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FACTSHEET

Emergency cash

Boosting women's pension savings

A million more women in their 20s could be saving adequately for retirement if they were able to access emergency cash from their pension, according to a new report[1].

The latest Women & Retirement report highlights that the current lack of flexibility in pensions is a barrier to saving and that introducing the ability to access funds for unexpected bills could provide a much needed boost to the nation's savings.

ACCESS TO MONEY IN EMERGENCIES

Four in ten (40%) women aged 22–29 who have a pension say they don't save as much into it as they would like, because they want ready access to money in case of emergencies. This compares to just under a quarter (24%) of men aged 22–29. Around 357,000 women in this age bracket would start saving into a pension for the first time if they could have the option to access some of their savings should they need it[2].

The report revealed that more than two thirds of women aged 22–29 (67%) are not saving enough for retirement, and 25% aren't saving anything at all. Men of the same age are better prepared, with 46% saving adequately for retirement and fewer not saving at all (17%). The current minimum employer pension contribution through auto-enrolment is 8%. However, the report suggests a combined 12% employer and employee contribution as an adequate level of saving[3].

WIDENING OF THE SAVINGS GAP

At every age, men's savings outpace women's, and this could be for a number of reasons, including the gender pay gap and women taking maternity leave or even choosing to work part-time. The gap widens as savers reach their forties, when women have an average of around £23,000 in savings and investments but men have more than £50,000.

Men's savings continue to grow well into their seventies, where they reach an average of almost £130,000, yet women have around £48,000. Women in their sixties begin to see their savings dip, which could suggest they are accessing their pensions much sooner than men.

FACING SOME FINANCIAL DIFFICULTIES

While problems with money can affect anyone, the research shows that young women are more likely to face financial difficulties than men of the same age[4]. More than half of women aged 22–29 (56%) say they have been in some financial difficulty, versus 50% of men aged 22–29. More than a quarter (27%) of women aged 22–29 also said their money problems were caused by an unexpected bill.

A fifth of women in this age group (21%) say a drop in their income put them into financial difficulty, and one in seven (13%) has faced financial hardship following the breakdown of a relationship.

ATTITUDES TOWARDS PENSION SAVINGS

For young women in Britain today, an unexpected bill of £270 would be enough to put them into the red, while young men say they could comfortably manage no more than a £315 bill. Beyond this age group, the gender gap persists with women of all ages (18+) expecting a £308 bill being enough to force them into debt, versus £367 for men.

One in five working women (20%) aged 22–29 feel insecure in their job, compared to one in ten (13%) men, which may affect their attitudes towards savings into a pension. Women also feel less confident in their ability to find a new job if they needed to. Nearly three in ten (28%) say they would not be confident finding a new job within three months, versus 24% of men. ■

Source data

[1] There are 3,404,279 women aged 22–29 in Great Britain, according to ONS population estimates to mid-2017. According to data from the Scottish Widows Women and Retirement Report 2018, 75% have a pension, and of these, 40% say they don't save as much into their pension as they would like to because they feel they need the flexibility to access savings if they need them. This equates to 1,021,284 women aged 22–29.

[2] 25% of women aged 22–29 in the UK don't have a pension. Of these, 42% say they would be likely to start saving into a pension if they were allowed to make a limited number of withdrawals from it during times of financial difficulty. This equates to 357,449 women aged 22-29.

[3] Scottish Widows suggests a combined 12% employer and employee contribution as an adequate level of saving.

[4] 'Financial difficulties' is defined as not being able to pay for your current obligations.