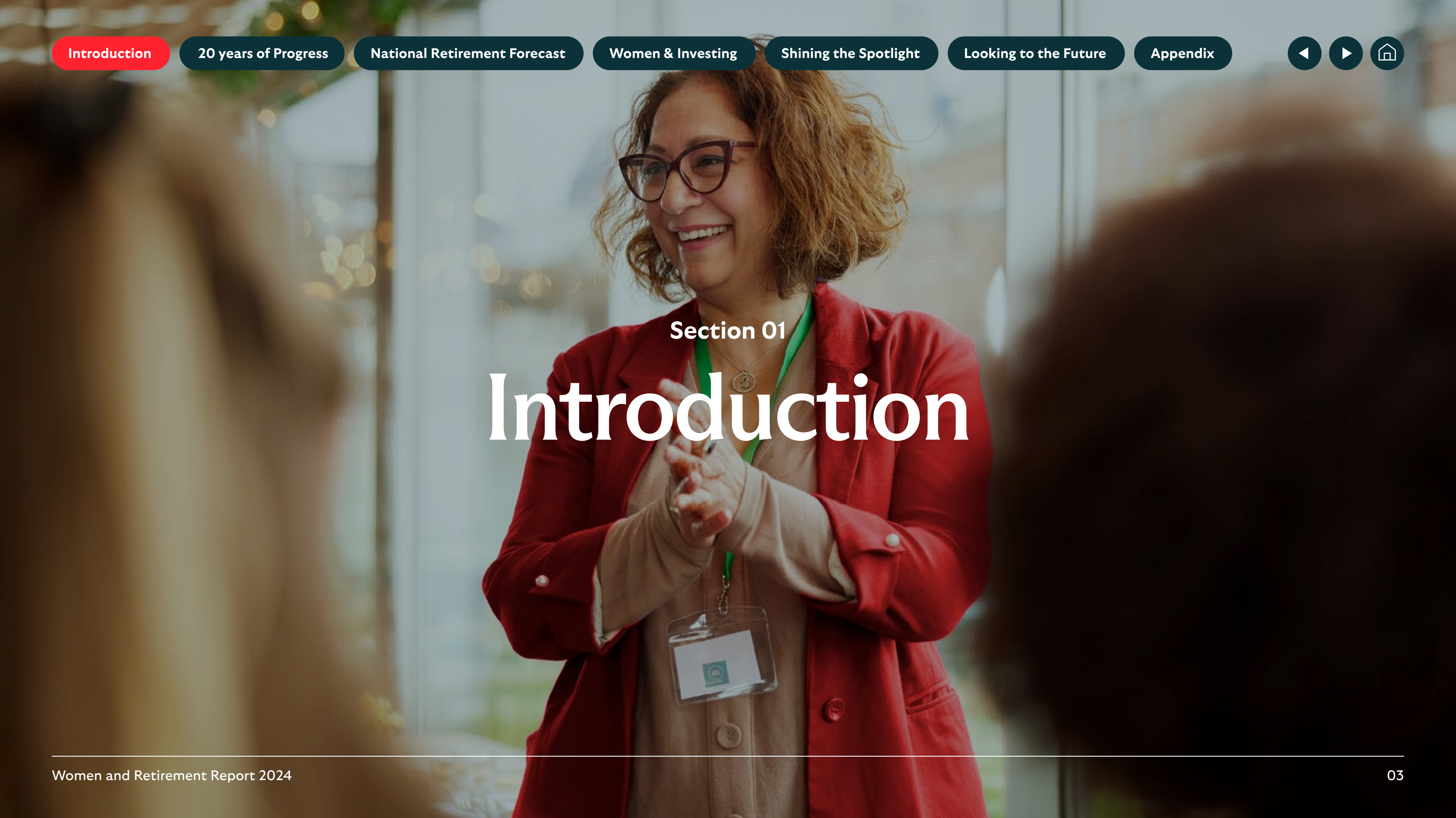
SCOTTISH WIDOWS

Women and Retirement Report

2024

20 YEARS

Contents



Section 01

Introduction

20 Years of the Women and Retirement Report

This report is the culmination of 20 years' worth of research and forensic analysis by Scottish Widows, with our partners including YouGov and Frontier Economics, into how financially well-prepared women are for their retirement.

It tracks an entire generational shift and considers both preparation for retirement and the reality of women's circumstances when they reach that point.

The last two decades have been characterised both by game changing progress, but also missed opportunities. On the positive front, encouraging progress has been made on reducing the gender pensions gap thanks in large part to government intervention and bold policy shifts. Most notably, the introduction of auto-enrolment in 2012 helped bring many more women into workplace pension schemes and boosted the number of women saving into a pension overall. But the gender gap persists, and women still aren't saving as much as men, with a projected 30% gender gap in overall retirement income.

Auto-enrolment is not a silver bullet and reliance on this alone will not be enough for women to close the gap or indeed to be on track for a comfortable retirement lifestyle. Our findings show that 42% of women - and 35% of men - currently face poverty in retirement.

So, we're calling on the Government to extend auto-enrolment to help set up more women – and men – for a comfortable retirement.

Our policy recommendations are laid out in full over the following pages, but in summary we want to see:

- Changes which have already been legislated – removing the lower earnings limit and reducing the age requirement – implemented, as well as further improvements to bring more low earners and self-employed people into the fold. These changes will disproportionately benefit women as they are over-represented in lower paid jobs, part-time work and self-employment.
- An increase in the auto-enrolment mandatory contributions from 8% to 12% to address adequacy of savings levels; we recognise the challenges in engaging people in increasing their contributions.
- A shift in approach to joint financial planning so that women do not lose out when their partner is buying an annuity or in the event of divorce.

We're also calling for a Lifetime Savings Commission to be set up, which would enable all forms of retirement savings to be evaluated and to avoid short term policy changes that create complexity, confusion and impact consumer confidence in saving for the future. This needs to build a comprehensive picture, which also considers the role of housing costs and the need to build better financial resilience in everyday life.

With this in mind, in this report we take a much closer look than we ever have at the role investing can play in women's holistic retirement planning. Our research reveals an untapped opportunity here, as women tend to invest less with their non-pensions savings than men. We call for more to be done to empower women to invest and consider all options to grow their retirement wealth.

We also turn the spotlight on the specific challenges faced by underrepresented communities, in particular those from a variety of different ethnic backgrounds. The challenges here are incredibly nuanced, but there is a clear requirement to build greater economic opportunity for all and tailor guidance and support to the specific needs of different communities.

We should not underestimate how far we've come in 20 years – the gender gap has decreased by a third, women's roles at home and in the workplace have improved, there is much greater parity between how much men and women earn, and we can see that more women are saving overall.

But time is running out and the pace of change must quicken – we simply can't sit back and wait another two decades. Without further action, the gender pensions gap will never close.

Jackie Leiper,
Managing Director, Scottish Widows

Executive summary

20 years of Progress

The UK has made good progress in reducing the gender pensions gap over the last 20 years. This has been driven by two decades of policy action, shifting attitudes about women's roles, an increase in women's employment rate, a decrease in the gender wage gap, and an increase in the number of women who save into a pension.

However, **the gender pensions gap could take another 20 years to close at our current rate of progress**; and only if the Government implements further policies that support improvements in:

- Women's employment rate and the gender pay gap;
- More women saving into a pension and qualifying for the full State Pension;
- The confidence women have to invest and manage their finance; and
- A shift in approach to joint financial planning so that women do not lose out when annuities are purchased or in the event of divorce.

National Retirement Forecast

Our National Retirement Forecast (NRF) shows the retirement lifestyles and holistic retirement income (after paying tax and housing costs) people are on track for, based on their current behaviour, across private pensions, other long-term savings, inheritance and the State Pension. Our NRF shows:

- **A projected 30% gender gap in overall retirement income.**
- **42% of women risk facing poverty in retirement, compared to 35% of men.**
- **Only 56% and 49% of women are on track for retirement income from a private pension or other long-term savings,** compared to 68% and 61% of men.
- Of those expecting a defined contribution private pension, **women are on track to have a £130k smaller pension pot at retirement than men on average.**
- Of those expecting other long-term savings in retirement, **women are on track to have £39k less than men on average.**

Executive summary (continued)

Women & Investing

We deep dive into one of the drivers of the gender gap in retirement income: **only 38% of women invest outside of pensions, compared to 55% of men** (in stocks and shares, property, government bonds and other investments).

This gap is particularly big for young women – **only 34% of women aged 18-24 say they invest, compared to 64% of men aged 18-24**.

Women are less likely to feel that investing is for people like them, and they are less likely to feel sufficiently supported to learn more about investing.

More needs to be done to help empower women to invest
Most women could be encouraged to invest by being provided with education and reassurance and by being offered easy to understand investment options. Scottish Widows encourages women to save and invest more and earlier and provides planning tools and easy to use investment options (such as Ready-Made Investments).

Shining the Spotlight

We continue to explore differences across communities. Evidence still points to significant gaps in future outcomes between communities. **The gap in overall retirement income is 37% for the Pakistani community and 5% for the White non-British community** – compared to the population as a whole.

Whilst attitudes have also shifted about the roles of women in underrepresented communities, many of these women are more likely to compromise their career for their family.

We explore how approaches to saving and investing differ across communities, and how this contributes to pension gaps. We find that women from underrepresented communities are much less likely to invest through a pension, preferring direct investment in stocks and shares. This highlights the need for tailored guidance to navigate investment choices.

Looking to the future

We will only keep the same rate of progress on the gender pensions gap if the Government implements further policies to support women to prepare for retirement.

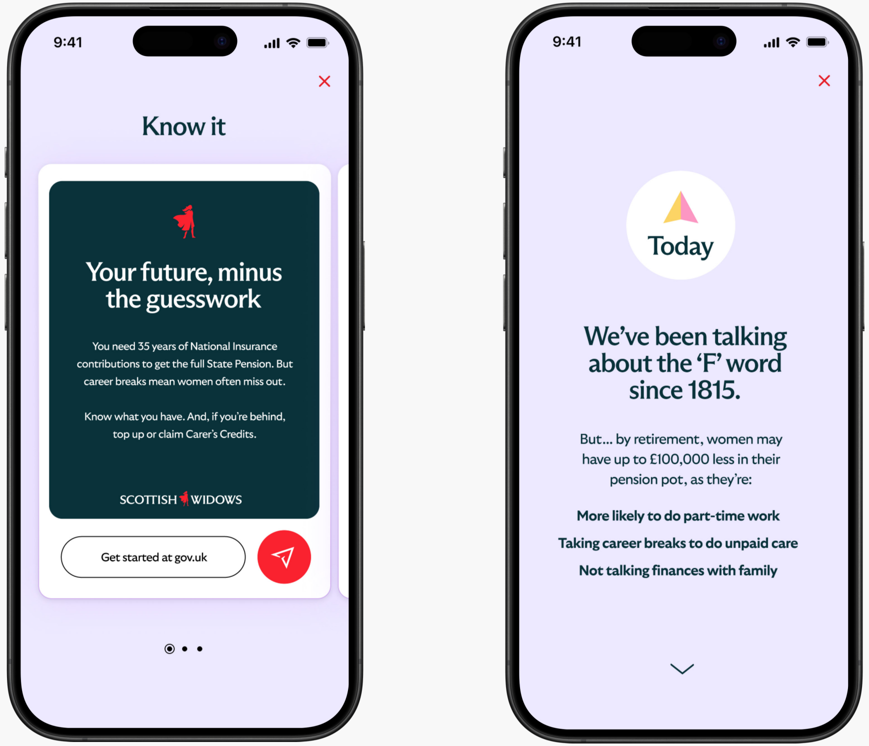
An overview of policies which will support this goal are set out on pages 09-15.

Engaging you with your pension

To mark the publication of the 20th Women and Retirement Report, anyone with a Scottish Widows pension can now access new content in our app which brings to life some of our findings in a dynamic way.

We know managing your finances and planning for the future can feel overwhelming. But by talking openly about financial matters and engaging with your pension, women stand a better chance of experiencing a retirement which is more financially secure.

Download our app here



How to close the gender gap in retirement outcomes

Causes of the gender gap	Policies
Gender pay gap	• Continued focus and reporting on the gender pay gap.
Women **work fewer hours** across their working life	• Continue to overhaul the provision (and cost) of childcare to support women returning to work. • Equalise parental leave.
Women **save less** into pensions and other investments	• Expansion of automatic enrolment, including lower earners and for the self-employed (see pages 11-15). • We welcome the Advice Guidance Boundary Review. The Government should allow new tools to give free guidance and support to people and their holistic savings decisions. These tools could create personalised and directive guidance conversations. Technology should be used to greatly reduce the cost of providing a full advice service to those with less assets, to the point that there is no need for an additional charge to be presented to the customer at the point this support is required.
Pension assets often not split in **divorce**	• Legislate to require pensions to be discussed as part of divorce proceedings.

How to close the gender gap in retirement outcomes (continued)

Causes of the gender gap	Policies
Partners having separate **financial planning**	• Legislate for joint annuities to be the default option when presented at the point of sale, with a prompt to encourage customers to have discussed the decision with their spouse. 85% of annuities are currently purchased on a single life basis. • Explore "family pension plans". Government can reform rules to allow employees to choose their own pension and providers to offer a plan that a couple both contribute towards (see page 15).
Some women miss out on the **State Pension**	• Stop carers falling through the net. Ensure carers in households who don't qualify for child benefit or carers allowance (e.g. they have a high earning partner) know they need to fill in the form to get State Pension entitlement.

We are urgently calling for a Lifetime Savings Commission to be established which considers the challenges of retirement savings (pensions, other savings, other investments, other forms of income), the role of housing and the need to build financial resilience.

We welcome the Pensions Investment Review which the Government launched in 2024. We believe that the scope of this review needs to be sufficiently broad to capture all elements that determine financial outcomes in retirement, including other savings and investments outside of pensions and housing.

It is vital to build momentum on positive policy action over the next decade to ensure that the gap in retirement outcomes continues to close and that the number of people who face poverty in retirement falls.

Automatic enrolment needs to be extended

Even if the average person follows automatic enrolment (AE) from the age of 22, they will only just be on track for a minimum retirement lifestyle – and this is only if they don't need to pay for housing in retirement.

If the average person follows AE from the age of 22, they would be on track for about £15,500 in today's money in annual retirement income (£11,502 from State Pension and £5,182 from private pension).*

The Pensions and Lifetime Savings Association (PLSA) estimates a minimum retirement lifestyle would cost a single person living outside of London £14,440 in today's money per year, excluding housing costs. This requires £15,112 pre-income tax.**

So, the average person who saves under AE from the age of 22 would only just be on track for a minimum retirement lifestyle, and that's if they don't need to pay for any housing in retirement.

*Assumes they earn the median salary of full-time workers in each age bracket throughout their life until they retire at 68 (based on ONS data); they only save through automatic enrolment and have no additional long-term savings; 2% real rate of return on investments after fees; 3.5% annuity rate on private pension pot at 68.

**Based on current England & Wales income tax and National Insurance rates.

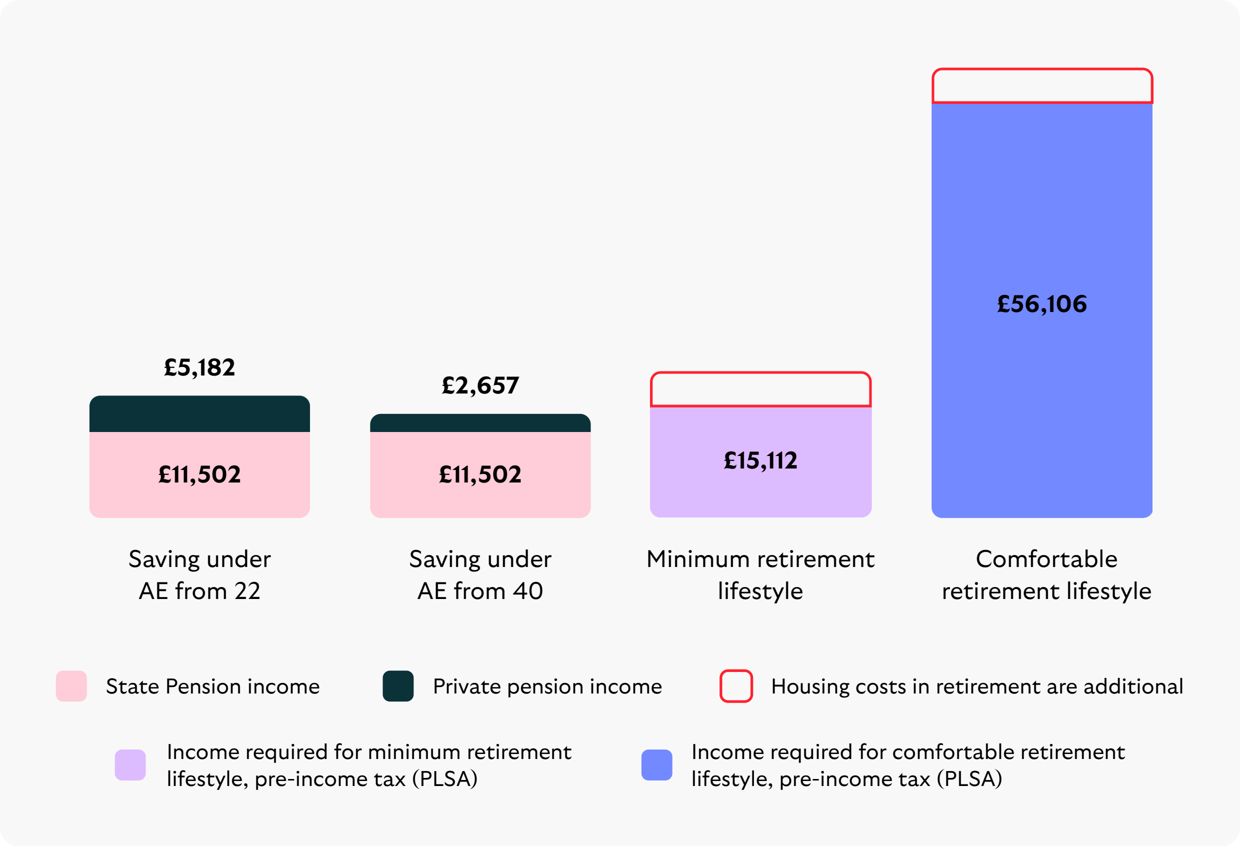
However, a minimum lifestyle only allows retirees to cover their basic needs. But if the average person waited until they were 40 before they started following automatic enrolment, or had any housing costs in retirement, they would likely not meet the minimum lifestyle, and face poverty in retirement.

To have a comfortable lifestyle, the Pensions and Lifetime Savings Association (PLSA) estimates a single person living outside of London would need £43,100 in today's money per year. This requires £56,106 pre-income tax.* Clearly saving under AE is nowhere near enough for the average person to be on track for a comfortable retirement lifestyle.

But if the average person waited until they were 40 before they started following automatic enrolment, or had any housing costs in retirement, they would likely not meet the minimum lifestyle and face poverty in retirement.

Automatic enrolment needs to be extended to help ensure more people will have sufficient savings for retirement (see next page).

- 42% of women and 35% of men are currently on track for not even a minimum lifestyle and to face poverty in retirement. (see page 31).



*Based on current England & Wales income tax and National Insurance rates.

Source: Frontier Economics analysis.

How to improve automatic enrolment

Extensions to automatic enrolment		Impact			
£6,240	Implement the legislated changes: • Remove the £6,240 lower earnings limit. • Reduce age requirement from 22 to 18.	£47k	2023 legislation already gives the Department for Work and Pensions (DWP) the power to make these changes, but it has not been done yet. We estimate these changes together could **increase the future pension pot of an average 18-year-old woman by £47k in today's money** (a 40% increase compared to what they would have otherwise).* This increase comes from an additional four years of saving at the beginning of their working life, as well as an additional £500 in savings in today's money for each other year of their working life.		
£10k	**Extend to those earning below £10k**, but with the option to opt-out of employee contributions while still receiving employer contributions.	£63k	We estimate this change could **increase the future pension pot of an 18-year-old woman who earns £9k throughout their life by £63k in today's money**.*	1.4m	1.4 million women earn under £10k a year (TUC).

*Assumes (1) they work full time until 68, with their salary tracking the median for women across age brackets, based on ONS 2023 earnings data, except for the scenario where they earn £9k throughout their life; (2) they save at the default automatic enrolment rate, except for the 12% saving rate scenario (3) 2% real investment growth each year after inflation and investment charges. All scenarios also assume the legislated extensions take place (reducing age requirement to 18 and removing the lower earnings limit).

How to improve automatic enrolment (continued)

Extensions to automatic enrolment		Impact			
12%	**Increase default saving rate to 12%**, with clear and consistent messaging that those who can afford to do so save at least 15%.	£82k	We estimate saving 12% could **increase the future pension pot of an average 18-year-old woman by £82k** (50% increase compared to if they only saved 8%).*	370k	We also estimate it could **lift 370,000 people** who are currently aged 22-65 and are at risk of facing poverty in retirement onto being on track to cover their basic needs in retirement.**
SE	**Extend to the self-employed.**	4m	There are **4 million self-employed workers in the UK who are currently excluded** from automatic enrolment.		

!

These extensions to automatic enrolment would benefit everyone, but particularly women as they are more likely to be lower earners.

We recommend the Government sets out a clear roadmap showing when these extensions will take place.

*Assumes (1) they work full time until 68, with their salary tracking the median for women across age brackets, based on ONS 2023 earnings data, except for the scenario where they earn £9k throughout their life; (2) they save at the default automatic enrolment rate, except for the 12% saving rate scenario (3) 2% real investment growth each year after inflation and investment charges. All scenarios also assume the legislated extensions take place (reducing age requirement to 18 and removing the lower earnings limit).

**Based on the National Retirement Forecast. Assumes that everyone with a Defined Contribution pension scheme who is currently saving less than 15% of their salary would now start saving at 15%. This reduces the proportion of DC savers not on track for a minimum lifestyle by 3%. There are 21.8 million employees (ONS), roughly half of whom have a DC pension. 3% equates to 370,000.

Family pension plans

Current problems

There are several **problems which contribute to the gender pensions gap but only exist because couples have separate pension pots.** These include:

- The impact on pay and progression of women taking time out to perform caring duties to a greater extent than men, which means women end up with smaller pension pots.
- Pension pots not being properly considered during divorce, which means women miss out on retirement income.
- For those who enter retirement as a heterosexual couple, men taking out single life annuities. Men tend to have bigger pension pots, to be older and to die at an earlier age than their spouses, which means many women lose a significant source of their retirement income when their partner dies.

Family pension plans

None of the problems highlighted here would exist if couples collectively accumulated a family pension pot to provide for them both in retirement.

Family pension plans could work as follows:

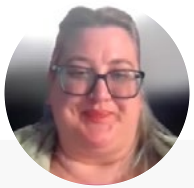
- A couple would select their pension provider, from either one of their employer's schemes or a family pension plan.
- Workplace pension contributions for both partners would be directed to that family pension plan.
- If the couple were to get divorced the plan would be split between the two automatically. The same clearing house framework being discussed by Government for the management of small pots could be utilised.
- If the couple go on to retire together and use income drawdown, it's likely that charges will be lower, as the percentage charged tends to drop when pot sizes are larger.
- If they purchase an annuity, this could become more consistent with an annuity provided for both rather than the typical status quo that sees annuities purchased for only one partner, which is then lost on their death.
- Some reform of income tax would be required to accommodate the concept of what would effectively be a joint income.
- Legislate for joint annuities to be the default option when presented at the point of sale, with a prompt to encourage customers to have discussed the decision with their spouse. 85% of annuities are currently purchased on a single life basis.

Section 02

20 years of Progress

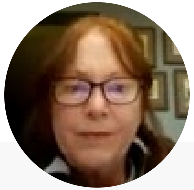
Reflections on the gender pensions gap

In September 2024 we spoke to a range of women from across the UK who are at different stages on their road to retirement. Throughout this report, we'll share some of their personal perspectives on the key themes.



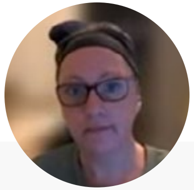
"If you look at the gender pay gap men get paid more than us and so have more disposable income to put in pension pots and investments, stocks and shares. Culturally, women haven't always been the person who looks after the finances, but I think that's changing and we are becoming more financially independent, although we've still got a way to catch up."

Jess



"The gender pensions gap definitely has a lot to do with childcare. And I do feel that although things have moved on, the majority of the responsibility is still with women and that does have an effect. You tend to take part-time roles to fit around your children. You take career breaks. And often the jobs available to me were lower paid. You lose that continuity while you're not working - you're not able to make any contributions to a pension. So, yes, it's a huge impact for women."

Elaine



"In terms of maternity leave and childcare, this can affect career progression meaning it can't happen in equal measure for women. We're not there yet, and I don't know if we ever will be."

Ciara

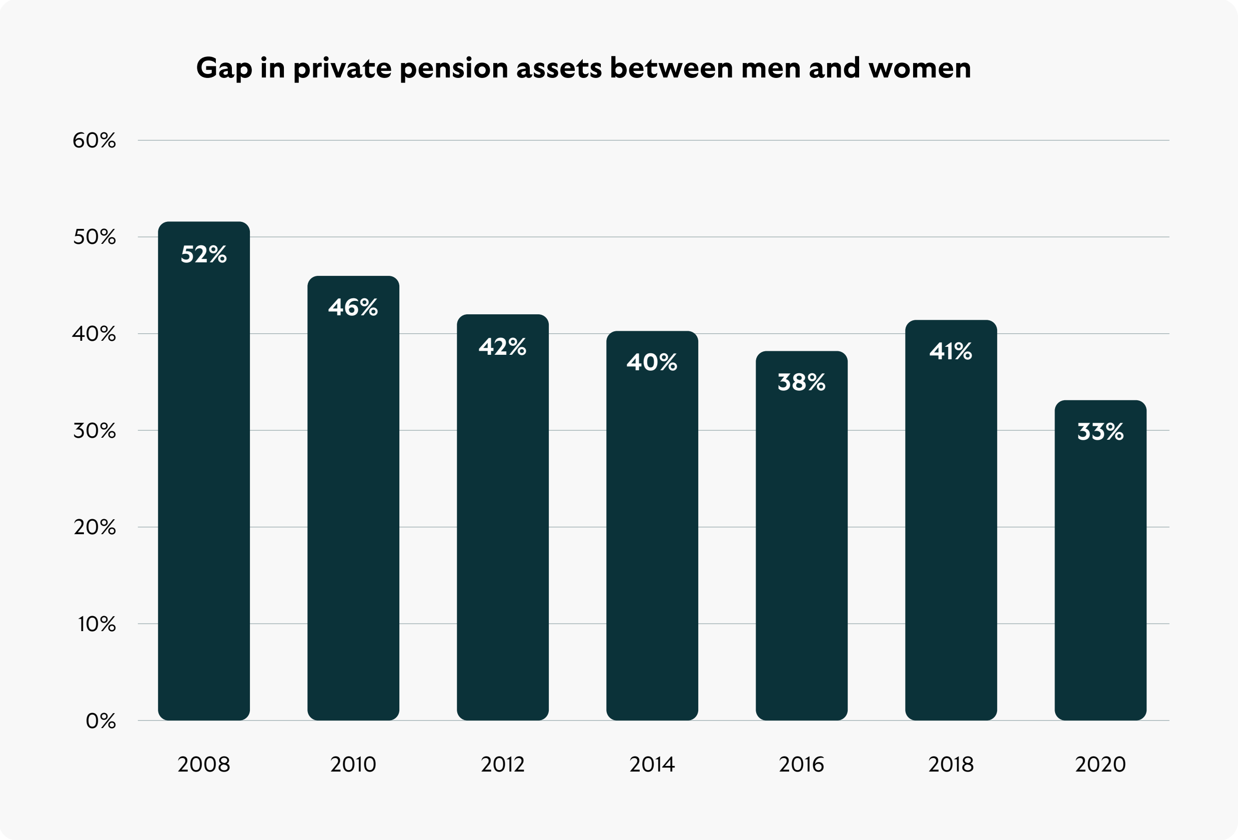
The gender pensions gap has reduced by a third since 2008

While the gender pensions gap has fallen from 52% to 33% since 2008 for those aged 50-64, women currently nearing retirement are still likely to have pension pots which are a third smaller than men.

While more needs to be done to improve retirement outcomes for women, this progress has been driven by several factors:

- Two decades of action (page 19).
- Shifting attitudes about women's roles (page 16).
- An increase in women's employment rate (page 21).
- A decrease in the gender pay gap (page 21).
- An increase in the number of women who save into a pension (page 22).

The private pension pots of men aged 50-64 were more than double the pension pots of women aged 50-54 in 2008.



Source: Frontier Economics analysis of the Wealth and Assets Survey, ONS.
Note: The chart contains the years for which data is available from the Wealth and Assets Survey.

Two decades of action has reduced the gender pensions gap

2005

First Women and Retirement report.

2012

Automatic enrolment introduced at 2% contributions – Automatic enrolment has more than doubled the pension participation rates of eligible female employees.

2015

Introduction of Shared Parental Leave.

2016

State Pension reform: simplified the system to make it available to those with only 10 qualifying years of NI contributions and introduced credit for carers.

2017

Requirement to publish gender pay gap for employers with 250+ employees.

2018

Automatic enrolment contributions increased to 5% and SPA reaches 65 for women.

2019

Automatic enrolment contributions increased to 8%.

2020

SPA reaches 66 for women.

2023

Government introduces a measure of the gender pensions gap, with a commitment to report on this annually.

March 2024

Scottish Widows introduces Beat the Gap tool to show when and how the gender pension gap can typically emerge across an average woman's life.

Attitudes have shifted women's role at home and in the workplace

Many women are having children later and getting married later.

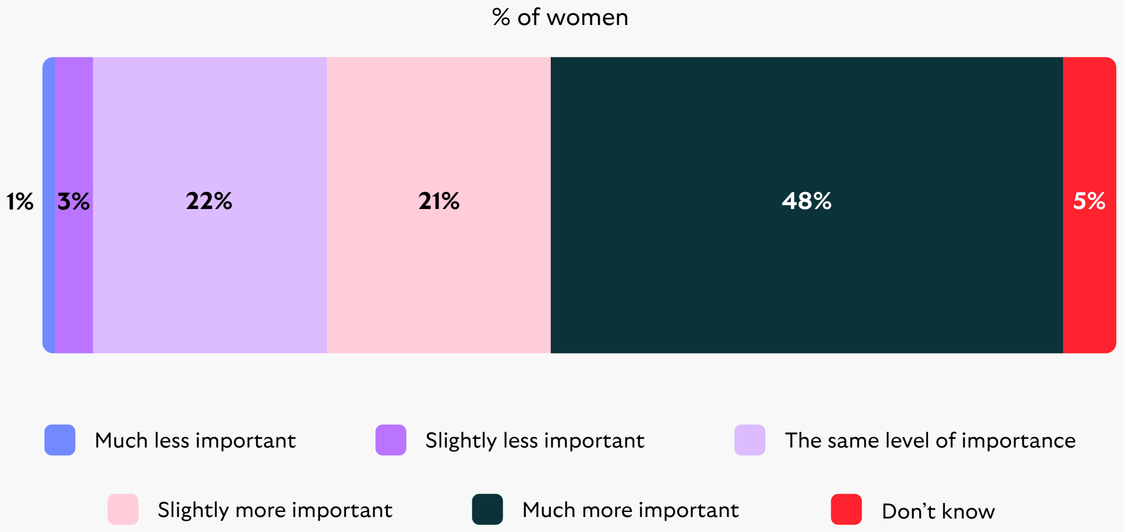
In the last 20 years the average age of first marriage has increased from 28 to 31 for women.

And the average age of first-time mothers has increased from 26 to 29.

Source: ONS.

For women today, being financially independent is more important than for previous generations

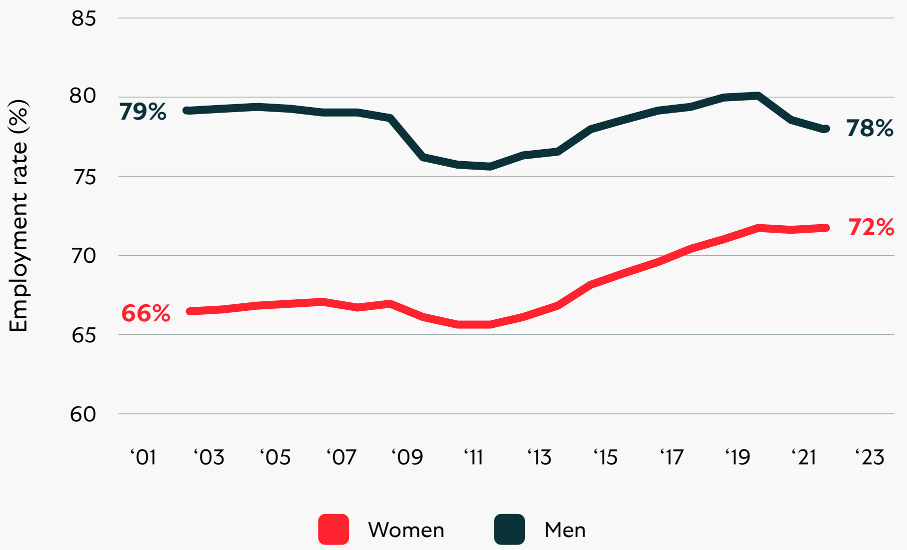
How important is financial independence to you compared to what you perceive it was for previous generations of women in your family?



Base: Females (3,044). Source: YouGov survey, between 23rd August to 6th September 2024.

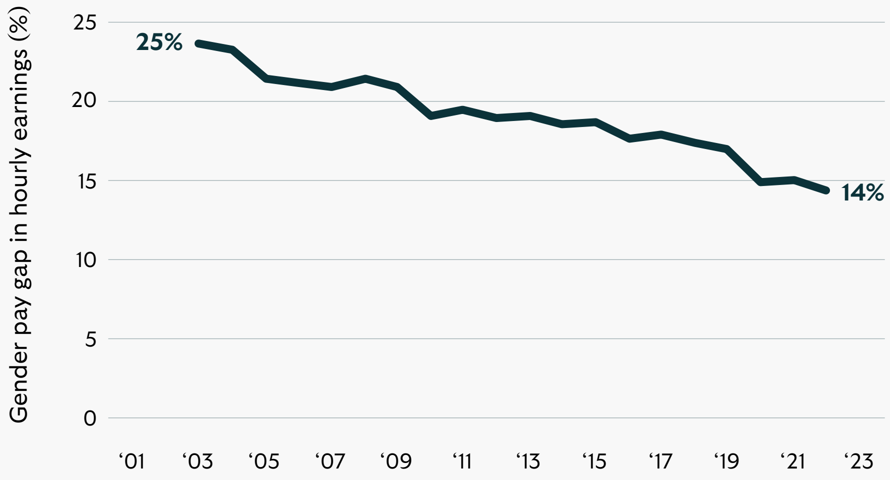
Women now work and earn more

The employment rate for women increased by 6% between 2003 and 2023



Source: ONS, LMS.

The gender pay gap in hourly earnings has fallen from 25% in 2003 to 14% in 2023



The impact of working part-time and taking a career break makes the actual pay much lower.

Source: ONS, ASHE.

More working women contribute to a workplace pension

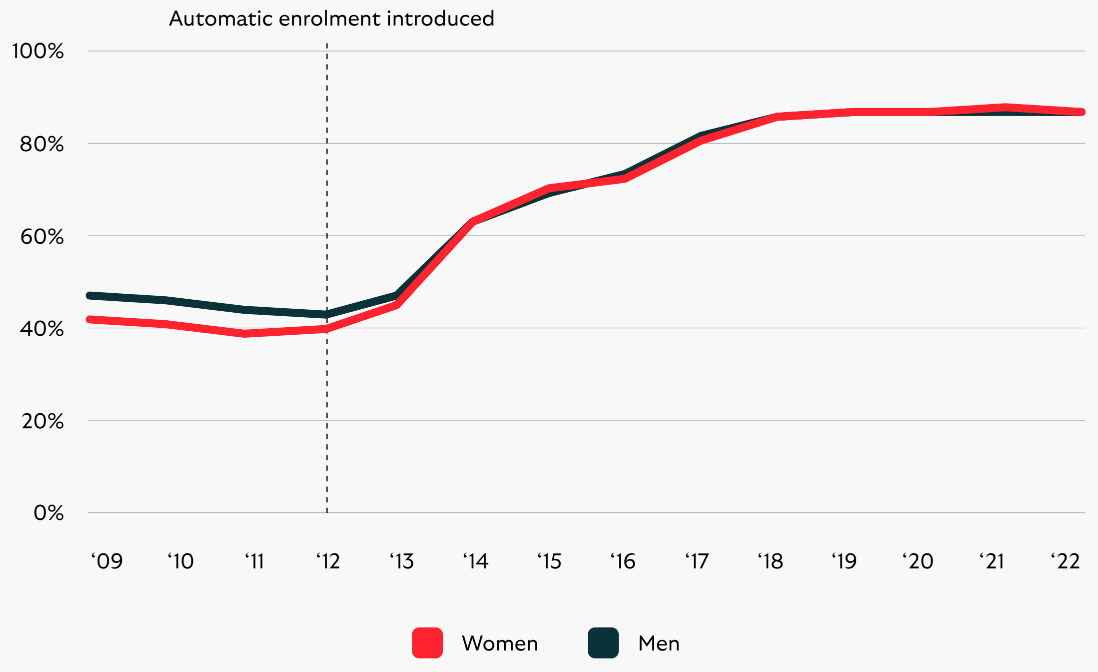
Automatic enrolment has equalised participation rates for eligible men and women.

Pension participation rates have more than doubled for eligible female employees since the policy was introduced in 2012. Since then, an extra 4.6 million women have started saving into a pension.[1]

Consequently, the gender gap in participation rates for eligible employees has essentially disappeared.

This will likely benefit younger generations of women more, as there is more time for their increased saving to accumulate into a larger pension pot.

Pension participation rates of automatic enrolment for eligible employees at private companies



[1] DWP, Workplace pension participation and savings trends.

Source: DWP (November 2023).

If progress continues at this rate, it will take another 20 years to close the gender pensions gap

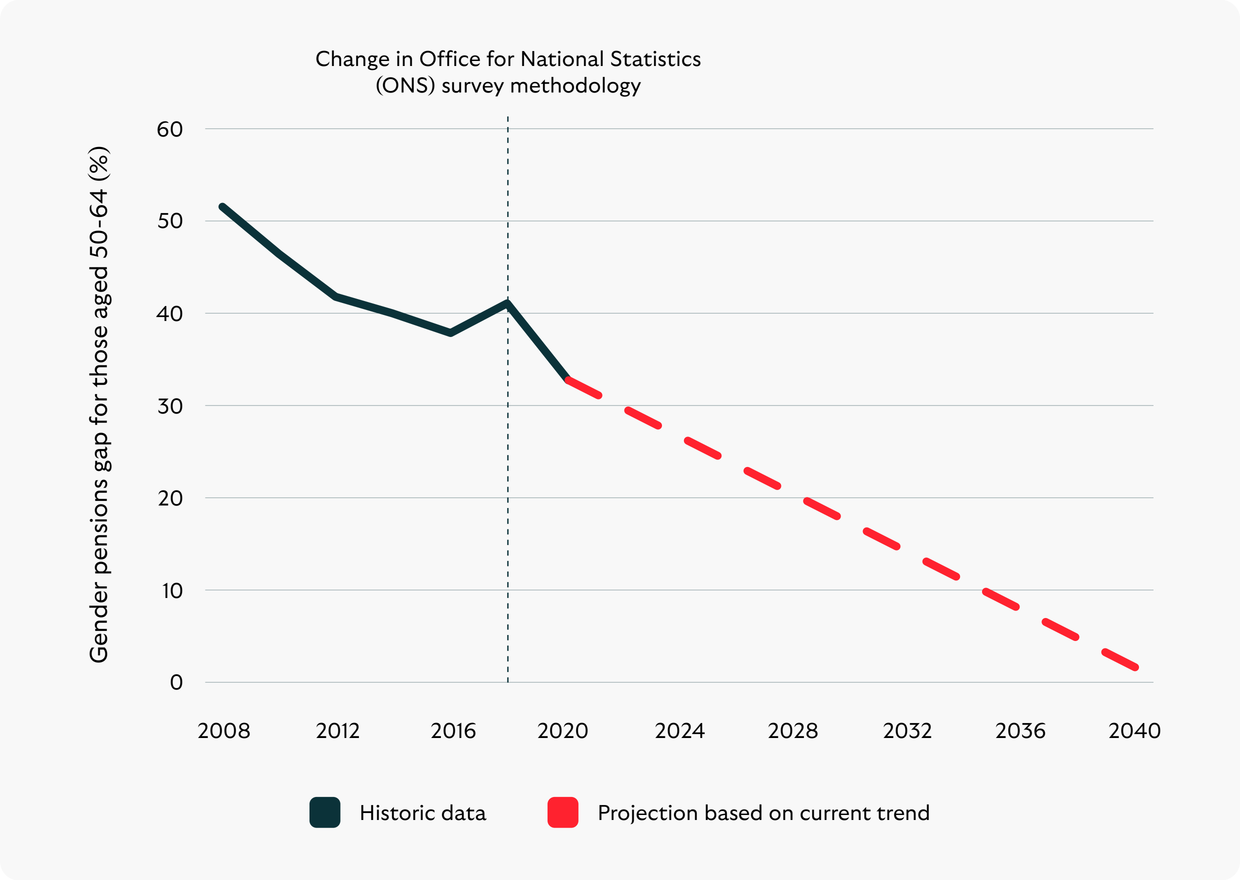
The gender pensions gap could close by the early 2040s, but only if progress continues at the same rate.

Much of the progress over the last 20 years was the result of active policy choices that better supported women.

Maintaining this rate of progress over the next 20 years depends on the Government implementing further policies that support women in preparing for retirement. If there are not enough new substantial policies then progress will stall and the gap will persist.

We highlight how to close the gender gap in retirement income (pages 09-15).

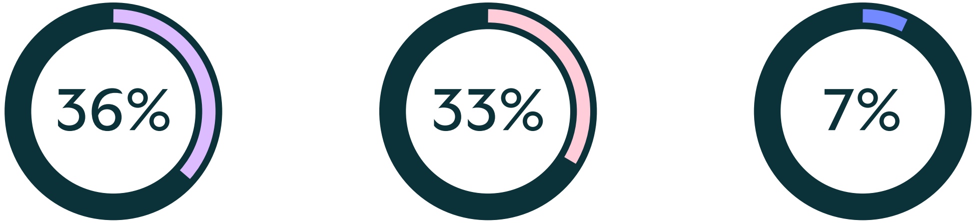
The next few pages showcase some of the main challenges that remain, demonstrating the importance of these additional policy measures.



Source: Frontier Economics analysis of the Wealth and Assets Survey, ONS.

Further progress requires drivers of the gender pensions gap to be addressed

Women are...



36% more likely to be providing unpaid care than men.

33% more likely to be providing unpaid childcare than men.

7% more likely to be doing unpaid household work than men.

Women are still more likely to provide unpaid household work and childcare and to work fewer hours and earn less.

These factors contribute to the fact that women are less likely to be in employment (72%) than men (78%)[1].

And of those who do work, women are more likely to be working part-time (38%) compared to men (14%), meaning they are likely to earn less.[2]

Both factors compound the gender pay gap and in turn, the gender pensions gap.

Source: Frontier Economics analysis of Census 2021 and Time Use in the UK data, ONS.

[1] ONS, Labour Market Statistics time series.

[2] ONS, UK Labour Force Survey.

Further progress requires drivers of the gender pensions gap to be addressed (continued)

Lack of accessible and affordable childcare is a major barrier for some women to work and earn as much as men.

The lack of affordable childcare, combined with women earning less on average than men, leads to more women making career sacrifices to care for their children.

On average, nursery childcare for children under two costs £14.5k annually in Great Britain, equal to 58% of the take-home pay of the average person, making it unaffordable for many.[3]

Childcare	58%	Take-home Pay

Recent policies aim to improve access to childcare, including 15 hours of free childcare per week for two-year-olds which started in April 2024, this expanded to children aged from nine months in September 2024, and will increase to 30 hours in September 2025.

However, accessibility remains an issue – only 35% of local authorities in England report having sufficient provision of childcare for children under two.[4]

Greater childcare access would allow more women to stay in the workforce, reducing career breaks and improving long-term earnings and pension contributions.

[3] Frontier analysis based on 50 hour per week childcare costs from Coram's Childcare Survey 2024, annual gross pay figures from ONS 2023 pay data, and HMRC's 'PAYE Estimate take-home pay' tool.

[4] Coram, Childcare Survey 2024.

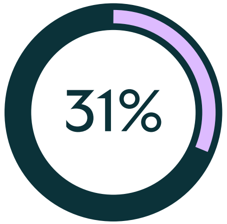
Further progress requires drivers of the gender pensions gap to be addressed (continued)

Many women currently fall outside of automatic enrolment eligibility

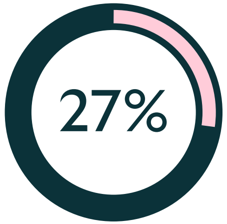
- Under automatic enrolment, employees who earn more than £10,000 a year are automatically enrolled into a workplace pension.
- However, 1.4 million women earn less than the £10,000 threshold, and so are not being automatically enrolled into a workplace pension.[1]

Women are less likely to invest outside of a workplace pension.

When asked what arrangements they have to provide an income in retirement, women are…



less likely to have investments outside of their pension.



less likely to have investments in property.

As we explore further in the later **Women & Investing section**, this is partly driven by women being less likely to feel that investing is for "people like them" or to feel supported in learning about investing.

[1] TUC, Women more than twice as likely as men to miss out on pensions auto-enrolment.

Base: All respondents (3,044 women and 606 men). See appendix for further details on the base. Source: YouGov survey, between 23rd August and 6th September 2024, and Frontier Economics calculations for the percentage differences between men and women.

Further progress requires drivers of the gender pensions gap to be addressed (continued)

Women continue to miss out in divorce discussions:

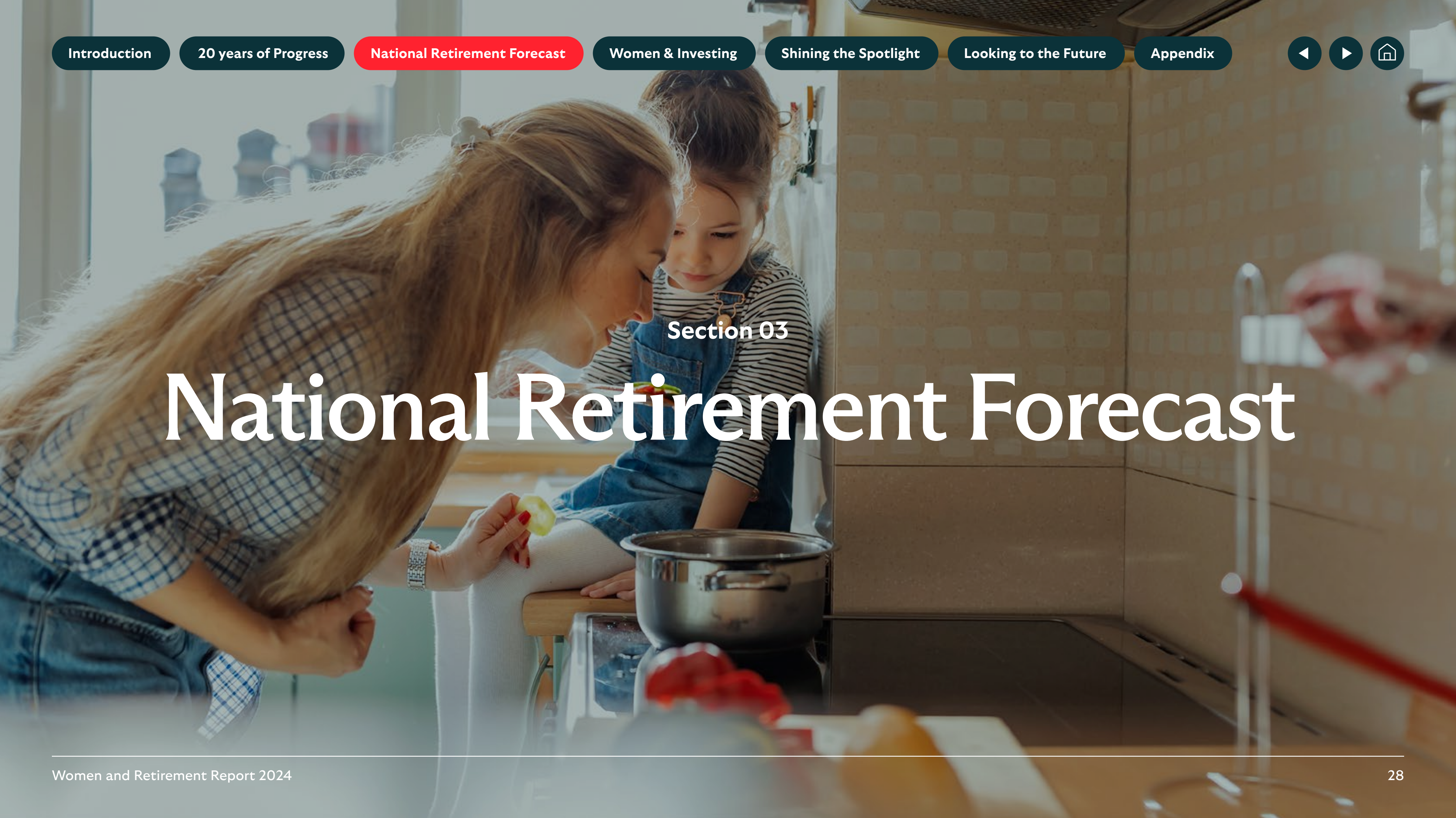
- Pensions are usually people's second biggest asset after a house.
- At least 60% of divorced women didn't discuss pension assets during divorce.* Given typical inequalities in pension assets, this can further result in women falling behind in terms of their pension pots.
- Not discussing divorce could cost women up to £77k at retirement on average.

Women also miss out when their partners buy single annuities:

- 85% of annuities are purchased on a single life basis, which do not provide an income to the surviving spouse after the death of the annuity holder.
- Given that men tend to have a bigger pension pot, to be older, and to die at an earlier age than their spouses, many women will lose a significant source of their retirement income when their partner dies.

Further policies are required to address the underlying causes – see pages 09-15 for our recommendations.

*Source: Scottish Widows Women and Retirement Report 2023.



Section 03

National Retirement Forecast

National Retirement Forecast

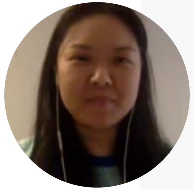
In this section we use our National Retirement Forecast to show the gender gap in the retirement outcomes people are on track for.

The NRF compares the retirement income people are on track for, based on their current saving behaviour, to the costs they could face: living expenses for different retirement living standards defined by the Pensions and Lifetime Savings Association (PLSA), and housing costs for those who expect to rent or continue to pay off a mortgage in retirement.

Continued policy activity can help people save more than they currently do, which would help them achieve better retirement outcomes than our NRF projects. This is why continued policy activity is important – see pages 09-15 for our policy recommendations.

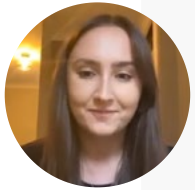
Reflections on retirement

What does a good retirement look like?



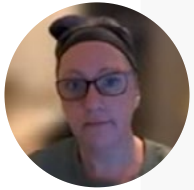
"I feel for me, it is not worrying about finance too much, and being able to just be flexible with my spending, with my lifestyle, with my hobbies."

Fay



"A good retirement for me would be able to travel freely and do as much travel as I'd want to, but the flip side for that would be I don't know what the state of my health would be like at that point in my life."

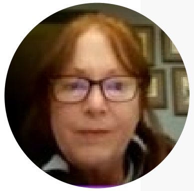
Imo



"Being able to make choices and having a choice, rather than not having a decision forced upon you because of financial reasons."

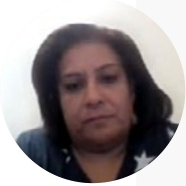
Ciara

Have you tracked or consolidated pensions from previous employers?



"I have put quite a lot of effort in, over the last couple of years, keeping track of my pensions, seeing where they are and what my options are. The HMRC website can help you trace old pensions, so just to check that you haven't got anything else out there that you may have forgotten about, if you've had many employers, that's available on that site."

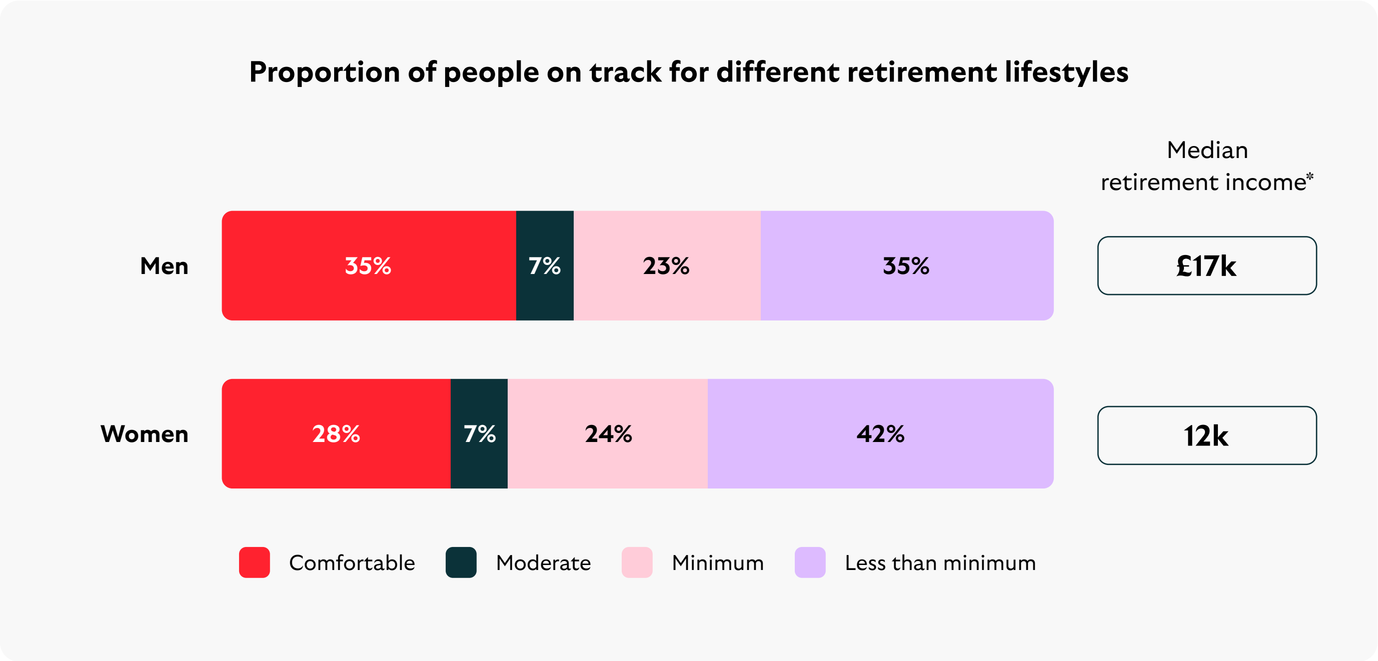
Elaine



"Many self-employed people like myself haven't really recovered from the lockdowns during the pandemic. So, I'm now five years behind and I still don't know whether this financial year is going to get any better. So, at some point, I'm hoping that will turn, so I can start to catch up on the pension pot because for me, the only way I can put in the money I need to, is to have made a profit."

Lucy

There remains a significant gender gap in projected retirement outcomes



We find a 30% gender gap in projected median net annual retirement income, based on current saving behaviour.

- Based on current savings behaviour the average woman is on track to receive £12k per year of income in today's money during retirement compared to £17k for men.
- This includes private pension, other long-term savings, inheritance and the State Pension or pension credits and is after paying income tax and any expected housing expenses.

Women are more at risk of not being able to cover their needs in retirement.

- Women are more likely to not be on track for even a minimum lifestyle (42%) compared to men (35%). Women are also much less likely to be on track for a comfortable lifestyle (28%) compared to men (35%).

*Median retirement income after paying for expected housing expenses if relevant.
Source: Frontier Economics modelling based on Scottish Widows' annual Retirement Report survey, and using PLSA's Retirement Lifestyle Standards.
Due to roundings, totals may not always equal 100.

Our retirement forecast is benchmarked to the PLSA's Retirement Living Standards

The PLSA's standards show the income thresholds for different retirement lifestyles, in terms of the amount that can be spent on food, clothing, transportation, holidays, and maintenance of a home.

The PLSA has increased its thresholds this year, reflecting both the rising cost of living and changes in expectations.

For example, retirees are now placing higher priorities on activities with family and friends, such as eating out and holidays.

	Minimum	Moderate	Comfortable
Single	£14,400 (+13%*)	£31,300 (+34%*)	£43,100 (+16%*)
Couple	£22,400 (+13%*)	£43,100 (+27%*)	£59,000 (+8%*)
	Covers all your needs with some left over for fun • £95 a week on groceries • £30 a month on takeaways per couple • No car • One week holiday in the UK annually.	**More financial security and flexibility** • £95 a week on groceries • £20 a week on takeaways per couple • Three-year-old car replaced every 7 years • Two-week holiday and a a long weekend UK break.	**More financial freedom and some luxuries** • £130 a week on groceries • £30 a week on takeaways per couple • Three-year old car, replaced every 5 years • Two-week holiday and three long weekend UK breaks.

Note: The costs shown in this table are for singles and couples who live outside of London. The forecast also considers standards for those who live in London.

*% increase to the 2024 PLSA standards based on 2023 data, compared to previous PLSA standards based on 2022 data.

Source: PLSA thresholds.

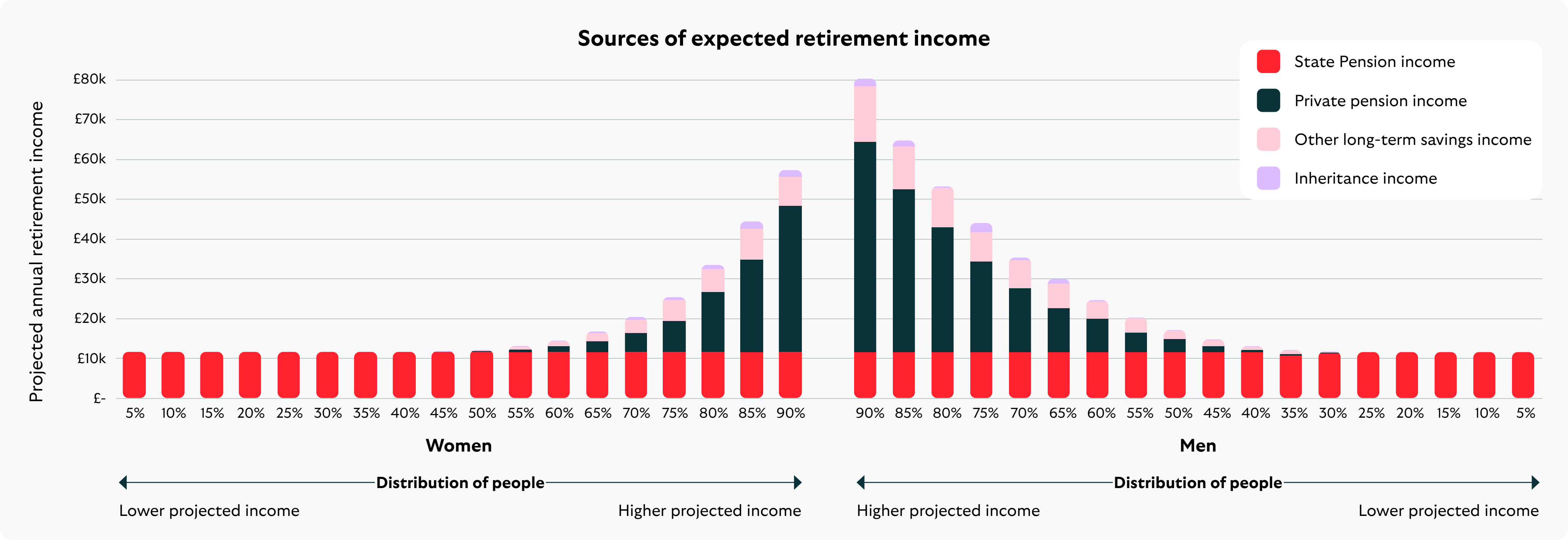
The gender gap in retirement income is driven by women having less pension and other long-term savings

The pension pots that men are on track for at retirement are over £100K bigger than women's, on average, for those who have them.

	Private pension		Other long-term savings	
	Women	Men	Women	Men
Proportion on track for pension or other savings	56%	68%	49%	61%
Projected assets at retirement in today's money, of those on track	£151k	£281k	£83k	£122k

Source: Frontier Economics modelling based on Scottish Widows' annual Retirement Report survey, from 21st March to 5th April 2024.

Fewer women are on track to receive private pension or long-term savings income in retirement



These projected retirement incomes assume people take out their private pension at 65 and purchase an annuity. If people draw from their pension before the age of 65, this will reduce their retirement income.
Source: Frontier Economics modelling based on Scottish Widows' annual Retirement Report survey, from 21st March to 5th April 2024.

The State Pension keeps 5 million women and 4 million men from facing poverty in retirement

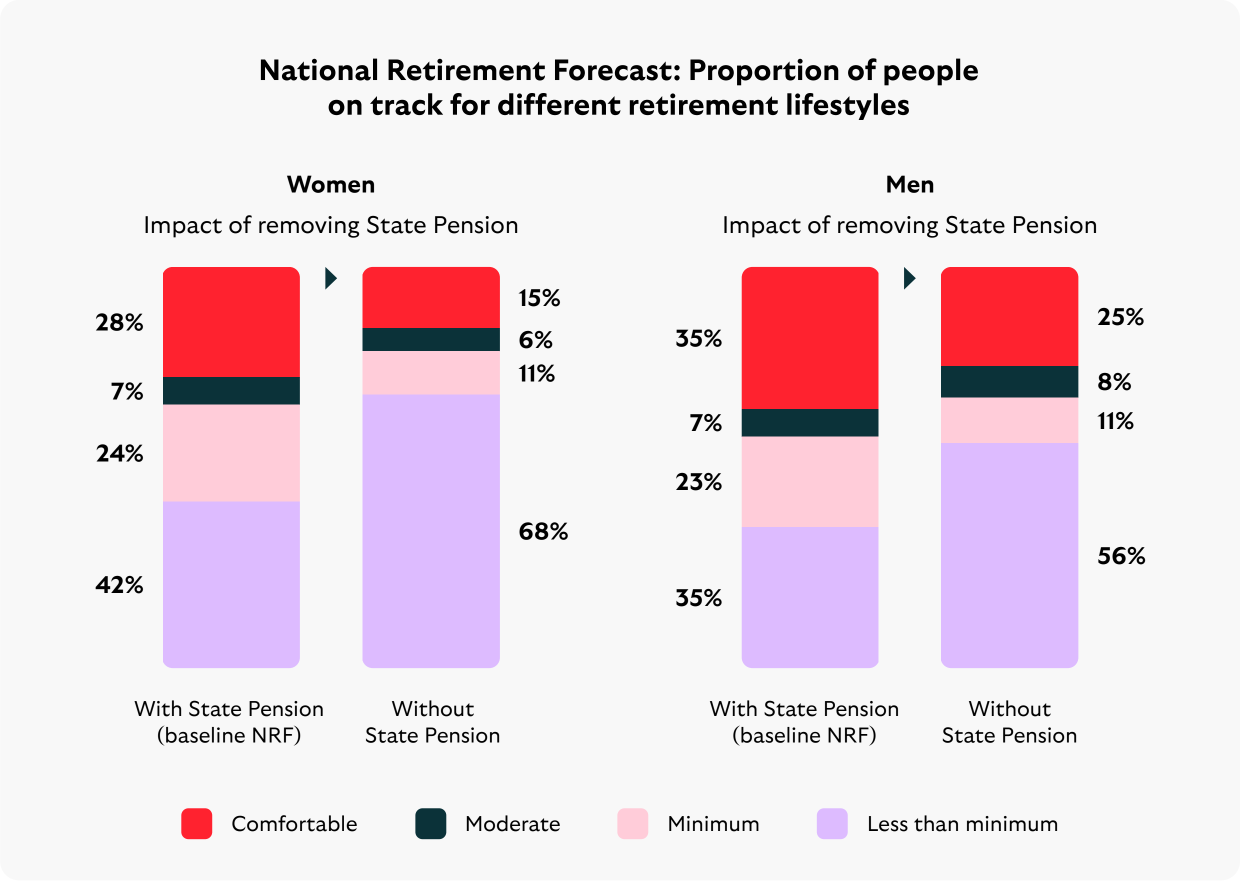
Removing the State Pension would put an additional 5 million women and 4 million men on track to face poverty in retirement.

- The proportion of women on track to face poverty in retirement would increase from 42% to 68%, and for men it would increase from 35% to 56%.*

Women are more dependent on the State Pension in retirement than men.

- But women can also be less likely to receive the full State Pension if they take breaks from paying National Insurance, such as when caring for children. It is important for women to consider State Pension eligibility when planning their finances and making decisions about work and savings (see our tips section, pages 56-58).

*We assume there are 19 million women aged 22-64 and 19 million men aged 22-65 in the UK (ONS).



Source: Frontier Economics modelling based on Scottish Widows' annual Retirement Report survey, and using PLSA's Retirement Lifestyle Standards.

Section 04

Women & Investing

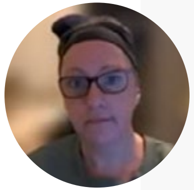
Women & Investing

We have shown that women have smaller private pensions and other long-term savings they can rely on in retirement than men on average (page 33), and that this means they are on track for worse retirement lifestyles (page 31).

One of the drivers of this is that women are less likely to invest their non-pensions savings.

In this section we explore why women are less likely to invest outside of pensions, and we call for more to be done to empower them to invest and do it sooner.

Reflections on investing

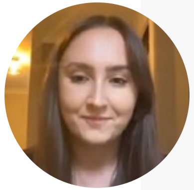


"I think naturally women are more inquisitive and more thorough in terms of research that we would do. I don't think we'd naturally just jump into making a rash decision. I think we all want to make an informed choice."

Ciara

"It goes back to education, we need to be educated about investing. I think the apps help but you really do have to seek that information yourself, it's not that accessible."

Nia

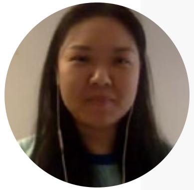


"I've got some small investments and I feel pretty confident investing because I work in finance, but I do think that in my generation, people don't know how to invest. There's no education on it. I think it would be beneficial in school or college to teach people basic investment skills.

My parents are in their early 50s and they've retired early because of investments. So, for me, it's talking to them and seeing where they invested their money. They just have lots of information and I feel like they make it quite accessible to people who don't necessarily know that much about investment."

Imo

Reflections on investing

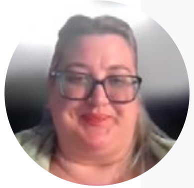


"People feel more comfortable talking about financial planning or spending, but investing is still a topic that people don't talk too much about."

Fay

"It's a confidence thing - I don't have it at the moment but I'm always trying to learn more so that I can be on that page."

Tiyana



"It can't just be, you know, 'Let's do some stocks and shares for 12 months and see where that is.' It has to be a long-term thing."

Jess

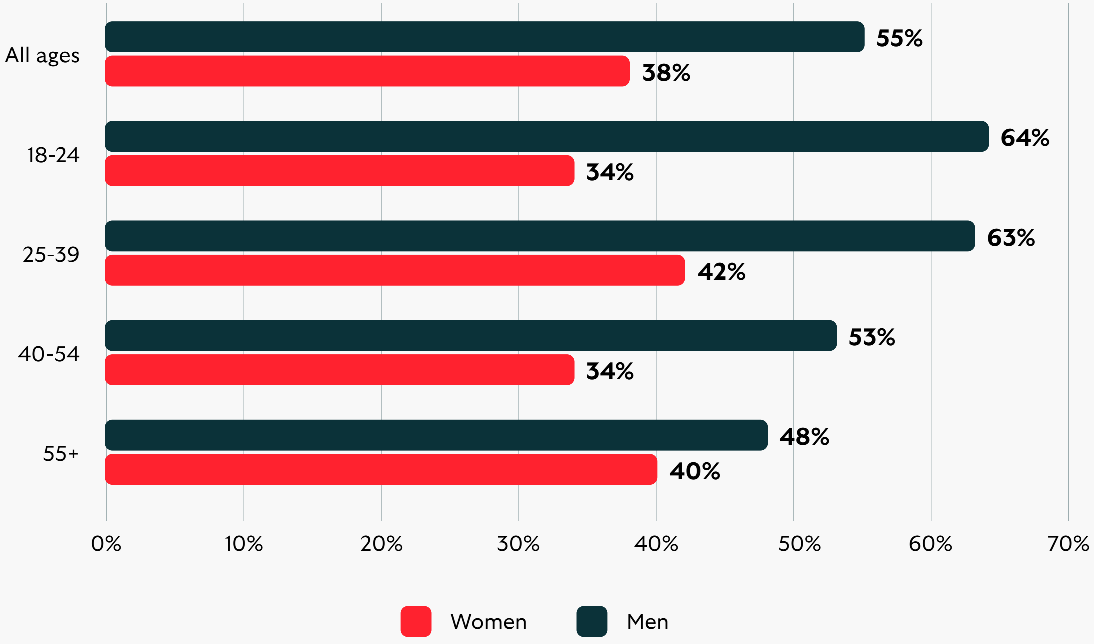
Women are less likely to invest outside of pensions than men, particularly those aged 18-24

The investment gap is biggest for young women

- The gender gap in investment behaviour is significant across all ages, but especially for the young.
- Only 34% of women aged between 18-24 say they invest outside of pensions, compared to 64% of men of the same age.
- This is of particular concern given the value that saving early and compound growth can bring. £1,000 invested when you are 20 could be worth roughly £2,500 in today's money by the time you reach 65, compared to roughly £1,700 if you waited until you were 40 to invest it.*
- Investing more when young can also be a way for women to offset the impact of potential career breaks on their investment pots.

Women of all age groups are less likely than men to invest outside of pensions

Percentage that say they invest in stocks and shares, property, government bonds, or other non-pension investments.



*Assuming 2% real rate of return on your investment after fees.

Base: All respondents (3,650). Source: YouGov survey, between 23rd August and 6th September 2024.

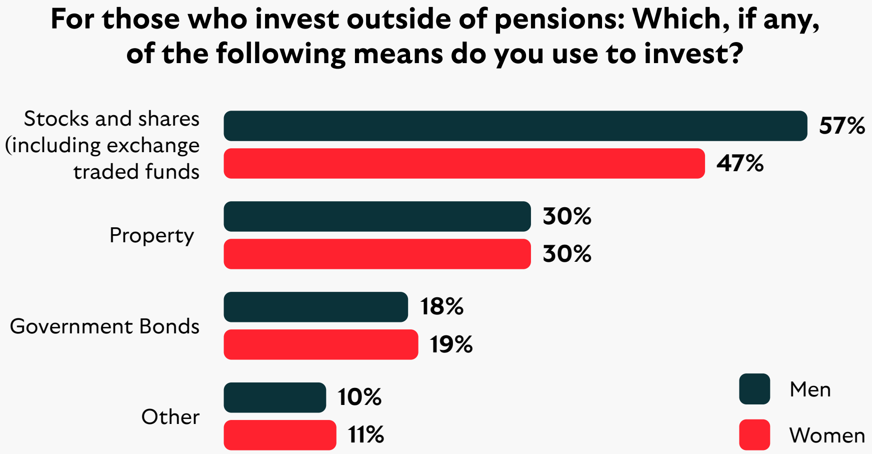
Women may be more patient investors than men

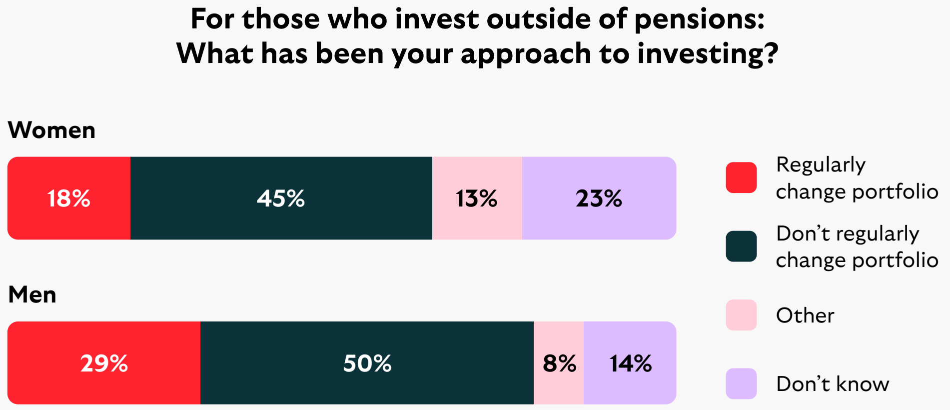
When women invest, they take a broadly similar approach to men…

- Both women and men invest across stocks and shares, property and government bonds. Women who invest outside of pensions are less likely to invest in stocks and shares than men and are less likely to hold multiple types of investments.

… but they are less likely to make regular changes to their portfolio

- For the typical investor, making fewer regular changes could be helpful. Making frequent movements can be costly (in fees) and risk returns by mis-timing the market.
- Since women tend to be more patient investors than men, they could end up making better returns.





Base: Respondents who said they invest outside a pension (1,505). Source: YouGov survey, between 23rd August and 6th September 2024. Due to roundings, totals may not always equal 100.

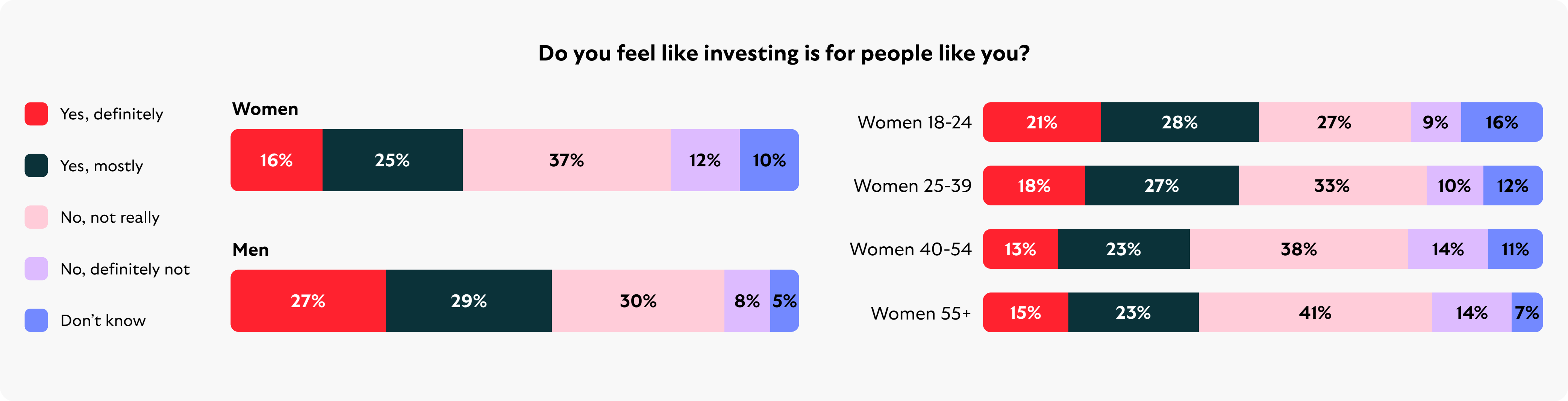
Women are less likely to feel that investing is for people like them

Women are less likely to feel that investing is for people like them

- More women feel that investing is not for people like them, compared to those who feel investing is for them (49% vs 41%).
- Women generally feel less confident in managing their finances, and especially so for managing pensions (see our Retirement Report 2024).

Young women (aged 18-24) are most likely to feel that investing is for people like them, even though they are the least likely age group to invest

- 48% of women aged 18-24 say they feel that investing is for people like them, but only 34% of women of this age say they invest.
- This gives hope that the younger generation of women could be encouraged and empowered to invest more.



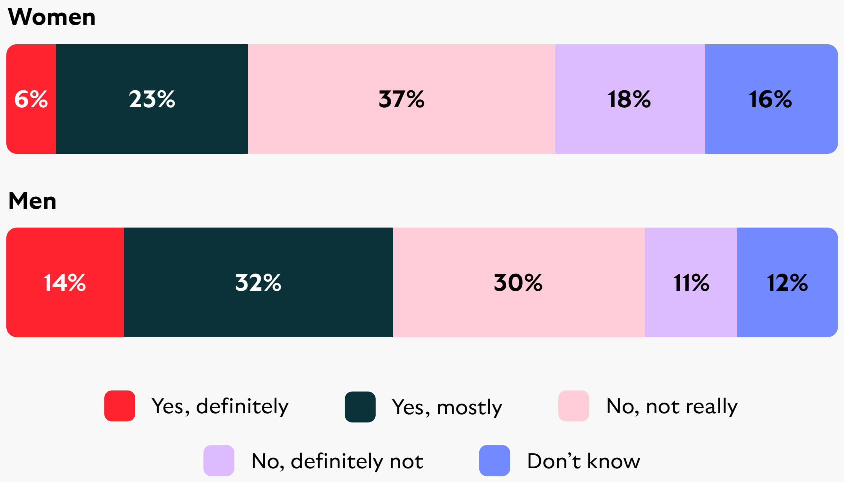
Base: All respondents (3,650). Source: YouGov survey, between 23rd August and 6th September 2024. Due to roundings, totals may not always equal 100.

Base: Women (3,044). Source: YouGov survey, between 23rd August and 6th September 2024. Due to roundings, totals may not always equal 100.

Women are less likely to feel supported to learn more about investing

Women are less likely to believe there are resources and support available for people like them.

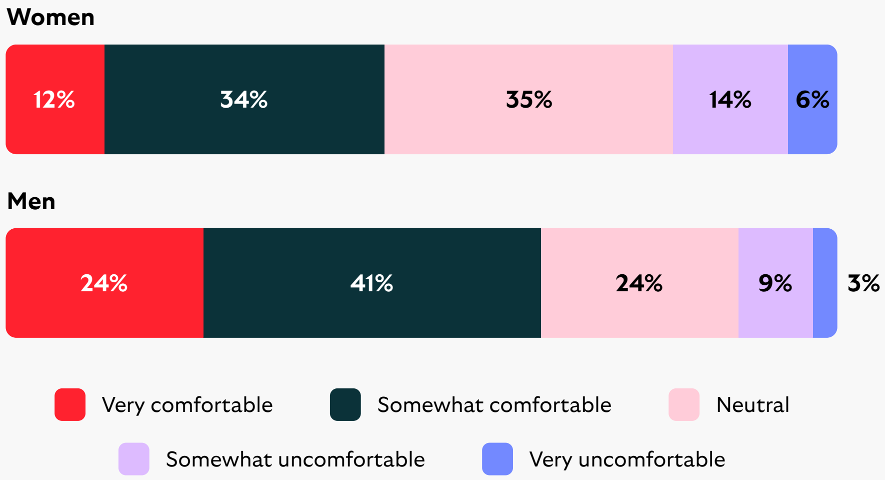
Do you believe there are enough resources and support systems available for you and people like you to learn about and engage in investing?



Base: All respondents (3,650). Source: YouGov survey, between 23rd August and 6th September 2024. Due to roundings, totals may not always equal 100.

Women are less likely to feel comfortable talking with friends and family about investments.

How comfortable do you feel talking to friends and family about investments?



Source: Lloyds Bank OnePulse survey. Due to roundings, totals may not always equal 100.

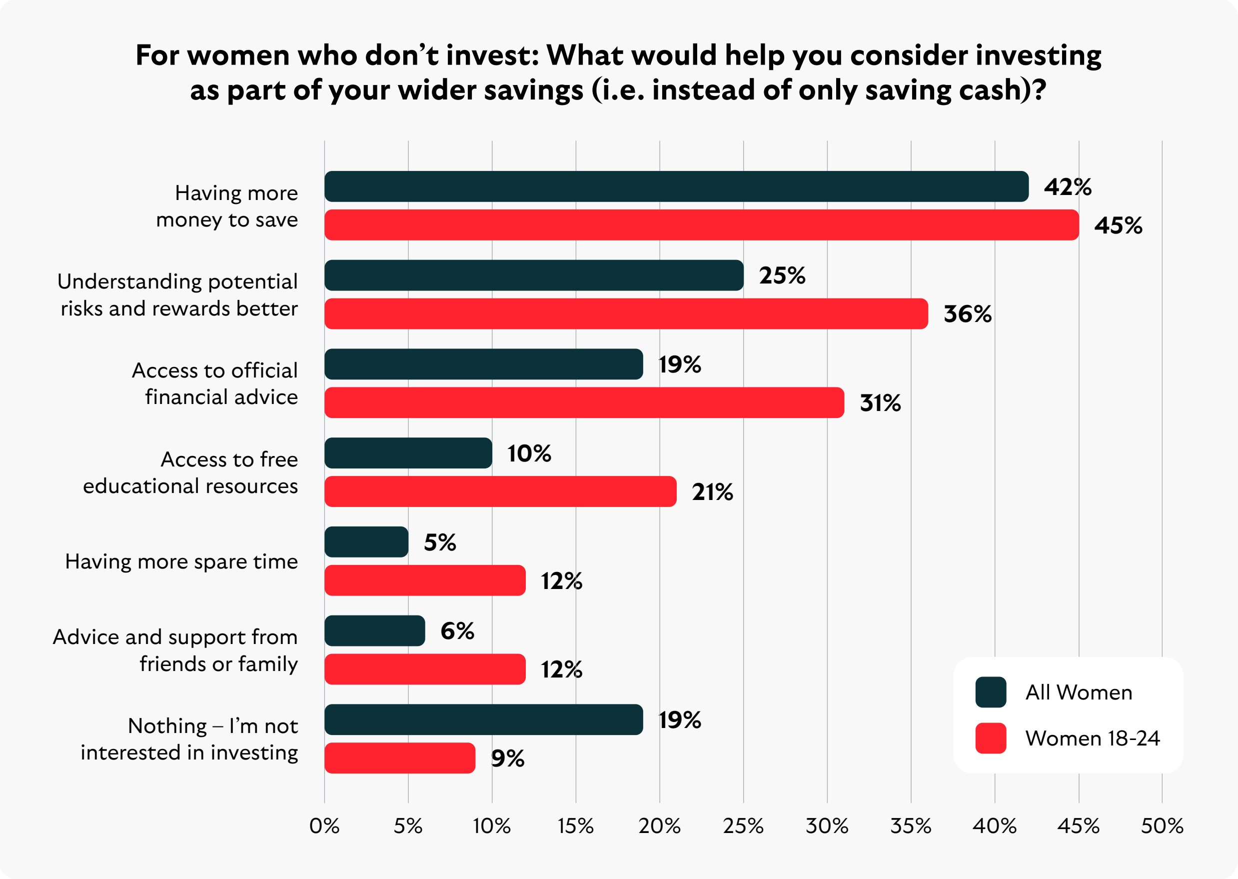
Many more women could be investing if they had the right support

A lot of women do not have enough money to save outside of their pensions

- Only 43% of women say they can prioritise saving beyond short-term needs.*
- 45% of women say they would consider investing if they had more money to save (see chart).

But a lot of women would consider investing if they had the right advice, resources and greater support

- Commonly cited barriers to investing, particularly for young women aged 18-24 include understanding potential risks and rewards better (36% for young women) and access to official financial advice (31% for young women).



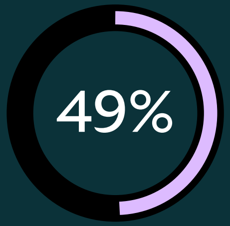
*Source: Scottish Widows Retirement Report 2024.

Base: Women (1,424). Source: YouGov survey, between 23rd August and 6th September 2024.

More should be done to help empower women to invest

Investing as part of a holistic savings approach helps women secure better retirement outcomes.

Our National Retirement Forecast (NRF) finds that



of women have non-pension long-term savings, and projects these women will have an average of

£83k

in non-pension savings in today's money at retirement.

Our NRF also estimates that there are roughly

600,000

women who are more likely to avoid poverty in retirement because of their non-pension savings.

650,000

women are on track for a comfortable retirement lifestyle for the same reason.*

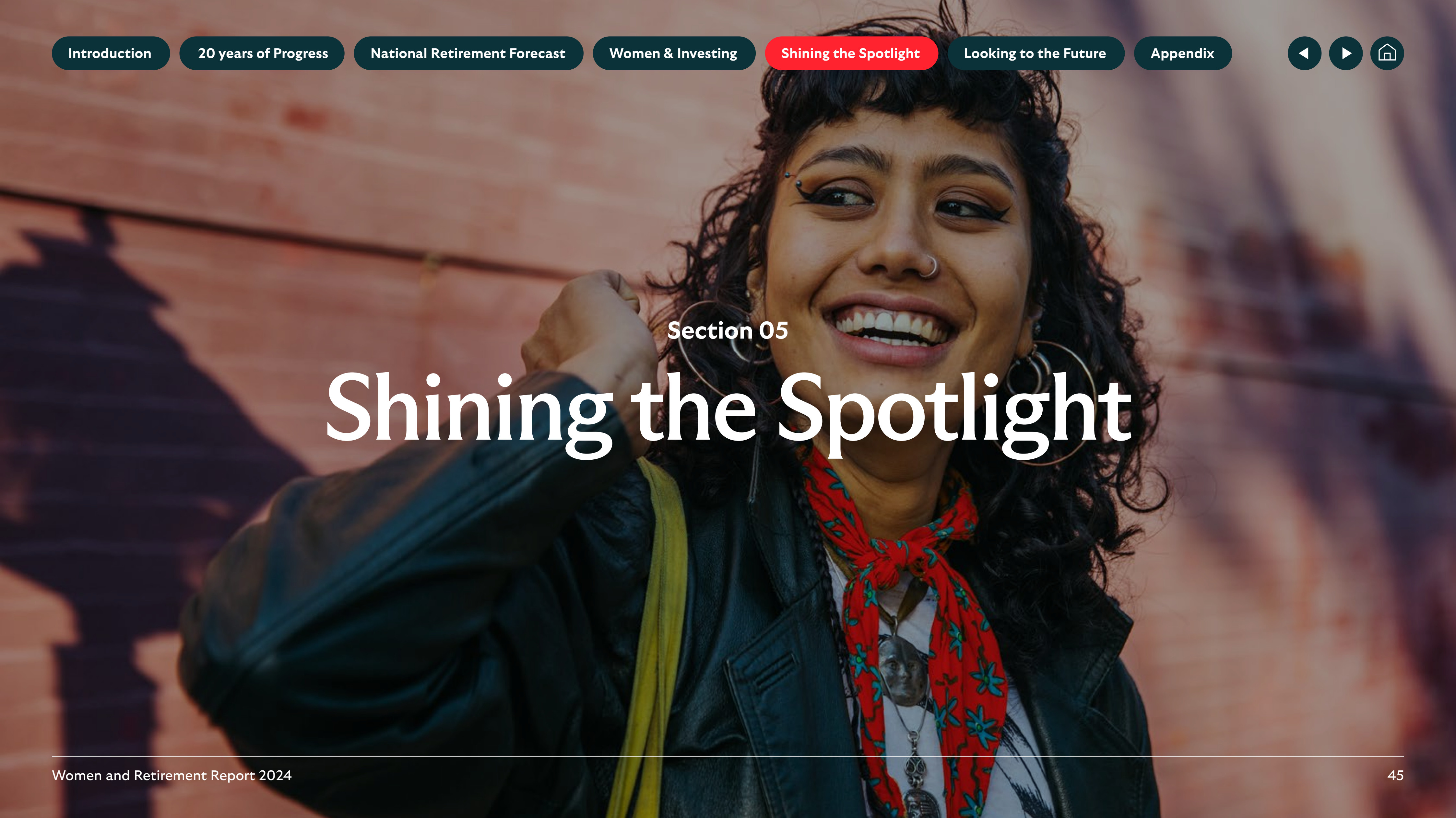
If more women invested as part of their holistic saving approach, then more would be on track for better retirement outcomes.

The Government and other stakeholders should support women to invest

We welcome the Advice Guidance Boundary Review. The Government should allow new tools to give free guidance and support to people and their holistic savings decisions. These tools could create personalised and directive guidance conversations.

Technology should be used to greatly reduce the cost of providing a full advice service to those with less assets, to the point that there is no need for an additional charge to be presented to the customer at the point this support is required.

*Assuming there are 19 million women aged 22-64 in the UK (ONS).



Section 05

Shining the Spotlight

Shining the Spotlight

Continuing our findings from the 2024 Retirement Report, we see divergent economic outcomes and retirement preparations across different groups and communities within the UK.

In this section, we focus on the variations in retirement preparations across underrepresented communities. Building on previous findings we see:

- Continued gaps in retirement preparations between communities, as demonstrated in past reports.
- Positive shifts in generational attitudes towards employment and financial independence for women of underrepresented communities.
- Women commonly sacrificing their career for family, especially in the Pakistani community.
- Different attitudes towards investment and pensions for some underrepresented communities.

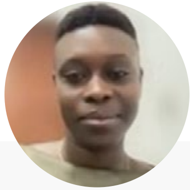
Our growing evidence base points to the continuing need to build greater economic opportunity for all. It also points to the need to tailor guidance and support to navigate the various methods of saving and investing, and to understand the consequences of each.

Further research or reports could explore how gender, ethnicity, sexuality, disability and socioeconomic status intersect within systems of oppression to better understand their experiences and challenges.

Reflections on the ethnicity pensions gap

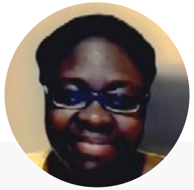
"More ethnic minorities would have entered the UK at a different stage and the number of people with generational wealth will be different. And it will be interesting to see the contrast between class as well, so, how many more people from ethnic minorities are from more working class backgrounds and are building up their wealth"

Tiyana



"I think the black community is quite similar in terms of you can have, like, multiple families living together, but also they tend to send money back home quite a bit as well. So, they're not just looking after their nuclear family. You've got your, you know, sisters, children, your cousins, your grandparents, your long-distance cousins. Everyone is always, kind of, relying on you for your help, and especially on women. And I think it'll be interesting to see the statistics on the demographics, but you do also have a higher percentage of black women who are single mothers."

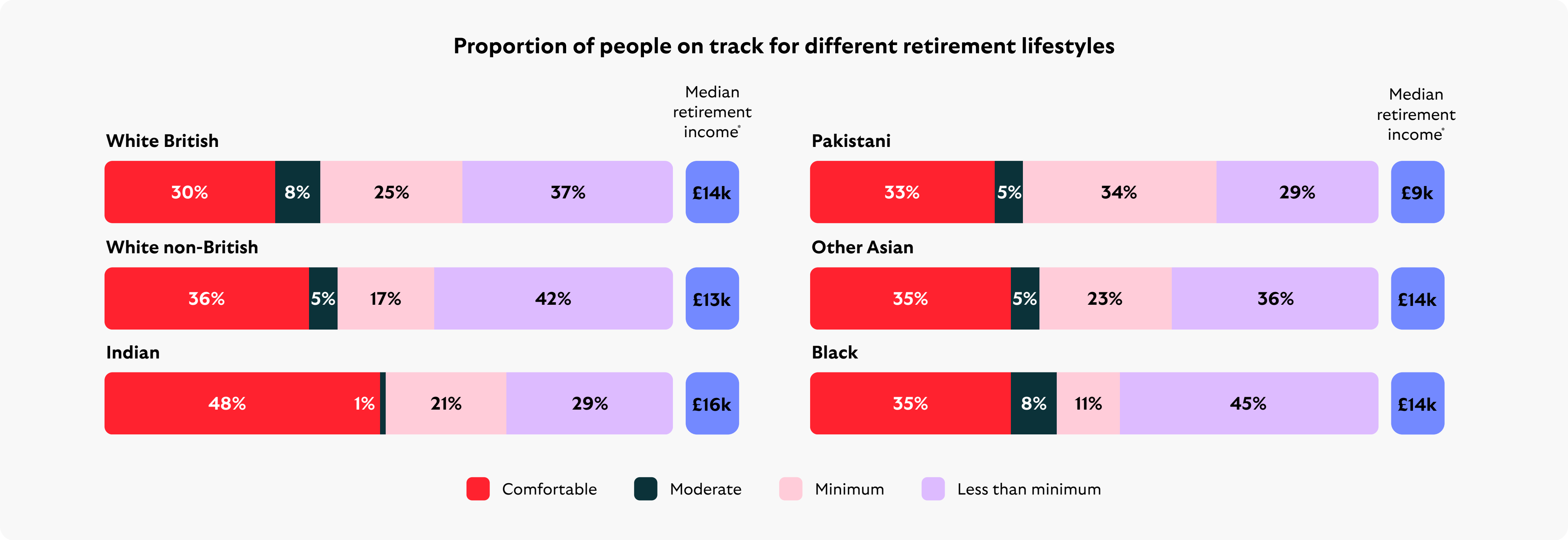
Nia



"My mum was born in Ghana and coming to the UK, there wasn't as much education or information out there for Black and Asian women. I think there needs to be better education out there and there needs to be more focus, especially for women and even more so for women who may be in communities where they might not have as much access to financial literacy."

Annabelle

There is divergence in expected retirement outcomes across communities



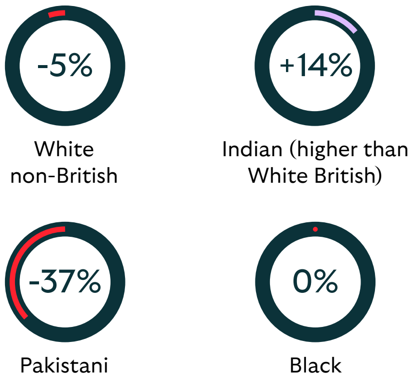
*Median retirement income after paying for expected housing expenses if relevant.

Source: Frontier Economics modelling based on Scottish Widows' annual Retirement Report survey, and using PLSA's Retirement Lifestyle Standards. Due to roundings, totals may not always equal 100.

There is divergence in expected retirement outcomes across communities (continued)

Men and women in the Pakistani community are on track to have the least retirement income on average

Based on current saving behaviour, we predict the following ethnicity gaps in retirement income compared to the whole population on average.[1]



A large driver of the ethnicity pensions gap is the ethnicity pay gap. On average, those in the Black, Pakistani and Other Asian communities earn 6%, 13% and 8% less respectively than those in the White British community. In comparison, those in the Indian community earn 20% more, contributing to better predicted retirement outcomes.[1,2]

However, men and women in the Black and White non-British communities are the most likely to be at risk of not meeting their basic needs in retirement.

- 45% of those in the Black community and 42% of those in the White non-British community are not on track to meet a minimum retirement lifestyle.
- Even though those in the Pakistani community are on track for lower retirement income per person, they are more likely to be married or in a civil partnership, which means they can share costs in retirement.

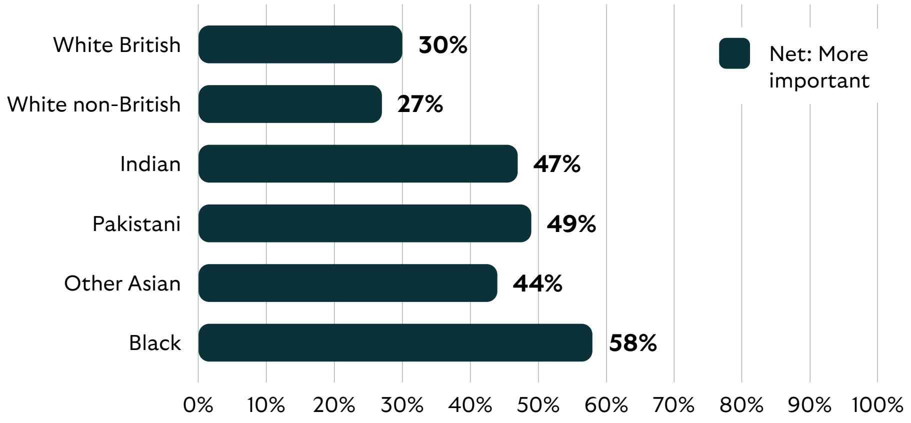
[1] Ethnicity gaps in retirement income are calculated as the percentage difference between the estimated median retirement incomes for each respective community, compared to the whole population on average.

[2] ONS, Annual Population Survey.

Attitudes toward employment and financial independence have shifted across all communities

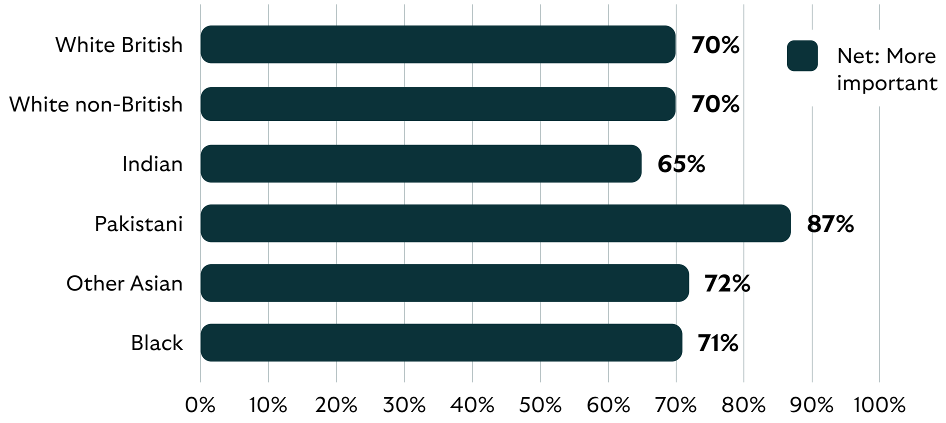
For all women finding a job is more important than in previous generations…

Compared to previous generations of women in your family, is it more important to find a job?



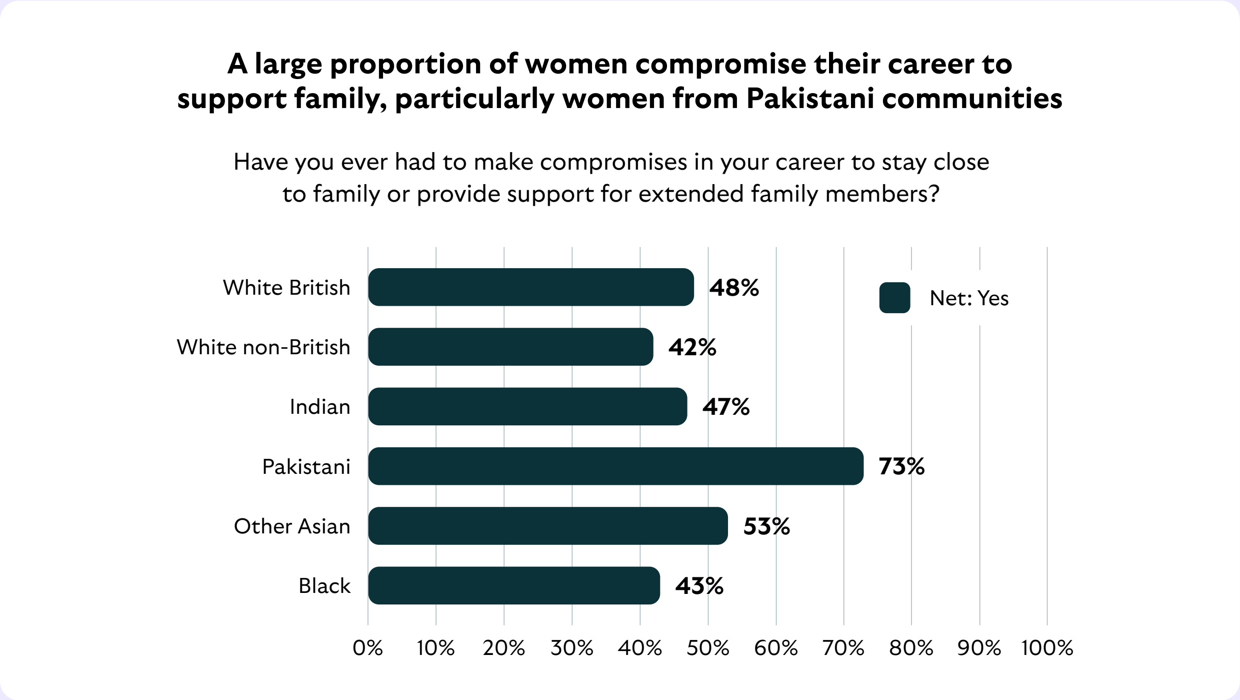
…and financial independence is even more important across all communities

Compared to previous generations of women in your family, is it more important to be financially independent?



Base: Women (2,981). See appendix for split of base by groups. Source: YouGov surveys, nationally representative survey between 23rd August and 6th September 2024 and minority ethnic focussed survey between 23rd August and 6th September 2024.

Women from most underrepresented communities are more likely to have made career compromises than White British women



Base: Women (2,981). See appendix for split of base by groups. Source: YouGov surveys, nationally representative survey between 23rd August and 6th September 2024 and minority ethnic focussed survey between 23rd August and 6th September 2024.

- Almost half (48%) of White British women have had to make sacrifices in their career to support their family.
- And we see slightly higher rates of compromise in Other Asian communities (53%), and significantly higher rates in Pakistani communities (73%).
- Most women from the Pakistani community say they have had to make compromises in their career to stay close to or support extended family.
- We also see significant differences in employment with only 46% of women from the Pakistani and Bangladeshi communities in employment.[1]
- This may reflect different family set-ups and expectations around family support. Woodward (2018) highlights the strong expectations of Pakistani women to prioritise domestic and caregiving roles over professional duties, and links this to their economic inactivity.[2]
- But it does create additional challenges and greater dependency for retirement preparations on others.

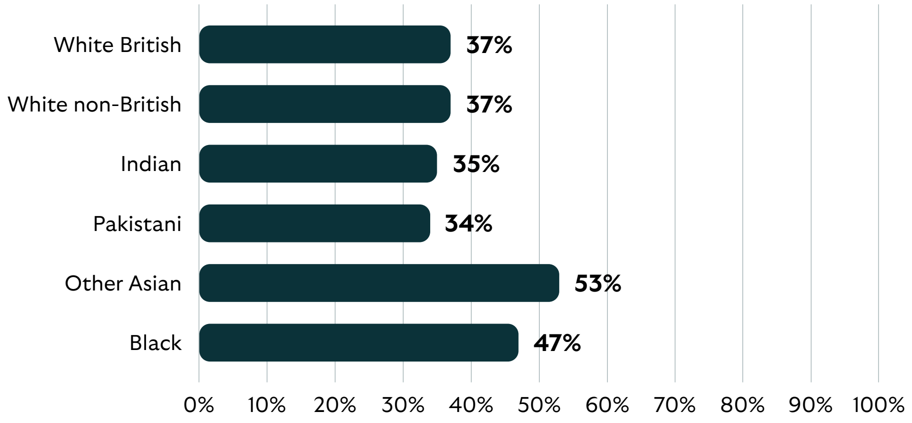
[1] Gov.uk, Ethnicity facts and figures: Employment.

[2] Woodward (2018) Exploring economic inactivity through lived experiences of British Pakistani Muslim women.

Women from some underrepresented communities are more likely to invest than White British women

Other Asian and Black women are more likely to invest outside of a pension compared to White British women

Percentage that say they invest in stocks and shares, property, government bonds, or other non-pension investments.



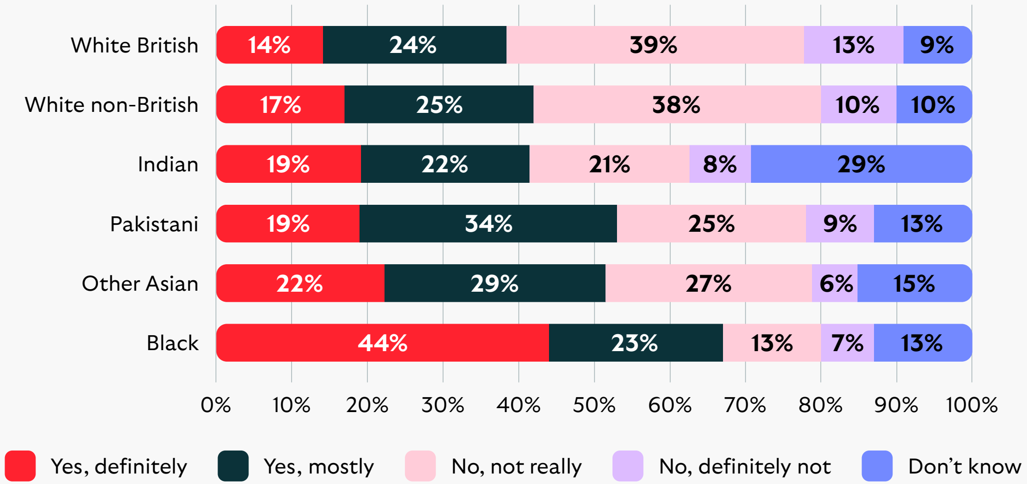
- We see different patterns of investment across communities.
- Women from the Black and Other Asian communities are the most likely to be investing outside of a pension, with around half of women in these communities investing.
- Whereas roughly a third of women from the Indian, Pakistani, White British and White non-British communities report the same.
- In particular, women from the Pakistani community are least likely to invest outside of a pension.
- These differences are likely driven by differences in preferences and attitudes towards investment and show there is a need for tailored guidance and support to navigate the varied choices and consequences of investing in different ways.

Base: Women (2,981). See appendix for split of base by groups. Source: YouGov surveys, nationally representative survey between 23rd August and 6th September 2024 and minority ethnic focussed survey between 23rd August and 6th September 2024.

Women from underrepresented communities are more likely to feel that investing is for them than White British women

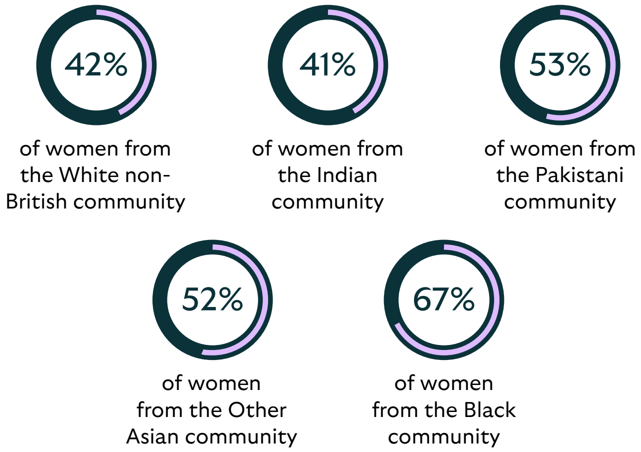
Black women are particularly likely to believe that investing is for people like them

Women: Do you feel like investing is for people like you?



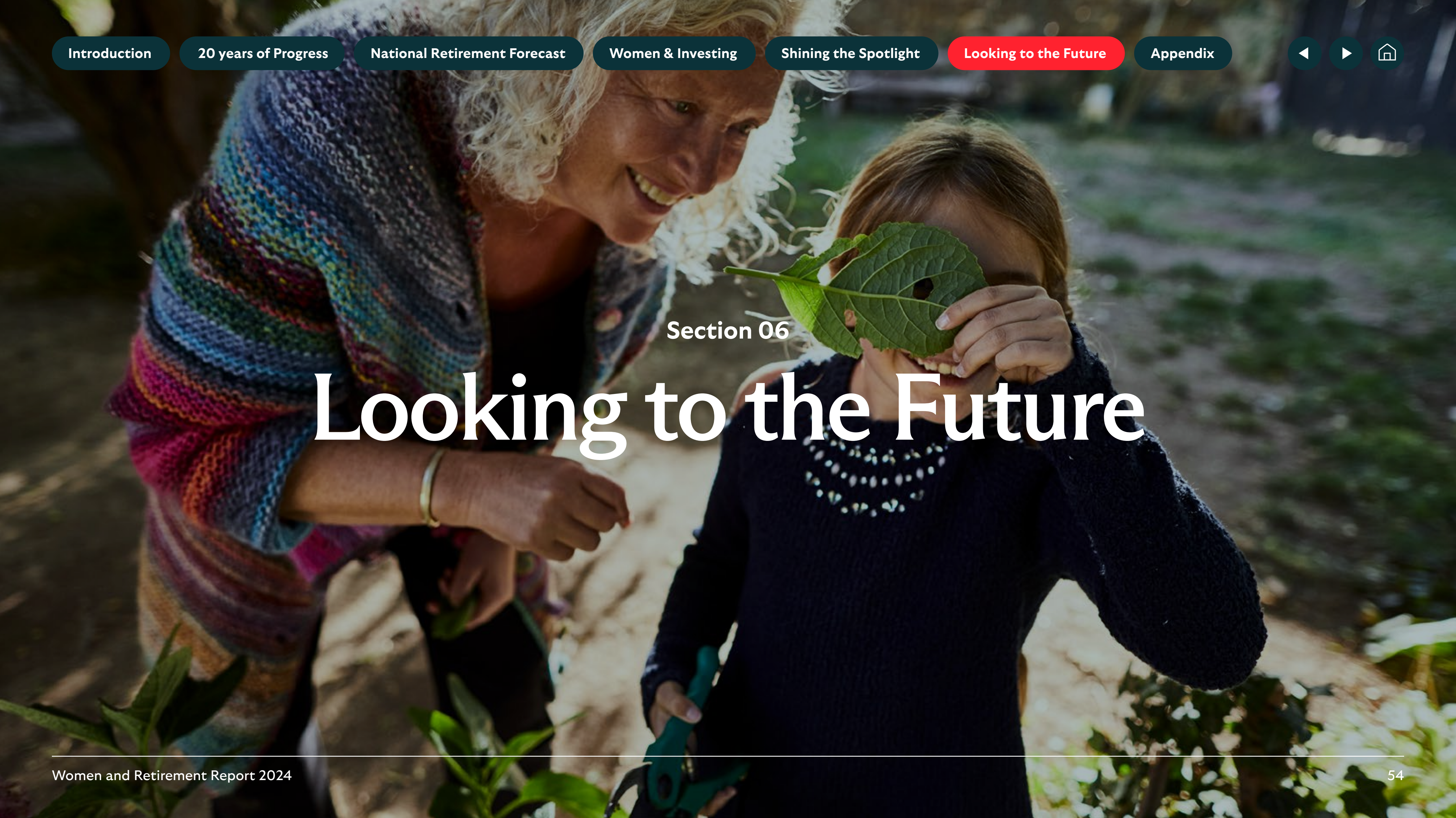
Overall, women from underrepresented communities are more likely to say investing is for them.

Proportion saying investing is for people like them:



This gives hope that the women of these underrepresented communities could be encouraged and empowered to invest more if given the right guidance and support.

Base: Women (2,981). See appendix for split of base by groups. Source: YouGov surveys, nationally representative survey between 23rd August and 6th September 2024 and minority ethnic focussed survey between 23rd August and 6th September 2024.



Section 06

Looking to the Future

Looking to the future

Closing the gender pay gap requires that we address factors within the UK pensions system and also those which lie beyond.

Beyond the pensions system there needs to be adequate provision of childcare to allow women to fulfil their ambitions in the workplace, and not only in those wealthier local authorities which have the necessary resources. There also needs to be continued action in closing the gender pay gap.

Within the pensions system, reforms to auto-enrolment could allow those working part-time, or juggling multiple jobs to benefit from pension contributions, including contributions from their employer where they themselves are unable to save at that point in time. Reform is also needed to the way in which annuities are presented to the public by distributors and to the prominence of pension pots in divorce discussions.

We have been calling for these changes for many years and disappointingly have seen no progress. The priority now is not to continue to explore additional actions which in theory could help, but to build a coalition behind those actions which have been identified and actually get something done about it.

The Government has announced a Pensions Review, where we believe Phase 2 of that review will have the gender pensions gap within its scope. This is the opportunity for all stakeholders who genuinely believe in gender pensions equality to contribute to that review, making the case for the reforms that will make a difference.

Pete Glancy

Tips to enjoy a more prosperous retirement

Saving & investing	• **Save 12-15%.** As a rule of thumb, we suggest saving 15% of your salary to help reach a comfortable retirement (your contributions plus your employers', plus tax relief). If you can't afford that just now, make a note to check your pension at least once a year, and if your situation changes consider saving a bit more. • **Save more when you are young.** Young people have the most opportunity to close the pensions gap. Money saved in your 20s has longer to grow and could buy some breathing space later if finances are stretched. £1000 invested when you are 20 could be worth roughly £2,500 in today's money by the time you reach 65, compared to roughly £1,700 if you waited until you were 40 to invest it.* • **Save smart with a workplace pension.** 22 and over, earning at least £10k? Your employer pays into your pension when you do! Make sure you're in your workplace pension. When you save, your employer will too, and your contributions get tax relief. That's money towards your future, you don't want to miss out on. Self-employed? Take advantage of the tax breaks with a private pension.
Childcare	• **Discuss pensions when you are planning family finances.** Reducing hours worked to care for children can impact your pension. During this time, the gender pensions gap can widen to 50%. Pensions aren't front of mind when you are juggling family life, but the impact can be huge, because extra costs and time off work make it harder to save. Shared parental leave, childcare costs and partner top ups to your pension make a big difference. • **If your working pattern changes, review your contributions.** If you are back at work/or going back soon make sure you're contributing to your workplace pension because your employer will contribute too. Some employers pay more than the minimum or even match your contributions, so be sure to check and make the most of whatever they offer. You can even make one-off payments to get your pension back on track. • **Parents and carers of children aged 2-4 are entitled to free childcare,** with different systems for England, Scotland, Wales and Northern Ireland.

*Assuming 2% real rate of return on your investment after fees.

Tips to enjoy a more prosperous retirement (continued)

Divorce

- **Discuss splitting pensions if your relationship status changes.** Only 16% of couples split pensions in divorce. The average divorce age is 47 for men and 45 for women. By then men's pensions are typically worth much more in heterosexual marriages because they've had less time out of work to raise children. Often couples discuss the family home and leave pensions untouched which can leave women shortchanged in the future. In any marriage breakdown, always mention the pension in divorce negotiations.

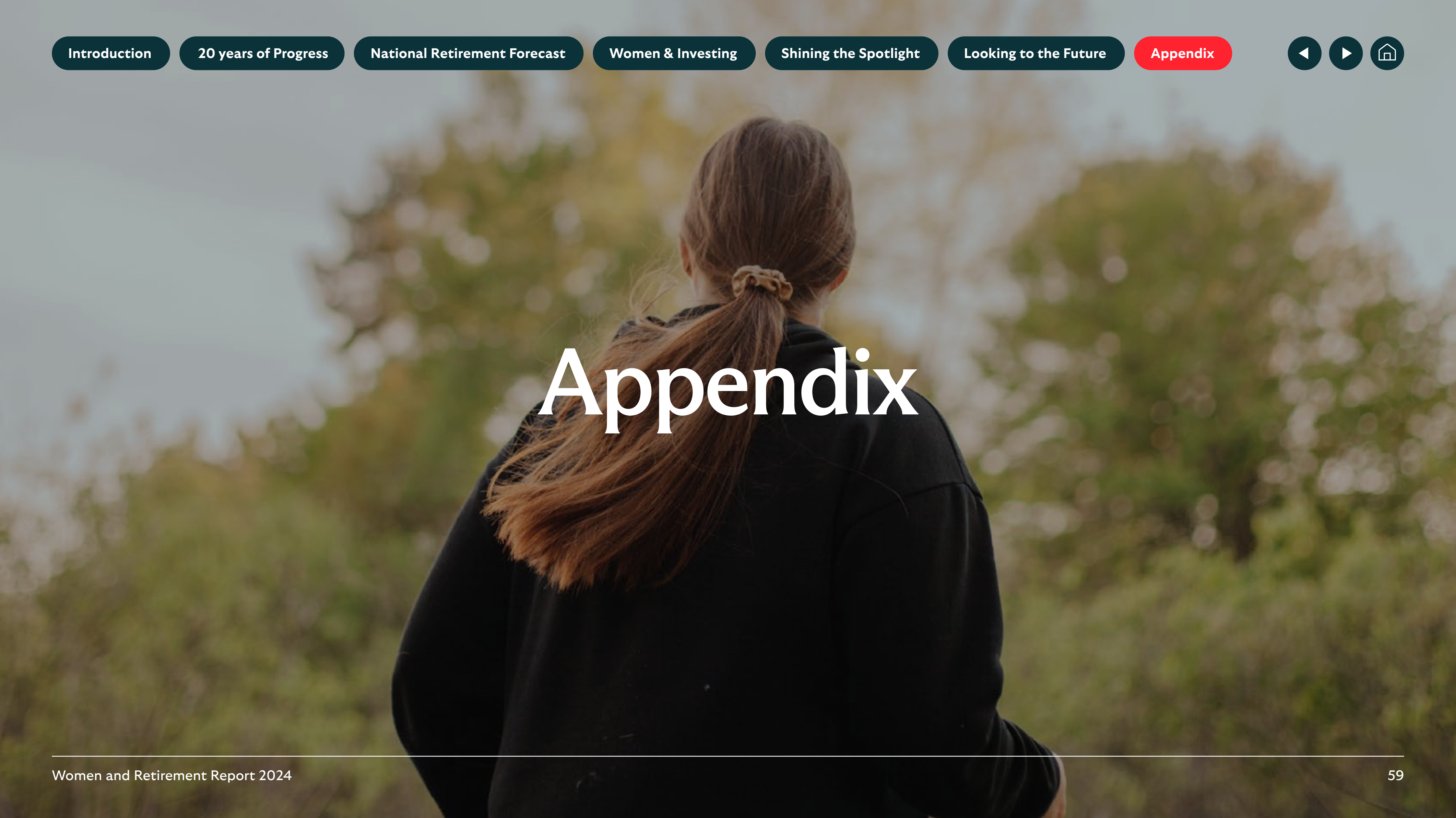
State Pension

- **Check you are on track for the full State Pension.** Career breaks can impact how much State Pension you get. The State Pension makes up a chunk of most people's retirement income, and what you get depends on how many years you have worked. Visit the Government website to check out your State Pension entitlement: www.gov.uk/check-state-pension
- **Apply for National Insurance credits** if you have years where you have not earned £12,584 but have been looking after a child under 12. You can backdate this too. This will ensure you will still receive the State Pension you are due. If you receive the carers allowance already then you will automatically receive National Insurance credits and do not need to apply for them.

Tips to enjoy a more prosperous retirement (continued)

Preparing for retirement

- **Make pension admin a priority.** There are 2.8 million lost pensions in the UK, worth on average £9k each. Track down lost pensions, using the Government's pension tracing tool and consider if you should combine them into one so it's easier to manage and could save you money in fees and administration charges too. Check what your pension will be worth when you retire and adjust how much you save if you need to.
- **Plan retirement finances with your partner or with your dependents in mind.**
- **Joint annuities.** When couples retire together it doesn't automatically mean one partner gets a share of the other's pot if they die. Consider the product that's right for you and know the difference between a single life and a joint life annuity. 85% of annuities are purchased on a single life basis, meaning they do not provide income to the surviving partner after the annuity holder's death. Given that men, on average, tend to have larger pension pots, be older and die earlier than their partners, many women and partners in similar circumstances may face a significant reduction in retirement income when their partner passes away. When you are ready to take your pension as income, do your research and get financial advice if you need to (for example, look at https://www.moneyhelper.org.uk/en).



Appendix

Methodology

Survey

Unless otherwise stated, all figures in this report are from the responses to our annual Retirement Report survey and are relevant to the United Kingdom.

The main survey included general questions on pensions and retirement planning and was carried out online by YouGov Plc: across a total of 5,102 adults aged 18+, weighted to be representative of the UK population, and separately for 1,039 adults aged 18+ to better understand the retirement prospects of minority ethnic groups. YouGov also conducted a second survey to better understand investment behaviours and shifts in attitudes, with 3,650 adults aged 18+, weighted to be representative of the UK population, and separately for 575 adults aged 18+ to better understand investment behaviours and shifts in attitudes of minority ethnic groups.

Pages 49-52 in the Shining the Spotlight section present results for different groups of women, which have the following bases:

- 2,412 White British Women, who told us they were White English, White Welsh, White Scottish, White Northern Irish or White British. They are part of the base of 3,650 described in the above paragraph.
- 166 White non-British women, who told us they were White Irish, White Gypsy or Irish Traveller, or Any other White background. They are part of the base of 575 described in the above paragraph.
- 89 Indian women, who are part of the base of 575 described in the above paragraph.
- 50 Pakistani women, who are part of the base of 575 described in the above paragraph.
- 113 Other Asian women, who told us they were Bangladeshi, Chinese or Any other Asian background. They are part of the base of 575 described in the above paragraph.
- 151 Black women, who told us they were Black African, Black Caribbean, or Any other Black background. They are part of the base of 575 described in the above paragraph.

Fieldwork for the main surveys were carried out between 21st March and 5th April 2024 for the nationally representative sample, and between 28th February and 11th March 2024 for the sample focussed on minority ethnic groups.

Fieldwork for the surveys focussed on investment and attitude shifts were carried out between 23rd August to 6th September 2024 for the nationally representative sample, and between 23rd August - 8th September 2024 for the sample focussed on minority ethnic groups.

Methodology (continued)

Retirement Income

We estimate people's retirement income as the sum of (1) an annuity purchased using their DC pension pot, other Long-Term savings and inheritance at retirement, (2) any DB pension income and (3) the State Pension. We present retirement income in real terms, so after accounting for inflation.

- Real income growth: We assume people will have a real wage growth of 2% each year.
- Retirement age: We assume everyone will retire at 65.
- Defined contribution (DC) pensions and other long-term savings: We assume people's DC private pensions and other Long-Term savings pots would grow until retirement based on the following assumptions:
    - Current stock: We asked people for the current total value of all DC pensions and other Long-Term savings. If people didn't know the total value of their DC pensions or other Long-Term savings, we conservatively assumed they were zero.
    - Current retirement savings rate: We asked people how much they are saving each month into their DC pensions and other Long-Term savings, and also how much their employer was contributing. If people didn't know how much they or their employer were contributing to their DC pension, we assumed they were contributing in line with auto-enrolment (with thresholds of £6,240 & £50,270, and savings rate 8%). If people didn't know how much they were saving into other Long-Term savings, we assumed they were not saving anything for these.
    - Savings rate growth: We assume people's saving rates will change over time between age bands in line with the average profile of savings rate growth we see across people of different ages in our sample.
    - Real rate of return: We assume a real rate of return on investments of 2% each year.
- Inheritance: We asked people how much inheritance they expect to use for retirement.
- Annuity rate: We assume that upon retirement people will use all of their DC pension pot, other Long-Term savings and inheritance to purchase an annuity. We assume an annuity rate of 3.5%.
- Defined benefit (DB) pensions: We generously assume anyone who is currently contributing to a DB pension has been doing so since the age of 22 and will continue to do so until the age of 65 (given this generous assumption, we assume none of them additionally receive any DC pension income). We assume they will accumulate an accrual for each of the 43 years they contribute into the DB pension, with different accrual rates for people working in the private or public sector. We then apply the accumulated accrual to their projected salary at 65 to estimate their retirement income from their DB pension.
    - Public sector accrual rate assumption: 1/43. This means we assume anyone who is currently contributing into a DB pension and works in the public sector will have a DB pension income equal to 100% of their projected salary at 65.
    - Private sector actual rate assumption: 1/60. This means we assume anyone who is currently contributing into a DB pension and works in the public sector will have a DB pension income equal to 72% of their projected salary at 65.
    - State Pension: we generously assume everyone will receive the full State Pension at £11,502 per year.

Methodology (continued)

We estimate people's retirement income left to pay for their retirement lifestyle by subtracting estimated housing costs.

- Housing costs: We asked people whether they expected to pay rent or a mortgage in retirement, and which area they expect to live in. For people who expect to pay rent or a mortgage in retirement, we assume their housing costs are equal to the median rental cost in the region they expect to live in, sourced from the Valuation Office Agency, the Scottish Government and the ONS.

Estimating the proportion of people on track for different retirement lifestyles

We then compare retirement income after housing to the costs of the PLSA Retirement Lifestyle Standards to estimate the proportion of people on track for each lifestyle.

- PLSA Retirement Living Standard: We use the annual costs PLSA estimated for. These vary between singles and couples, and also people living in and outside London. Because we represent future retirement incomes in real terms, we do not need to apply inflation to 2024 housing or lifestyle costs.
- Couple's adjustment: For people married or in a civil partnership, we asked what proportion of their couple's retirement income they expect to provide. We scaled up the retirement income of these people assuming they are correct in the proportion of their couple's retirement costs they will pay, before we subtract housing costs and compared to the costs of the PLSA benchmarks. This assumption may be generous if in reality people underestimate how much of their couple's retirement income they will provide. If people do not state their contribution share, we assume a share of 50% per spouse.
- Excluding people:
  - We excluded people who didn't know which type of pension they were contributing to. Whilst this could bias our results, we checked that the breakdown of people who did know what pension they were currently contributing to was not substantially different to the national average: 20% currently contributing to DB and 50% to no pension in our sample which excludes people who don't know, versus 23% and 43% respectively from ONS.
  - We also excluded people who did not know or say how much they were saving for retirement income, or who gave implausible answers. As a result of this, the proportions of people with a DB, DC or no private pension in our reduced sample used for the heatmap is different to the proportions across the population. To account for this, we (1) calculated our headline results (i.e. the proportion of people on track to meet different retirement lifestyles) separately for people currently contributing to DB, DC and no private pensions, and then (2) estimated weighted average headline results by weighting the results for each pension type by the number of people currently contributing to each pension type in our nationally representative sample.

Limitations of our analysis

- Our results are sensitive to the assumptions we use and the accuracy of responses to survey. The purpose of our analysis is to show at a high level the broad proportions of people who are or are not prepared sufficiently for retirement.

20 YEARS

Women and Retirement Report

2024

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