# Women and Pensions: Jumping the gap

Women face retirement at a disadvantage to men. That's because of a 35% difference between the average value of men and women's retirement pots near minimum retirement age.[1]

It's called the Gender Pensions Gap, and, if it sounds like an extension of the Gender Pay Gap, you'd be right. Sort of.

Where the Pay Gap describes systemic gender prejudice (entrenching the difference in salary because of gender rather than experience or merit), the Pensions Gap refers to the difference between the value of women's and men's pensions.

So, what's responsible for that 35% gap? Well, the Gender Pay Gap plays no small part. It has a significant effect on the value of women's pensions because it hinders your power to save. There's just not as much money left over at the end of the month to put away for the things that matter – including retirement.

But other factors compound the problem. If you take a career break or go on maternity leave, your power to save is diminished. If you work part time, you could lose the full benefit of employer contributions, even if you're still contributing. And, whilst we're on the subject, contributions themselves play a massive role in the Gender Pensions Gap - that's before even getting on to things like life expectancy and the State Pension.

So what can be done? Unfortunately, pay and pension equality can't happen overnight, and it won't happen at all without both legislative and societal change. But that's not to say you're powerless. Far from it. In fact, there are some significant steps you can take to help you jump the gap and prepare for retirement in the best way possible.

**Putting more into the pot**

One of the best and simplest ways to counteract the Pensions Gap could be to increase your contributions by as much as you can afford. But don't worry, we're not about to say that a 35% increase in your contributions to make up for the Pensions Gap is the answer. Far from it. In fact, topping up your contributions by as little as 1% can have a significant impact on your overall retirement fund. Research has found that a woman who increases her pension contributions by 1% from the age of 25, and even takes a two-year career break at 31, could see her pension pot rise by as much as £37,000.[2]

So, saving early and saving as much as you can is a proven method for boosting your retirement pot. It's crucial that women do so to counteract those moments in life where they might not be able to save.

A good rule of thumb of pension saving is to save roughly half of your age, as a percentage of your salary. That means, if you're 30, you would aim to save 15% of your salary towards your pension each month. Except that 15% does not come out of your pocket alone. Your employer's contributions can make all the difference. If they offer to match what you put in, you'd only need to save 7.5% of your salary every month – and that's not even counting what the taxman puts into your pot. You'll receive

[1] The Gender Pensions Gap in Private Pensions - GOV.UK (www.gov.uk)
[2] The power of 1% - how to boost your pension by £37,000 (fidelity.co.uk)

tax relief at your highest marginal rate on your contributions. You might even benefit further if your employer pays contributions by salary sacrifice. Salary sacrifice is, for the most part, what it says on the tin: an arrangement between you and your employer where you 'sacrifice' a portion of your salary in exchange for pension contributions.

Making the most of your employer's contributions could literally add hundreds of pounds extra (or even more) each month towards your retirement, so make sure you're not missing out.

Remember though that the value of a pension can rise and fall over time, and investing is a long-term thing. You could always get back less than what you put in.

If you're unsure of your workplace pension scheme's policy on contributions, speak to your employer. They'll point you in the right direction.

**Map it out**

Talking about the right direction, making a plan can go a long way. And it'll probably need to. On average, women tend to live longer than men. So, whilst it's hard to predict what's happening next week, let alone in the next 30 or so years, having a picture – however blurry – of what your retirement might look like can get you well on the way to saving securely and confidently, so that your pension could last.

That's because when you know what you're saving towards, it's easier to save - according to the Retirement Living Standards (RLS). They provide a real terms outlook on how much your retirement might cost – and provide the rough income guideline needed to maintain your lifestyle.

One thing that the RLS account for is what a minimum, moderate or comfortable retirement lifestyle would cost for a couple compared to a single person, living alone - and it's an important thing to consider. Planning for life with and without a partner is important, and knowing that you can afford to support yourself in retirement is crucial.

**Get your Geek on**

It's hard to quantify confidence. How can you measure it? How do we know that women feel less confident financially than men? Well, one recent study found that 52% of women say that they don't know or haven't learned enough to make the right decision about retirement, compared to just 38% of men.[3]

What's more, women between 18 and 24 tend to hold more credit card debt than men of the same age, indicating that they may face more short-term financial obligations servicing that debt rather than being able to focus more on long-term finances – like saving in a pension.[4]

It's well documented that poor financial literacy is a key contributor to a poorly-planned retirement.[5]

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[3] https://www.lcp.com/media/1150600/the-gender-pension-gap-how-did-we-get-here-and-where-are-we-going.pdf?utm_campaign=Gender+pension+gap+Aug+2023+-+on+point+paper&utm_medium=bitly&utm_source=press

[4] https://www.lcp.com/media/1150600/the-gender-pension-gap-how-did-we-get-here-and-where-are-we-going.pdf?utm_campaign=Gender+pension+gap+Aug+2023+-+on+point+paper&utm_medium=bitly&utm_source=press

[5] 6 Ways To Boost Financial Literacy And Empower Your Financial Future (forbes.com)

So what can be done?

Well, quite a lot. Improving your financial literacy is a bit like improving your regular literacy. Read. Watch. Listen. Consume media from experts about your finances and engage with events that look to raise awareness. In fact, you're already on your way: you're reading this article.

Your workplace can also be a great place to boost your financial literacy. Your employer might offer retirement planning tools or financial wellbeing courses to help bring the bigger picture to your budget.

There's also Pension Awareness, an award-winning campaign created by us – Pension Geeks. We'll be discussing this very issue – and many other retirement topics – in live webinars this September. It's a week filled with expert guests explaining the world of retirement saving in a simple, friendly, and fun way. Oh, and it's completely free.

**Taking a break**

54% of women are concerned that by taking a career break of any kind they'll be jeopardising their retirement, according to the Pensions Management Institute.[6] But, taking a career break is commonplace for women: 61% of working women have taken one at some point.[7] Of course, motherhood is one of the biggest reasons for this. Whether you're expecting, looking after a new-born, or even caring for your children as they grow up – a career break could stop your retirement saving in its tracks. Indeed, some women argue that they feel "penalised through their role as mothers, and far too many are concerned about facing a bleak retirement as a consequence of raising children".[8]

One method to protect your pension as you prepare for being a mother brings us back to contributions: maximising your contributions before and during your pregnancy, if you can afford to, could make up the ground lost whilst you're on maternity leave.

**Did you know that women with dependent children are seven times more likely to work part time than men?[9]**

So, if the time does come to take a career break, it's important to know how you could take advantage of Statutory Maternity Pay or your employer's maternity terms (which could be better than SMP), and how that could impact your pension contributions. Speaking to HR could help clarify exactly what you can expect to be paid whilst you're away from work, giving you the power to plan your pot before it's too late. Knowledge is power, after all.

If you have a partner, it's possible that they could pay into your pension on your behalf whilst you're away from work. To check if this is possible and to work out how to go about this, speak to your employer.

[6] Women's pensions negatively impacted by career breaks (yourmoney.com)
[7] Women's pensions negatively impacted by career breaks (yourmoney.com)
[8] Women's pensions negatively impacted by career breaks (yourmoney.com)
[9] Families and the labour market, UK - Office for National Statistics (ons.gov.uk)

**Child Benefit**

If you're concerned that by increasing contribution levels during your pregnancy you could leave yourself short for run-of-the-mill spending after you've given birth, Child Benefit could help to alleviate financial pressures and even free up some room to keep considering retirement.

You can get Child Benefit if you're responsible for bringing up a child under the age of 16, or if they're under 20 and in education or training.

In the 2024/25 tax year, Child Benefit rose to £25.60 per week for the eldest or an only child, and £16.95 per week for younger children.

If you're a single parent or on other benefits like Universal Credit, you'll be able to receive the money weekly. Otherwise, it's paid into your nominated bank account monthly.

**The State Pension**

The State Pension can be an excellent boon when you decide to retire and can supplement a private pension nicely. It's not really enough to live on, but it does help to add security to your retirement. That's because the full new State Pension is worth up to £221.20 per week, or £11,502.40 per year. But, to receive that amount, you'll need to have enough qualifying years of National Insurance (NI) contributions. If you take a career break of any kind, you might not make enough NI contributions.

If you are in receipt of Child Benefit or are a carer, you are usually credited with National Insurance contributions to help you build your State Pension. Check whether you're eligible for National Insurance credits here.

The government can provide you with a State Pension Forecast, which lets you find out how much State Pension you could get and when, as well as how you could increase your entitlement. It is possible to make up for any missed NI contributions, so if there is a gap in your record, you could pay for those years to boost your entitlement.

**It's never too late**

It might seem like an uphill battle, but saving for retirement shouldn't be. Whilst there are systemic issues hampering your ability to save, there are still ways you can take control of your finances and build a pension pot worth talking about.

In fact, talking about it is important.

Being an advocate for change by raising awareness of gender pay inequality and the Pensions Gap, by understanding other's experiences and sharing your own, can be one of the best ways to enact change.

But even more importantly, be an advocate for yourself.

Remember to check in with us at Pension Awareness to keep your finger on the pulse with women and pensions, as well as wider topics to help you take control of your retirement.