

Financial plans for retirement: women's perspectives

By Wendy Sykes and Alan Hedges

Qualitative interviews were carried out with 69 women and 27 male partners in research commissioned by DWP to explore the decisions women take that affect their financial status in retirement. Interviews were carried out in five areas of the country between September and November 2004.

Main findings

Women's financial plans for retirement

As with men, there was little evidence that many women make detailed, realistic forward financial plans for retirement. There was often vagueness both about how much retirement income they might need, and how much they could expect from existing provision.

Pensions were still regarded as the main source of income in retirement, but some scepticism now surrounds them. Occupational pensions were likely to be seen as the best option, especially those offered by large well-established employers.

We were told about a variety of savings and investment arrangements held by women in our sample, but these were rarely earmarked specifically for retirement.

Women's attitudes to pensions

Women appeared increasingly doubtful that the State will support the growing pensioner population financially. This implies a need for private pension provision, but there was also

rising concern about the value and reliability of private schemes. In addition pensions usually seem a relatively low priority in women's minds, at least until retirement approaches. It is a difficult and distant topic, and there are more pressing calls on attention and resources. Many women assumed they will be supported to some extent in retirement by their partner's pension income.

Women seemed well aware of the high rates of divorce and partnership breakdown, and many younger respondents also felt that a degree of independence in retirement planning is desirable for its own sake. However we found a powerful association between pensions and paid work, and some women still saw pension planning and provision as essentially a male role, linked to breadwinning.

We found some awareness that it is better to start preparing for retirement at an early stage, but many women also felt that there are too many other competing – especially familial – demands on resources (their own or the household's).

Knowledge and understanding of pension arrangements

Women who belonged to private pension schemes were often unclear about how these work or what they will provide. They were usually even more uncertain about their partners' pension holdings. Many women did not know how their pension situation (State or private) would be affected by divorce, separation or bereavement.

Respondents' knowledge about their State Pension prospects was variable but often poor.

We found widespread uncertainty about eligibility criteria, and about the value of the State Pension. Many women had no idea what they might get, and were unaware that they could have a forecast. Misconceptions were common – for example that the State Pension is being ‘scrapped’, or that owning a private pension disqualifies them from claiming it. Women typically had little awareness or knowledge about Home Responsibilities Protection (HRP) or other measures aimed at protecting women involved in caring for their families.

A number of factors play an important part in explaining women’s low levels of knowledge and understanding of their pension arrangements and prospects:

- pensions are complex and difficult;
- information about pensions is often hard to understand, and many women lack confidence in their ability to get to grips with it;
- pensions often seem dull and boring, and of low salience;
- the woman’s pension is often regarded in partnerships as a relatively unimportant part of the household’s retirement plans.

Some but not all of these considerations apply also in varying degrees to men.

Levels of knowledge and understanding tended to be highest among women approaching retirement age. Women paying into the occupational schemes of major employers tended to know a little more about their pensions, having picked up information from their employers and/or from discussion with fellow employees.

Partnership and women’s pensions

Women’s financial standing in retirement is affected by both voluntary and involuntary decisions. The latter are life-choices (for example to have children, to be a ‘stay-at-home’ mother) whose effects on retirement income can be profound but are not necessarily known or taken into account at the time. Such decisions tend to

be conditioned by a whole range of social and economic factors, and their impact on pensions rarely seems to be considered.

The primacy of the maternal role is a very strong theme in the lives of many women – children shape and drive the lives of most mothers we interviewed. Children affect women’s pension holdings mainly through their impact on women’s work patterns, but the way women with young children engage with work often reflects their personal preferences as well as the labour market opportunities open to them. Children not only influence work patterns, they also establish new child-focused priorities for spending, and increase financial pressure by bringing additional costs.

Gender identity plays an important part in the financial planning arrangements of some couples, including some younger people.

Couple households fall into several categories. *Household planners* focus mainly at the level of the household in thinking about retirement income, while *Individual planners* think mainly about the needs of the component individuals. *Hybrid planners* have a foot in both camps, seeing the household unit as important but also trying to foster individual interest, for example as insurance against relationship breakdown or to maintain a sense of individual independence within the relationship.

Many couples place a high value on sharing in their relationships. Sharing brings greater financial flexibility, but it is not usually a mere matter of financial convenience. Many apparently successful relationships are rooted in the notion that partners should share each other’s lives and resources – hence the widespread appeal of the ‘household planning’ approach to retirement finance. This also makes financial independence a difficult issue to discuss in many families.

Although the sharing aspect of the ‘household planning’ approach is often valued, it only works as long as the relationship lasts. Partnership breakdowns had left some women with inadequate retirement provision. In the wake of separation or divorce, many women develop a new and more focused approach to financial

planning and management. Those entering new relationships seem less likely to leave financial matters unquestioningly to their partner, or to assume that someone else will look after their retirement needs. However, by that stage there may be little scope for enhancing their pension status significantly, especially if they have children.

Women (and their partners) recognise that partnership breakdown is now common, but there is little sign that many couples anticipate the possibility by ensuring women have independent provision. This is partly because it is inherently difficult for couples to confront the possibility that the relationship may not last, but also because pensions just do not usually have the same priority as many more immediate pressures and demands that families face. Moreover those families who are not putting enough into pensions to support them as a household may be even less able to make separate individual provision for the event of relationship breakdown.

Men's perspectives on women's pensions

Men typically seemed better informed than their partners about pension finance and about their financial plans for retirement. Some were better informed even about their partners' arrangements. However, we came across a large degree of uncertainty and anxiety about pensions among men as well as women.

Male views about responsibilities for financial planning varied. At one extreme some made it clear that their role as breadwinner and financial planner was important to them and did not want to share this with their partners. Some did not regard it as important for their partner to have an independent pension. At the other extreme the man took a financial back seat in a few households, and the woman was the main driver in planning retirement finance. Between these extremes we found a range of situations. Some men had tried unsuccessfully to engage their partners in decisions about financial planning, but the women saw this as a chore they preferred not to get involved in.

When we asked men about independent pension provision for women most were able to see the benefits – but this does not often seem to have been actively considered or discussed between the partners.

Differences between cohorts

There is some evidence of a cultural shift over time. Younger partnered women were less likely to have married, particularly at a young age, and tended to have spent longer in the workforce before entering their first partnership. They seemed more likely to value a degree of financial independence. They recognised that many partnerships do not endure, and were more likely to feel it important for women to be able to earn a living and make independent pension provision.

By contrast the youthful aspirations of older women were more likely to have focused on marriage and children. Many expected to give up work when they married or had children, and to accept financial dependency throughout their lives. The cultural norms of the day tended to dictate that women looked after their children themselves, and childcare options were limited. Women typically expected that their marriages would last, and assumed they would benefit from their husband's pension when they reached retirement age.

While these are real and important differences, in some ways the similarities in the way the cohorts behave in relation to pensions are more striking. Traditional elements persist even in the lives of many younger women, and the effects of changing values and expectations are often diluted by other factors. This tends to perpetuate the pension gap. We did not often find signs of active steps to secure independent provision, and this was often true among younger as well as older women.

Information, advice and support

Women recognise the importance of making the right decisions when it comes to financial planning for retirement, but do not feel that useful

information and advice is readily available. They often depend on a few personal contacts – friends and relations, people at work, employers, or familiar financial institutions such as banks.

Only a small number of respondents had consulted professional financial advisers or made sophisticated use of the financial press. Some women lack confidence to consult professionals, fearing they will not be able to ‘speak the language’ or frame sensible questions. Some fear that professional advice will be costly, unreliable or self-interested.

This helps to explain why so many women seemed poorly informed and lacking in confidence when it comes to pensions, and why some depend on their partners to advise them or make financial decisions on their behalf.

The full report of these research findings is published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 822 8. Research Report 247. June 2005).

It is available from Paul Noakes at the address below.

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