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Targeting pensions inequality

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By DC World

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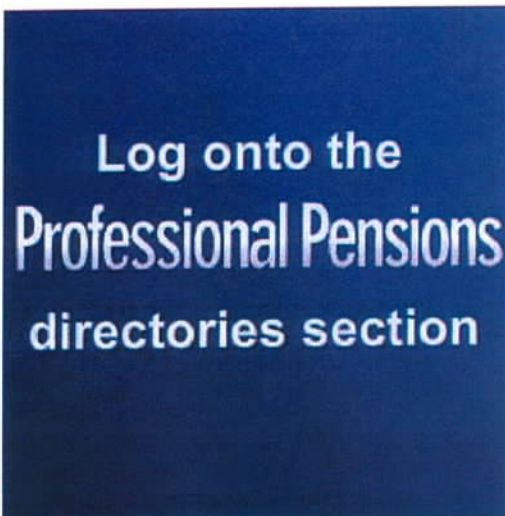
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Each month DC World asks readers for their views. This month we ask: A recent report found that young women are accruing pension savings at half the rate of men. What needs to be done to redress the balance?

Richard Ascough, communications consulting manager, Capita Hartshead

It's been clear for a long time that individuals aren't saving enough for retirement – the savings gap (not just for women) is well documented and increasingly in the media spotlight.

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What's perhaps most worrying is that the message doesn't appear to be getting through. Of course, there may be other key issues at play – most notably the current state of the economy and fears about the future – not to mention that many young people simply don't have sufficient levels of income to make any reasonable savings in the first place!

There's no doubt that auto-enrolment WILL make a difference. The disaffected masses simply won't be able to bypass the issue any longer (unless of course they actively choose to opt-out). Of more concern however is the need to encourage individuals to go beyond the bare minimum level of savings which is unlikely to provide for anything like the sort of retirement that most of us might aspire to.

This still doesn't address the key problem – actually engaging people in their retirement planning. It really IS a question of communication. Getting the message across is clearly the issue here – perhaps it's time to employ some shock tactics, even if it's part of a more reasoned and sober educational campaign.

And here's a simple thought... schemes tend to shy away from communicating on the basis of 'sex', but why not target female-only pension scheme members? Oh and don't forget, if we're really committed to getting the message across, let's make it personal!

Lesley Carline, head of sales and marketing, RPMI

It seems the ambitions of today's younger women has shifted from the previous generation, with a strive for

independence and high-flying careers being replaced with the dream of becoming a 'WAG' or celebrity. This mirrors the baby-boomers attitude of depending on a husband's pension as a source of income, often ending up with no rights in their own name.

An overall lack of financial education in school and college means that younger people are unaware of the benefits of saving for the future. This must change to allow young women (and men) to make informed choices when entering the working world.

However, in the current climate of spending cuts and redundancies, the possibility of finding meaningful employment on leaving education may leave many women thinking it easier to become a 'home maker' or continue to follow ambitions of becoming a reality star, fuelled by the wealth of TV and magazines endorsing these lifestyles.

The development of strong job opportunities for education leavers and incentives from employers and other groups for today's generations must be created to coincide with the development of better education programmes in order to fuel a generation of ambitious, independent women keen to provide for themselves in their retirement.

Gemma Goodman, head of operations, The Annuity Bureau

The recent report by Scottish Widows highlights that the average woman aged 18 to 29 has accrued a pension pot of £4,816.50 as opposed to £7,709.00 by a man. By the age of 50 this translates to £37,642 for women and £54,345 for men.

Women have regressed rather than progressed in their pension awareness over the past year with an 8% rise in those under the age of 50 admitting they have made no preparation for their retirement. Despite this lack of planning, evidence suggests that the majority of male retirees continue to buy single life pensions, potentially leaving their partner with only State pensions if they predecease them.

This suggests a lack of discussion between couples regarding their future retirement planning. It is a challenge young women and the pension industry need to tackle head on.

I strongly advise all women to take responsibility for their retirement planning sooner rather than later to ensure that they do not fall below the poverty line at retirement. Discuss your retirement plans with your partner now!

Tim Middleton, technical consultant, Pensions Management Institute

The sixth Scottish Widows pension survey has identified a continuing trend. Younger women remain significantly less likely to make adequate retirement provision compared with men. However, rectifying this trend will require fundamental social reform rather than a change to attitudes.

Women – even at younger ages – are less likely to be in full-time employment and so will simply not have the income levels which will accommodate adequate retirement saving levels. Even in the context of full-time employment, there is a discernable gender gap affecting pay levels. The pensions industry is as guilty of this as any; the PMI's recent Career Development Survey found that, on average, female pension professionals earn £8,000 pa less than their male colleagues. Inequalities in pay must end.

Women are more likely to bear primary responsibility for raising children, and unless there is greater flexibility for allowing contributions to be made on behalf of women who are not in paid employment, the gender imbalance at retirement will continue. Ideally, there should be a state-funded pension contribution associated with Child Allowance, although this would be an unrealistic objective at this time.

The State should also be more accommodating in its provision of retirement benefits to mothers and other carers.

Rob Pearce, head of workplace retirement services, Workplace Retirement Services, HSBC

According to the ONS, in 2009 full-time working women aged 22 to 29 earned on average 12.5% less than men. While this can't account for why there is such a big discrepancy in pension saving, it does explain part of the situation. Women on average earning less than men, will as a result receive lower employer pension contributions and on a personal level have less money to put aside for long-term savings.

At this age group, many women will also be working part-time or taking a career break to focus on bringing up young children.

Focusing on closing the gender pay gap at work is vital from both cultural and practical perspectives. From incorporating equality and diversity into business objectives, to providing better support for staff, there is a lot that can be done to help increase the pension pots for working women over the long-term. The other opportunity is education and removing the mystery surrounding pensions.

We should be providing better teaching on the value of pension provision from an early age, saving for the future may never be an interesting topic for discussion for younger generations, but the goal should be to cement the relevance of saving for retirement no matter what age you are.

Fiona Tait, business development manager, Scottish Life

One slightly comforting fact is that the report found the gap to be lower for younger people. Younger women appear more likely to take control of their own finances.

The issue is actually that many young people, of both genders know they have plenty of time before retirement. They do not see the immediate need to save and would much rather spend their money on more tangible things. They do not understand that to provide a decent income over increasingly longer periods of retirement takes a lot of money.

There are two possible solutions to this, and I believe both are required:

1. Help young people to understand how much money they will need to live comfortably in retirement
2. Make it easy for them to save over a long period of time

The first point is particularly relevant to self-employed women who may have access to professional advice. The second will be more effective for employed women who will be subject to auto-enrolment. But they are not mutually exclusive.

Young women and young men need to understand the need to save AND must find it easy to do so during those periods when they can. This will stand them in good stead even if they have to stop saving during periods when they are either not working or working fewer hours.

Sam Waterhouse, communication consultant, Shilling Communications

Pension schemes need to move away from a blanket approach and recognise the importance of a new trend in communication; segmentation. Segmented, personalised communication is a key factor in engaging with employees and members.

How the segments within a member population are determined is unique to each scheme but one factor that schemes should be considering is gender. Men and women have a different set of priorities and attitudes towards saving. They need to be communicated to with messages that will resonate with them and by making a personal connection with women you are more likely to get them to value their savings.

M&S have a collection of savings flyers at their checkouts at the moment which specifically target women. They use soft colours mixed with text and images that are focused on fashion to help put their saving plans into perspective. M&S have recognised their target audience and put together communications specifically targeted at that group of individuals.

Pension schemes need to apply similar thinking to engage with younger women on a personal level to provide them with relevant information that is most appropriate to their life stage.

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