrolment contribution for women/men	<p>£72.34 £91.75</p>
Number of women / men with more than one job who say all their jobs pay under the £10,000 annual auto-enrolment threshold	<p>46% 33%</p>
Number of young women/men aged 22-29 not saving anything for retirement	<p>22% 18%</p>

THERE IS ALREADY A PENSION SAVINGS GAP BETWEEN WOMEN AND MEN – BUT THIS WIDENS WHEN DIVORCE BECOMES A FACTOR



PENSIONS ARE OVERLOOKED IN DIVORCE SETTLEMENTS

DIVORCE IS HARSH REALITY FOR MANY BRITS – BUT MOST AVOID TOUGH CONVERSATIONS ABOUT ONE OF THEIR MOST VALUABLE ASSETS: PENSIONS.



7 IN 10

71% of divorced couples did not discuss pensions as part of their settlement



11%

The most recent Ministry of Justice figures show that pension sharing orders are made in just 11% of divorces

COMPARATIVE VALUE OF PENSIONS VS OTHER ASSETS DISCUSSED IN DIVORCE

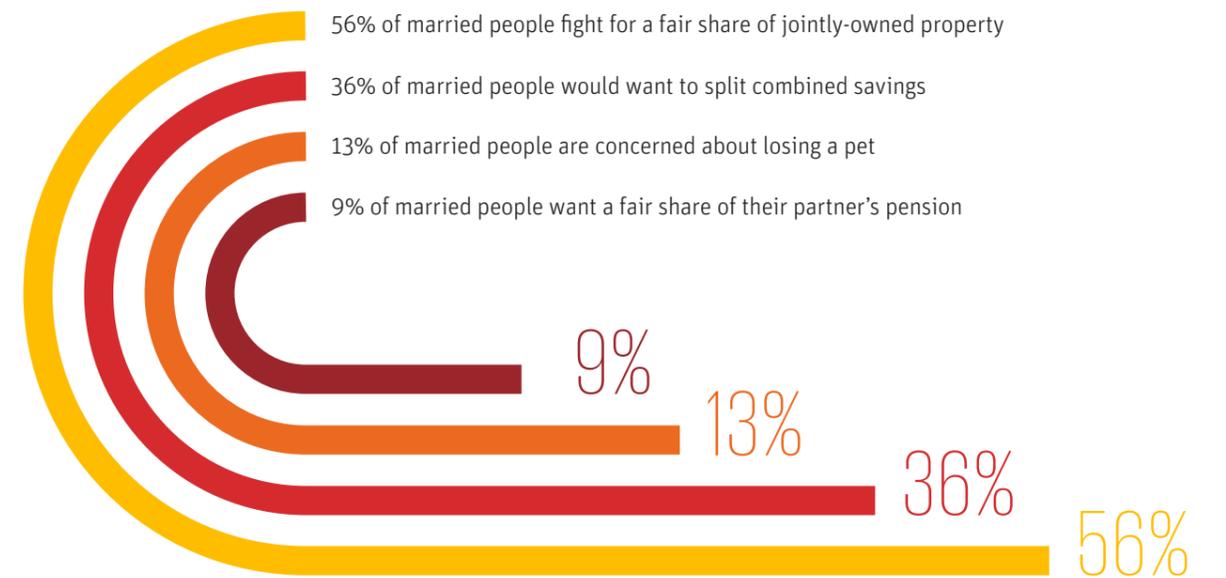
COUPLES PLACE MORE VALUE ON PETS THAN PENSIONS

£132K

On average, a married couple is likely to have around £132k in pension savings

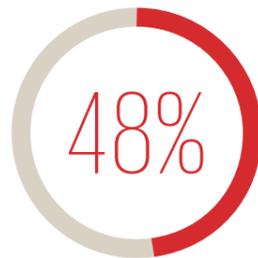
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Which is almost five times the average UK salary (£26k)



WOMEN ARE DISPROPORTIONATELY AFFECTED BY PENSION LOSS IN DIVORCE

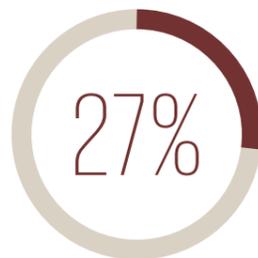
A LACK OF GENERAL KNOWLEDGE ABOUT PENSION-RELATED LEGALITIES COULD BE CONTRIBUTING TO WOMEN'S RETIREMENT SAVING WOES AFTER DIVORCE



Of women have no idea what happens to pensions when couples get divorced



Of women say they would discuss pensions as part of a divorce



Of women who discussed pensions during a divorce had no pension pot of their own



Of women had a pension pot smaller than their husband's



Of women lost access to a pension when they split from a partner



Of women who lost pension access in a divorce intend to rely completely on the State Pension

“Generally speaking women’s retirement prospects are worse than men’s. The persistent gender pay gap, maternity leave and career breaks can all hold back women’s earning potential and this often impacts pension savings. Relationship breakdowns can leave people really vulnerable but, quite simply, they’re also throwing significant sums of money down the drain.

“It is important that everyone – whether single, married or divorced – take steps to understand their finances and prepare for their independent future should a relationship break down. We would urge men and women to better understand the legalities around what happens to pension pots during divorce proceedings, as often they are the second largest, if not the largest asset a couple owns.”

CATHERINE STEWART

Retirement Expert at Scottish Widows



“Pension sharing was introduced almost two decades ago, but it is clear that all too often in a divorce pensions are still not being taken into account properly or at all. The problem has been made very much worse by the fact that so few people are now entitled to legal aid and are having to negotiate the minefield of financial issues on divorce without even basic legal advice. This is storing up real problems down the line, in particular for women.

“While some pensions are relatively straightforward, others (for example public sector schemes) are complex. There is no substitute for expert legal and financial advice and the costs involved should be considered an investment.”

NIGEL SHEPHERD

Head of Family Law at national firm Mills & Reeve

RECOMMENDATIONS

01

Scrap the automatic enrolment (AE) minimum earnings threshold and make pensions more inclusive for part-time working women. Our research tells us that 32% of women who work part-time earn less than the £10,000 (AE) qualifying earnings threshold and are missing out on valuable employer contributions. This is an unfair barrier. Last year, we said that the earnings trigger should be reduced considerably. We now believe that the Government should remove the minimum threshold altogether. We also reiterate our previous recommendation for AE contributions to be based on full salary rather than band earnings. The current AE review means that now is the ideal time for the Government to act.

02

Lower the minimum age for AE from 22 to 18. This could give some women four extra years of saving to help mitigate future periods of part-time work later in life. A female earning the average salary for age 18-21 of £13,897 would save around £4,500 with the four extra years of saving AE contributions of 8%*. Assuming growth of 2.5% per year, after charges and inflation, this would be worth more than £14,000 by the age of 68. This could also give some women coming out of further education at age 21 an additional year of saving.

03

Make the inclusion of pensions in divorce proceedings compulsory. ONS data shows that 42% of marriages end in divorce, but our own research reveals that seven in 10 (71%) couples don't consider pensions during divorce proceedings. We'd like to see a Government-led education campaign to address this issue and help men and women better understand the legalities. As the Department for Work and Pensions scopes out the remit of the new Financial Advice and Guidance Body, there's an opportunity for us to encourage the inclusion of a module focusing on discussing pensions as part of divorce negotiations.



04

Maximise the workplace as a key channel. As an industry, we must do more to promote the workplace as a key channel for addressing the retirement savings gap. Last year, we identified an opportunity for employers to provide more information to employees going on maternity or paternity leave about the potential impacts on their pensions. It's our duty to help them feel more confident about addressing this subject.

We're therefore launching our new employer guide which explains the saving challenges women are more likely to face and details the information employees might need to know. In addition, we've added to our collection of popular Pension Basics videos, providing short and simple explanations of what it means for your pension when you go on parental leave, if you're going through a divorce or reduce your working hours.

*Assuming total minimum AE contributions of 8% from April 2019

ABOUT THE RESEARCH:

YouGov Plc. conducted polling for the Scottish Widows annual retirement report. Total sample size was 5,314 adults. Fieldwork was undertaken between March 31st, 2017 and April 11th, 2017. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

Additional data was gathered by Opinium online between 16th – 25th September, 2017, through interviews with a nationally representative samples of 5,000 UK adults.

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