

**Department for Work and Pensions**

**Research Report No 247**

# **Financial plans for retirement: women's perspectives**

**Wendy Sykes, Alan Hedges, Helen Finch, Kit Ward and  
John Kelly**

A report of research carried out by a team of independent researchers on behalf  
of the Department for Work and Pensions

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First Published 2005.

ISBN 1 84123 822 8

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# Acknowledgements

We are grateful to Deborah Price and Jay Ginn (University of Surrey), Katherine Rake (Fawcett Society) and Jane Falkingham (London School of Economics) for taking the time to talk to us about this project.

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# Summary

## The research

This is a report of qualitative research commissioned by the Department for Work and Pensions (DWP) to explore how women plan financially for retirement, the decisions they take that affect their financial status in retirement and the factors that influence or underpin them. It was carried out to contribute to policy designed to encourage pension provision for women.

The research was carried out in two stages:

- a selective trawl of relevant literature and informal discussions with other researchers working in the field;
- a main stage consisting of qualitative interviews with around 70 women and nearly 30 of their male partners.

Interviews took place in five areas of the country between September and November 2004.

## Women and retirement

### **The start of retirement**

Retirement and paid work are linked concepts, the first given meaning mainly by the second.

Women with male partners, who are not in paid employment or who have patchy and fragmented work histories, may think more in terms of their partner's retirement (if he is the main breadwinner) or the retirement of the family unit, than in terms of their own personal retirement.

State Pension Age (SPA) is not well known by everyone. There is some awareness of changes taking place to equalise SPA for men and women, but confusion persists about the nature of these changes.

Plans to take early retirement – often in order to enjoy a period of active leisure – seem common but are, generally, not matched by realistic financial preparations at either the personal or household level.

At the other end of the spectrum, some women *expect* to have to work beyond SPA because they:

- think the State Pension will be insufficient to meet their needs;
- fear that any financial preparations they (or the household unit) have made will be inadequate.

The idea of having to continue paid work beyond SPA is not widely popular, but it is attractive to some women for a variety of reasons – for example, because they feel it offers ‘late starters’ the chance for career development and fulfilment, and provides an opportunity to generate extra income and maintain social links at work.

### **How long does retirement last?**

Women are aware of increasing longevity but there was little evidence that much thought is given to its personal financial implications.

### **What retirement means to women**

Retirement has some strong positive associations for women, for example, an end to rigid timetables, freedom from the demands of others (including children) and time to pursue personal interests. It also has some strong negative associations such as being old and poor, having health problems, and being ‘sidelined’ by society. This is important because other research tells us that people are more likely to engage in anticipatory financial planning (for things they look forward to) than precautionary financial planning (for things they fear or dread).

### **How salient is the idea of retirement?**

Perhaps the biggest barrier to financial planning for retirement is that the idea of retirement lacks salience for many women<sup>1</sup>. This is especially true of young women at precisely the age that financial plans – if they are to be effective – need to be laid. The salience of retirement increases with age, although for some, not until it is too late to make sound financial preparation.

Life events such as having children can change women’s attitudes to saving and financial planning, but longer-term financial plans and their own personal needs are likely to take a back seat to shorter-term planning horizons and the needs of their family.

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<sup>1</sup> Other research shows that this is also true for men, see, for example, Hedges (1997).

## Women's financial plans for retirement

### **Planning for retirement**

In general, we found little evidence of detailed, realistic, forward financial planning for retirement. There was often vagueness both about how much retirement income women or their families might need, and how much they could expect from existing provision.

### **Forms of retirement income**

Women, on the whole, are aware that there are alternative ways of saving or investing for retirement, but pensions are still regarded as the traditional default option. However, there is increasing concern and scepticism about pensions, fed by media coverage of the 'pensions crisis' and – to some extent – by personal experience and the experiences of family and friends.

This concern about pensions is not typically well-informed, and generally extends to all types of pensions because most people are not knowledgeable enough to distinguish between the different types of pension arrangement. This caveat notwithstanding, occupational pensions are often seen as the best option, especially those offered by large, well-established employers. They are the most familiar type of pension, and (as we shall see) there is often a strong mental association between pensions and paid work. Some assume that employers' pensions tend to be the most advantageous.

Defined benefit schemes offered by employers such as the NHS are quite widely recognised as 'good' schemes, although the reasons why they are 'good' are often less well understood.

Some women see pensions as a rather inflexible and uncontrollable form of saving for retirement that 'locks' money away. In households where the man is already contributing to a pension, other more liquid savings arrangements may be preferred to a second pension.

There is widespread belief that there are better alternatives to pensions, especially centred on the property market, but there was limited evidence that women were actively pursuing this option as an alternative to putting money into a pension.

We were told about a variety of savings and investment arrangements held by some women in our sample. These included property, ISAs, endowment policies and savings accounts, but were rarely earmarked specifically for retirement, and might well not prove sufficient to generate significant retirement income.

## **Women's attitudes to pensions**

Women's attitudes to pensions abound with apparent contradictions. When asked, women tend to say that pensions are important, but in practice, they usually seem to be seen as a relatively low priority, and typically remain so until retirement itself begins to loom. Many women assume that they will be supported to some extent in retirement by pension income provided either by their partner or through their own arrangements.

There is increasing awareness that individuals need to give thought to private pension provision because of concerns about the ability of the State to support a growing pensioner population. But there is also concern about the value and security of private pension schemes.

There is some awareness among women that the increase in the rate of divorce and partnership breakdown means that women can no longer depend on their partners to provide for them in old age. Many women also feel that some degree of independence is important for its own sake. But the idea also persists that pension planning and provision is essentially a male role linked to breadwinning, and that women have other concerns to put first, namely the care of their children and families. Such attitudes are quite often found among women as well as men. They seem more typical of older than younger women, but still seem to exert some influence among younger women, especially if they have children.

Interviewing women about pensions often brought to the surface latent anxieties about their financial prospects in retirement, and uncertainty about what to do for the best. There was some awareness that it is better to start preparing for retirement at an early stage, but many women also feel that there are too many other competing—especially familial—demands on resources (their own or the household's).

## **Pension holding within the sample**

Pensions are strongly associated with work, and women with active pension holdings of their own were mainly those in paid employment. It seems very uncommon (and not really even a considered option among those interviewed) for income generated by male partners to be used to contribute to a private pension in the woman's name if she is not working.

Women in our sample were more likely to have occupational pensions than personal pensions. Women with occupational pensions often told us that they had joined a pension scheme at work because it was easy and relatively painless to do so, requiring little initiative or organisation on their part. Employee contributions deducted at source, were less likely to be noticed or missed than pension contributions paid out of income received.

Very few women in the sample had unbroken pension records and, in as far as we were able to establish, pension holdings were small for the most part. In couple households, our impression was that men's pensions tended to be worth considerably more than their partners' pensions.

### **What women feel about their current pension prospects**

There was little evidence that women knew much about their current pension prospects or had done much towards finding out, although there were some exceptions, and respondents approaching retirement were more likely to have obtained some information.

Partnered women were likely to have given more thought to the financial prospects of the household unit than to their own personal prospects, including any safety net that might be needed in the case of divorce, separation or bereavement. This seems to be an area that couples sometimes find difficult and potentially sensitive.

Some women had few views of their own about their likely financial status in retirement and had put all their faith in their partner having made the 'right' decisions.

### **Knowledge and understanding of private pension arrangements**

Women pension holders found it difficult to supply us with details of the type of pension scheme they owned, how it works, what amounts they pay in, whether their employer contributes (and if so how much), and the current and projected value of their own holdings. They were typically even more uncertain about their partners' pension entitlements. The outcome is that most were not at all sure what their retirement income might be, as individuals or as households.

Many women did not know how they would be affected in the event of divorce, separation or bereavement, (either before or after retirement), or what claim they would then have on their partner's pension.

### **Knowledge and understanding of State Pension entitlement**

Respondents varied in terms of how much they knew about their State Pension prospects and were often unaware that they could get a forecast of their entitlement. Few had actually seen (or could remember seeing) such a forecast. There was evidence of widespread uncertainty about eligibility criteria for, and the value of, the full basic State Pension.

There was also evidence of misinformation – for example, women who thought the State Pension had been 'scrapped' (or would be by the time they retired); or believed that owning a private pension would disqualify them from claiming the State Pension.

Women often had limited, if any, knowledge about Home Responsibilities Protection (HRP) and other measures aimed at women involved in caring for their families. Additional Pension (SERPS and State Second Pension) also does not seem widely familiar.

A number of factors play an important part in explaining women's low levels of knowledge and understanding about their pension arrangements and prospects. Some, but not all, of these apply also to men. They include the following:

- pensions are complex and hard to understand;
- information about them is also often thought difficult 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;
- in partnerships, the woman's pension is often regarded as a relatively unimportant part of the household's retirement plans.

Levels of knowledge and understanding tended to be highest among women approaching retirement age, both as a result of their own enquiries and because they become recipients of unsolicited information about their pensions. Women paying into the occupational schemes of major employers were also often more knowledgeable about their pensions as a result both of employer-provided advice and information, and informal information exchange with other employees. Women who had experienced partnership breakdowns often said that they had had to 'wake up' to taking financial control, and had also been drawn into a review of their financial affairs as part of their separation or divorce.

## Partnership and women's pensions

### **Life choices and decisions**

Women make voluntary and involuntary decisions that affect their financial standing in retirement. The latter are life-choices conditioned by a whole range of social and economic factors (for example, to have children, to be a 'stay-at-home' mother), whose effects on retirement income can be profound but are not necessarily taken into account – their significance was not recognised at the time or their outcomes were not understood.

### **Household versus individual level plans for retirement**

Couple households in our sample varied in the extent to which financial plans for retirement were focused mainly at the level of the household ('household planners'), or mainly at the level of the individual ('individual planners'). They included some hybrid households combining elements of both household and individual planning.

**Household planners** were fairly common within our sample. These are couples who tend to see the household, rather than the individuals that comprise it, as the basic financial planning unit. They see resources, to some degree, as shared assets held in common. Often the notion of being a united partnership is woven deeply into their relationship. We found examples of this in all age groups, but especially among older respondents. Couples in this category often divide household roles and

responsibilities along traditional gender lines, with the male acting as the breadwinner and main financial planner, and the woman as main carer and domestic steward.

**Individual planners** tend to have separate retirement plans and other financial arrangements. Each partner worries (if they worry at all) about their own financial status in retirement, irrespective of their partner's arrangements.

**Hybrid planners** cover a wide spectrum of arrangements that lie between household and individual planning. They regard the financial prospects of the household unit as important, but also foster individual interest, as insurance against relationship breakdown or to maintain a sense of individual independence within the relationship.

Sharing of finances within couple households is often seen as very important both in economic and social terms. It not only brings greater financial flexibility, but many couples also place a high value on sharing, which they see as important to their basic relationship. This militates in favour of household, rather than individual, planning – and can make it difficult for a couple to discuss enlarging the woman's financial independence.

### **Traditional gender roles and financial planning**

As noted earlier, gender identity plays an important part in the financial planning arrangements of couples. While it has little or no influence in some households, in many others it is a very important factor, even among younger people.

In couples where men were mainly responsible for retirement planning, women claimed often to be correspondingly passive and dependent in relation to this activity – lacking in information, interest and motivation, and leaving key decisions to him. Often both partners were comfortable with this status quo; sometimes male partners were keen to involve their partners more but met with resistance where the women see financial planning as dull and difficult.

This seems an important but sensitive area in terms of encouraging greater pension independence among women, going right to the heart of how couples work, what they value and their identities within their relationship.

### **Motherhood, children and their needs**

The primacy of the maternal role was a very strong theme throughout the project; children shaping and driving the lives of most mothers we interviewed. In the context of financial preparation for retirement, children are important mainly through the effect they have on women's work patterns. They also increase financial pressure on households because of the additional costs they bring, and establish new child-focused priorities for spending, particularly in the mother's mind.

Children are sometimes a catalyst for a more mature approach to financial planning, but new planning strategies are often designed with children and their security in mind, rather than the long-term interests of the mother.

Where women stop work after childbirth, they usually seem to do so because they want to spend time with their children, or give priority to them, rather than simply because the labour market does not make suitable work available to them. The effect on pension entitlements rarely seems to be considered when women decide either to stop work after childbirth, or to return to work thereafter.

Financial necessity, social contact and career aspirations are key motivations for returning to work, but children's needs are usually paramount and affect not only if and when women go back to work, but the sort of jobs they look for. Compared with their male counterparts, mothers are more likely to work part-time (and often for lower pay) in order to secure the flexibility they want to care for their children.

The work patterns of mothers are also more likely to be fragmented and women may 'lose out' on pensions for a variety of reasons associated with this – for example, having to work for qualifying periods before being allowed to join (or re-join) occupational schemes, 'cashing in' non-transferable funds and losing track of small frozen pensions.

## When relationships break down

Women are well aware that relationships increasingly break down. It seems fairly obvious that such a breakdown can have important adverse effects on women if they have been financially dependent within a relationship and have few independent retirement assets of their own. The research provided numerous examples of this happening. However, many couples do not seem to plan constructively for this contingency – conversations about the possible end of a thriving relationship are difficult and uncomfortable, and pensions do not often seem a major priority.

In the wake of separation or divorce, many women develop a new and more independent approach to financial planning and management. Divorced and separated women entering new relationships seem less likely to leave financial matters unquestioningly to their partner, or to assume that their financial needs in retirement will be looked after by someone else. However, at that point there may be limited scope to enhance their pension status significantly.

## Men's perspectives on women's pensions

Men seemed better informed than their partners about their financial plans for retirement. In some cases they were also better informed about their partners' arrangements. However, we still came across a large degree of uncertainty and anxiety about pensions among men.

In some cases, our male respondents made it clear that their role as breadwinner and financial planner was important to them and did not look to their partners to share this role. Some did not regard it as important for their partner to have an independent pension. Others would have liked their partners to get more involved,

but found the women disinclined to take on what they saw as a dull and difficult chore.

When we discussed the issue of independent pension provision for women, most men were able to see the benefits – but these had often not been taken as a basis for planning.

## Differences between cohorts

There is some evidence of cultural shift over time. Younger partnered women seem more likely to feel it is important to have their own pension than their more mature counterparts did when they were at the same age. This is both because of a generally greater sense of independence among younger women and because of awareness of changes in partnership patterns with more women cohabiting and high rates of partnership breakdown.

The aspirations of older women were more likely to have focused on marriage and children when they were young. They were more likely to have expected to give up work when they married or had children and were more likely to be accepting of financial dependency throughout their lives. Childcare options were limited, and cultural norms tended to dictate that women looked after their children themselves. Women expected their marriages to last and lived their lives in anticipation that they would. They expected to benefit from their husband's pension when they reached retirement age.

Younger women that we interviewed tended to have spent longer in the workforce before entering their first partnership – they were less likely to have married, or if they did so, to have married at a young age. They recognised that younger generations could depend with less certainty on the durability of their relationships and were more likely to feel that it is important for women to be able to earn a living and make independent pension provision.

However, although such variations were apparent between generations, we were more struck by the similarities than the differences. Traditional elements persist within the lives of many younger women (especially those with children), and other factors often dilute the effects of changes in aspirations or expectations. This perpetuates the pension gap.

## 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 information and advice is readily available.

Advice about pensions that women had acted on appeared mostly to be provided by personal contacts – friends and relations, people at work, employers, or familiar

financial institutions such as banks. However, 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.

Important areas for information and advice aimed at women include:

- different options for planning for a retirement income and their associated risks and benefits;
- how to optimise the balance between household planning for retirement and individual planning;
- minimising the financial costs of widowhood, separation or divorce;
- basic aspects of the State Pension, including building up rights and the existence of entitlements such as HRP.

# 1 The research

## 1.1 Background to the research

This is the report of qualitative research commissioned by the Department for Work and Pensions (DWP) to explore how women plan financially for retirement, the decisions they take that affect their financial status in retirement and the factors that influence or underpin these. It was carried out in order to contribute to policy designed to encourage pension provision for women.

Encouraging increased pension provision among tomorrow's pensioners, in general, is an important strand of current Government strategy linked to the objective to 'combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners'<sup>2</sup>. Women – who make up two-thirds of the pensioner population – are a key focus because, on average, they have much lower incomes in retirement than men. Within pensioner couples, men have incomes that are on average two-and-a-half times those of their partners, and single women in retirement receive, on average, £36 less per week than their male counterparts. Women are less likely than men to have either occupational or personal pensions, and the value of the private pensions they do hold tends to be lower. Women also tend to have worse State Pension contribution records and are much more likely than men to be financially dependent on a partner in retirement. Past research has shown that women report lower levels of knowledge of pensions<sup>3</sup>.

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<sup>2</sup> The Government's six principles for wider reform of the pension system are:

- Tackle poverty.
- Adequate retirement income.
- Affordability, sustainability.
- Fair for women and carers.
- Better understood.
- Building national consensus.

<sup>3</sup> Mayhew, V., Pensions 2002: Public attitudes to pensions and saving for retirement. DWP Research Report No. 193.

There is a substantial body of mainly large-scale quantitative research that describes the patterns of women's pension disadvantage relative to men. Analyses are provided that explain the pension gap primarily in terms of women's position within the labour market and their role within families as the main carer for children and older relatives. This project was carried out to complement existing research with an in-depth exploration of the perspectives of women:

- How they think about retirement and their financial status in old age.
- Their attitudes to financial planning and retirement planning in particular.
- The choices they perceive are available to them.
- Why they make the choices they do that affect their later income.

An important part of the project was to explore the connections between women's financial plans for retirement, household decision-making, and their relationships with partners.

## 1.2 The research team

The project was carried out by a team of independent researchers including Wendy Sykes, Alan Hedges, Helen Finch, John Kelly and Kit Ward. It was commissioned by Claire Murphy at the DWP who worked closely with the research team.

Respondent recruitment was carried out by Plus Four Market Research and tape-transcription by Secretarial Services.

## 2 Outline of research methods

This chapter provides a brief account of our research methods focusing on those aspects that are necessary background reading to the remainder of the report. Additional technical details and documents are contained in Appendix A.

### 2.1 Stages of the research

The research was carried out in two stages:

- preliminary review of literature;
- main stage qualitative interviews.

#### 2.1.1 Literature trawl

We started with a focused, but not exhaustive, trawl of relevant literature on financial planning and decision-making supplemented by informal discussions with other researchers. The main purpose of the review was as an aid to developing the main qualitative stage of research. It enabled us to refine the research aims, design the sample structure and decide on the content of the interviews. A list of the references consulted is in Appendix B together with brief notes on our findings.

#### 2.1.2 Qualitative interviews

The second and main stage of the project consisted of individual qualitative interviews with around 70 women including women of working age and older women over SPA. In addition, we carried out separate interviews with nearly 30 male partners of women in the sample. The findings from this stage of the research make up the main body of this report.

## 2.2 The qualitative research

We carried out individual in-depth interviews with 96 people (69 women and 27 men) living in five different areas of the country:

- a London suburb;
- an East Anglian town;
- a small town and its rural hinterland in the South West;
- a metropolitan area in the West Midlands;
- an urban area of Yorkshire and West Humberside.

Interviews were mainly with women, but we also interviewed a sample of male partners to help provide insight into:

- comparative levels of financial knowledge and preparation for retirement;
- partner relationships and male perspectives on their partners' retirement prospects.

All interviews were tape-recorded and transcribed for analysis.

Fieldwork took place over three months beginning in September 2004 and finishing at the end of November 2004.

## 2.3 The sample

The sample was selected by quota methods, and structured as follows:

- women who haven't yet reached SPA were the main target sample for this project. This is because we were interested in talking to women who are, or should be, making preparation for retirement;
- we also included a number of women of 60 and over, however, to allow us to explore both generational or cohort differences as well as changes in circumstances, priorities, pressures and perspectives that are tied to age or – more significantly perhaps – life-stage;
- we excluded women in households from the lowest income quintile for whom lack of disposable income would tend to override all other considerations in determining their pension status.

In addition to interviewing a range of women of different ages, we also set quotas on:

- marital status and marital history;
- number and age of children living at home (life-stage);
- current occupational status.

Previous research suggests that these are important variables determining women's financial status in retirement and we included them in our sample design to ensure that we captured key themes and issues. We wanted to be able to look at broad differences between women in different circumstances.

One important area that was beyond the scope of this project, concerns the impact of culture and ethnicity on women's pension status. A few women from different cultural/ethnic backgrounds were included in our sample, but as part of the general mix rather than as result of purposive selection, and we have not attempted to draw any conclusions from this handful of miscellaneous cases. Proper exploration of issues arising from particular cultures would require more bespoke research involving larger samples of women drawn from the cultures of interest.

Respondents were recruited by professional recruiters working door-to-door using a structured screening questionnaire. The characteristics of the achieved sample are given in Appendix A.

## 2.4 Interviews with women

Interviews with women lasted about an hour and were wide ranging in coverage. We wanted to understand as much as possible about women's perspectives and how these evolve through their lives, including issues such as:

- if, how and when they think about retirement and their financial standing in later life;
- what they know and understand about how pensions work;
- attitudes to financial planning generally and retirement planning in particular;
- current financial plans for retirement – individual and household;
- the assumptions women make about how they will be provided for;
- financial arrangements with partners and the factors underpinning them;
- priorities at different life-stages that may take precedence over long-term financial planning in terms of available income, time and attention;
- choices and decisions women make that have implications for retirement income, even though not primarily financial;
- the independence or dependence of women's personal financial situation, decision-making or retirement planning within the household;
- attitudes towards autonomous planning for retirement and independent provision.

A topic guide was developed for the interviews (Appendix A). Adaptations of this topic guide were used in interviews with retired women and men.

## 2.5 Interviews with male partners

Interviews with male partners were carried out in order to obtain a rounded account of the circumstances and financial plans of a sub-sample of couple households from the perspectives of both partners. We also wanted to explore the views of men that have a bearing on the independent financial standing, in retirement, of their partners. Our interviews with men were normally carried out at the same time as our interviews with women, in parallel but in separate rooms using a different interviewer. We adopted this strategy to:

- explore the views of each partner without risk of one respondent influencing the other;
- avoid giving the impression that we were 'checking' the responses of one partner with the other.

In a few cases, it was not possible to arrange our couple interviews as planned. In two cases, partners were interviewed together and in one further case, partners were interviewed on consecutive days, although still involving a different interviewer for each partner.

## 2.6 Verbatim quotations and case notes

Verbatim quotations are used to illustrate the way people think and talk. Quotations should be read in the context of the surrounding text – the presence or absence of quotes does not indicate the importance of a topic – and some key points cannot be illustrated in this way.

We also include brief case notes on specific respondents from time to time, to give a more holistic picture of the way the many factors discussed come together for individuals. These have been selected and positioned to illustrate the issues under discussion at that point in the text. However, they are fleshed out to give contextual information that is less immediately relevant but that we believe helps to bring these 'stories' to life. Names have been altered in the interests of confidentiality.

Unless otherwise specified, the majority of quotations are drawn from our interviews with women respondents.

## 2.7 Methodological caveats

### 2.7.1 Quantitative inferences

Qualitative methods were chosen because they provide scope for exploring participants' perceptions, attitudes, values and understanding. Like all qualitative studies, our research was designed to generate understanding and insight into the way people think, feel and behave and to map the range of situations, views and perspectives that exist. It was **not** designed to provide statistical information and the

findings should not be used as evidence about the prevalence of behavioural or attitudinal phenomena. Sometimes we give very broad indications of the prevalence of views, attitudes or behaviour within our sample ('most', 'all', 'very few', 'none'), but it is important to note that our sample is not intended as a precise statistical representation of the female population. Moreover, it is in the nature of qualitative research that not all questions are asked of every respondent or in the same way, because the issues that are important and seem worth pursuing vary from interview to interview. For these reasons, the study does not provide a basis for making any kind of numerical estimate.

### **2.7.2 Variation within the sample**

The subject of this research is sensitive to a very wide range of variables (and interactions between them), for example, marital status and history, whether women have children, how many, and what ages, employment status, educational attainment, household income, age and cohort. In selecting our sample, we ensured that we included women in different categories, and in our analysis and reporting, we have endeavoured, where possible, to identify and describe important differences between groups. However, we must caution that the sample, although large by qualitative research standards, is still small for a topic that is so complex and contains so much variation. And while it is necessary to 'unpack' issues as much as possible (for example, by questioning whether findings apply equally to lone and couple mothers, or to women in different high, as well as low, income households), there are limits to how far the data permit this.



## 3 Women and retirement

We begin with a brief analysis of how women view retirement. For example:

- what they think of as the start of retirement;
- how far they think about how long it may last;
- what it means to them; and
- how they expect or imagine they will spend their time.

### 3.1 What marks the start of retirement for women?

Retirement is firmly linked in women's minds with work. It marks the end of paid work and the start of a period when income is derived from assets built up over the working life – whether through the State Pension system, the private pension industry or in some other way.

Women we interviewed, generally, were aware that there is an 'official' age associated with retirement when the State Pension is paid and people become eligible for bus passes and other concessions. However, we found marked differences between women about what they think the official SPA currently is:

- some women – younger for the most part – professed to have no idea;
- it was clear that some were simply guessing: '*Are they both 60 now?*';
- others were more confident, but not always correct (although women close to retirement generally were).

One respondent thought that SPA was going to be abolished altogether:

*'There's going to be no retirement age. Basically you'll work, and you'll keep on working until you die.'*

(30, single, one child aged 11)

Many, but not all, respondents were aware that SPA for women is changing to bring it in line with SPA for men. Not everyone welcomes this, even if it is perceived to be fair: *'I don't see why women should be treated any different'*:

*'I was jumping up in the air because I'm actually 60 in 2010. After that they change it to 65 for a lady.'*

(54, married, one adult child)

One respondent remarked that as people get older there is much bigger variation between them in terms of how fit they are. This means that raising SPA has a much bigger impact on some people – those who are less fit and healthy – than on others:

*'They're moving it up to 65 aren't they? Okay for some people but not for others. I know some 60-odd-year-old-people who are much fitter, but I also know some who are not very fit. And I suppose that if some are forced to work and are not pensionable until they're 65 it'll be hard for them.'*

(40, divorced, one adult child)

Some women 'peg' or view their own retirement – and, therefore, their retirement age – in relation to that of their partner or husband. For example, because their partner is working and they are not, in which case the concept of retirement is not seen as applicable to them personally so much as to the working unit of which they are a part:

*'Retirement for me is I suppose when P retires and we can spend time together. With me not working I can't wait until I don't work any more, because very much I can do what I want to do now. So if I think about retirement it's when P retires and we can do things together.'*

(44, married, two children)

Such a perspective can also be linked to having joint plans for retirement, for example travelling or moving abroad. In a number of cases, women we interviewed had stopped work a few years before reaching SPA because their partner had retired and they wanted to enter retirement as a couple, finances permitting. One respondent, married to someone a few years her junior, was planning to continue paid work beyond SPA until he had retired.

Retirement between the age of 50 and 55 seems a common aspiration among young women, although some respondents in their late thirties and forties who said they were aiming for early retirement were starting to wonder whether their goals were realistic. The ambition to retire early is linked mainly with the idea of being young enough at retirement to actively enjoy life. For a few respondents, parents provided both positive and negative role models in this respect:

*'My Dad worked until he was 70 because he liked his job and liked meeting people and all that. But now he regrets it because his health has gone down since he retired. He says, 'If only I'd retired five years earlier.'*

(45, divorced and cohabiting, three children – two hers, one his)

Having sufficient income to pay for it and to support a reasonable standard of living is often integral to plans for early retirement. Our sample included a few women and couples who are actively preparing to retire early and whose prospects of doing so seem at least plausible. In other cases, however, the expressed desire to retire early did not seem to be matched by realistic financial plans to enable it to happen.

A number of women we interviewed expect to have to work well past the current SPA, even to 70. Some younger members of our sample believe that SPA for women will rise even higher than 65 and/or that small pensions (especially the State Pension) will mean that they will be forced by economic necessity to continue working well into their 60s.

One respondent who has already extended her working life beyond SPA reluctantly continues to work at the age of 62 because she feels that her divorce from her husband left her with less to live on in retirement than she was hoping for:

*'I just felt that I needed to have more to play with at the end of the day when I retired. But I don't want to work into my 70s, thank you Government – I don't want to do that.'*

(62, divorced)

Extending working life is not a widely attractive notion, but we did speak to some women who aspire to do this – and even look forward to the prospect. Two examples are high achievers in the caring professions who plan to work beyond SPA (or the point at which their occupational pensions begin paying out) and welcome the prospect of doing so. In both cases, they view this last phase of work as a chance to change direction within their chosen fields, feeding back into their professions, through teaching and publications, the fruits of their earlier experience. Both of these women had spent their 20s and early 30s having and looking after their children, and their attention to their own careers only gathered momentum in their 40s. They are enjoying their 'late flowering' and are full of plans. Another respondent who looks forward to working beyond SPA is a woman in her late 50s who is enjoying work for the first time (in a low-paid part-time job) after a lifetime of looking after the needs of her large family of children. She relishes the feeling of independence, the opportunity to generate an income of her own and the social life that work offers her, and is reluctant to give it up too soon.

### 3.2 How long does retirement last?

Widespread reports in the media about increasing life-expectancy mean that women know for the most part that they are likely on average to live at least twenty years beyond the current SPA. Some also take into account their own health and family history of longevity and make downward or upwards adjustments as appropriate. However, there was no clear evidence that many women of working age in our sample had given much serious thought to the possible length of their retirement, the different phases it might hold and the financial implications of this.

Younger women seemed more likely to have given imaginative thought to the early years of retirement, especially to the potential pleasures of this phase of life, than to later years when their needs and circumstances might be very different.

### 3.3 What retirement means to women

Retirement is a concept that holds different meanings for different women. Some of our respondents said they had not even begun to think about what it might imply – mainly because:

- they feel too busy living in the present and coping with immediate needs and pressures to think about the future;
- retirement seems too far away to contemplate.

Younger women are, not surprisingly, least likely to have got to grips with thinking about retirement – but this often persists surprisingly far up the age scale, sometimes until retirement begins to loom on the horizon:

*'I've got 30-year-old things to worry about rather than 60-year-old things to worry about, if you know what I mean.'*

(30, single, one child)

*'I don't think about it personally. I mean that's going to be like 35 years away.'*

(30, married, no children)

Some women's images of retirement when they do start to think about it are negative, others positive. Examples of both are below.

**Positive images of retirement:** Retirement is viewed by some of the women we spoke to as a period of release from the mundane world of work or bringing up children, and as one of choice and freedom of action. Women, whose view of retirement is essentially positive and optimistic, talked about it as ushering in an end to imposed and rigid timetables and structures, and providing opportunity to spend time without regard for others, pursue interests and develop new ones, and spend time with partners and grandchildren. Retirement means being able to do things because you want to, not because you have to or because it is expected of you:

*'Retirement means to leave work, not have to get up for work in the morning, and have enough money to enjoy yourself.'*

(25, single, one child)

*'We wouldn't sit around and do nothing, we'd be out and about. I think we'd probably do a lot of day trips, go shopping, do some gardening, get jobs done on the house – just have some time together.'*

(37, married, two children)

*'I'd like to be able to go out in the middle of the day and do badminton or something. I'd like to go rambling, and go to clubs and the theatre. I think we'd do a lot of travelling...I'd like to get a camper van and travel around Australia for six months.'*

(54, married, one adult child)

*'A bit more free time hopefully. Seeing my children's children, doing things that you don't have time for now. Slowing down a bit I suppose, maybe travelling a bit, taking a cruise from time to time. Things like that.'*

(42, married, three children aged three to 16)

**Negative images of retirement:** Many women have less rosy perspectives on retirement. These images tend to revolve around concerns like the following:

- Retirement is often associated with old age, possible deteriorations in health, incapacity and/or ultimately death. A few felt that retirement itself may bring on health problems and even early death:

*'Sometimes I sit here and I think, 'People who retire only live about two years after'.'*

(41, separated and cohabiting with a new partner, no children)

*'People retire at 65 and then – I don't know if it's coincidence, but people's health does suffer after that. It's very, very sad. You're not enjoying all the hard work that you've put into your working life to have a good retirement.'*

(39, cohabiting, no children)

- It was sometimes described as a phase of being relegated to the sidelines and excluded from the most vital arenas of life.
- Some women worry about having a more circumscribed existence in retirement, being more socially isolated and less able to get out, and becoming a less useful, productive and valued member of society. The 'dark aspect' of retirement is often dreaded and uncomfortable to contemplate:

*'I don't want to be in a situation where I'm old, worrying about the bills, and can't afford to put the heating on and things like that. You hear about it don't you? Wintertime comes and you always hear on the telly an old lady has died of coldness, and not getting out and not being found for weeks. It does make you worry about it.'*

(37, lone parent of three)

- Shortage of money and not being able to afford to do things is a worry for some people. At one extreme, this is a concern about avoiding the hand-to-mouth existence associated with real pensioner poverty, but for some respondents it is about not being able to maintain the lifestyle they have become accustomed to during their working lives:

*'We've got a good standard of living and I'd hope to be able to maintain that through retirement as well. You start to think (are we going to have) enough?'*

(44, married, two children)

But individuals are not always exclusively either positive or negative about retirement – some participants were visibly juggling both types of image in their minds. A lot of respondents talked hopefully about what they were looking forward to in retirement, while also expressing things that worried them:

*'I should hope it would be much more relaxed and not so stressful, and that you won't have to worry about day-to-day things. But I don't know if I really want to look forward to retirement, because that means you're getting old.'*

(48, married, one teenage child)

*'Retirement would mean doing a lot of things that you have freedom to do. It can also be depressing. I think you can lose your confidence. You always want to get back to work and be with people.'*

(52, divorced, three adult children)

Women's attitudes to retirement are often powerfully influenced by the examples they see around them – their parents, other relatives and friends. They may see these as models to emulate or aspire to; or to avoid at all costs. Some accept them fatalistically as their inevitable destiny. The way retirement is portrayed in the media also has its effect:

*'My dad always said that pensions were something to think about, because he was in the Health Service for 32 years and he had his Health Service pension, and also a private pension I think. He said he was better off once he retired than he ever was working bringing five kids up.'*

(40, divorced, two adult children)

*'I've always thought of the future, because of my parents. That's why when I went to university I stopped at home so that I didn't come out with a debt, so that I could get on my feet quicker – simply because my parents have always struggled with money.'*

(28, cohabiting, no children)

*'My grandma struggles. She's in her three-storey house and she won't move – but it's got no central heating, she has a leaking roof, they don't have any money, and – God, I'd hate to live like that. You look at people like her and think, 'God, they have nothing!'. They buy their food every week, they never buy new clothes, they don't go anywhere – but they're still watching the pennies.'*

(28, second marriage, no children)

### 3.4 How salient is the idea of retirement?

Retirement seems fairly remote for many women, especially younger women in their twenties and thirties. Salience increases with age, but older respondents often said that they did not really think of retirement as a reality about which they need to take action until they were in their fifties.

Retirement comes into focus as it draws nearer but events can also trigger sharper awareness of its inevitability and the need to plan for it, even among younger people. Most obvious of these is the retirement of people you know – particularly your parents, but also sometimes other relatives, older friends or colleagues:

*'Retirement seems distant but I keep thinking it's going to creep up really quickly. That's why I've done what I've done, trying to get a better job and be more secure for me and her – because I don't want to be dependent on other people for the rest of my life.'*

(34, lone parent, with one child of two)

Major life events such as having children also often change people's financial perspectives and priorities. Planning and providing for the future often comes to seem more important – but the needs of the growing family tend to dictate a shorter-term planning horizon, and (as we shall see) pensions can appear a less urgent call on stretched resources:

*'When you have a child of your own you start thinking more about responsibilities, and financial responsibilities.'*

(45, cohabiting, four children including one adopted one with her partner and two from his previous marriage)

For some women, thoughts about retirement advance and recede during their working lives, thrown into relief by trigger events but then pushed into the background again by more immediate concerns and imperatives:

*'Probably around 40 it is going to be like, 'Oh God', the reality's going to hit and you have to do something about it. At my age you should be allowed to get what you need, pay for a wedding and a house and all the rest of it. Then when you've sorted out all the major things and you've freed up the money, when you're 40 or more, then you can really look at it and think, 'Well what do I really want in the next twenty years?''*

(30, married, no children)

A few respondents said that thoughts about retirement and the need to plan for it had been provoked by media publicity, usually citing particular articles or programmes they had seen:

*'That programme they put on a few weeks ago, there were three or four people, some of them very young, and it showed the sort of lifestyles they led and what they got at the end of it – and it was very poor. But one young chap who started looking at a pension very young, he was the one to get the best out of it, compared to the ones who left it, 'Oh to hell with it' – like me!'*

(42, married, three children)

*'I've never given any thought to the future. Funny that you've come, because it was only a few weeks ago on the news about pensions, there's going to be no State Pension one day – and at this stage that doesn't mean anything to you, but it suddenly dawned on me and I thought, 'Crikey, what am I going to do?''*

(30, single, one child)

### 3.5 Chapter summary: key points

#### What marks the start of retirement?

- Retirement and paid work are linked concepts, the first lent meaning mainly by the second.
- Some partnered women think more in terms of their partner's retirement (if he is the main breadwinner) or the retirement of the family unit, than in terms of their own personal retirement – particularly if they are not in paid employment or have patchy and fragmented work histories.
- SPA is not well known by everyone. There is some awareness of changes taking place to equalise SPA for men and women, but confusion persists about the nature of these changes.
- Plans to take early retirement – often in order to enjoy a period of active leisure – seem common but are generally not matched by realistic financial preparations at either the personal or household level.
- At the other end of the spectrum, some women **expect** to have to work beyond SPA because they believe either that the financial preparations they (or the household unit) have made will be inadequate or that the State Pension will be insufficient to meet their needs.
- Continuation of paid work beyond SPA is **attractive** to some women for a variety of reasons, for example, because they feel it offers the chance for career development and fulfilment for 'late starters' and the opportunity to generate extra income and maintain social links at work.

#### How long does retirement last?

- Women are aware of increasing longevity, but there was little evidence that much thought is given to its possible personal financial implications.

### **What retirement means to women**

- Retirement has some strong positive associations for women, for example, an end to rigid timetables, freedom from the demands of others (including children) and time to pursue personal interests. It also has some strong negative associations such as being old and poor, having health problems, and being 'sidelined' by society. This is important because other research tells us that people are more likely to engage in anticipatory financial planning (for things they look forward to) than precautionary financial planning (for things they fear or dread).

### **How salient is the idea of retirement?**

- Perhaps the biggest barrier to financial planning for retirement is how lacking in salience the idea of retirement is for many women. This is especially true of young women at precisely the age that financial plans – if they are to be effective – need to be laid.
- The salience of retirement increases with age, although for some not until it is too late to make sound financial preparation.
- Life events such as having children can change women's attitudes to saving and financial planning, but longer-term financial plans and their own personal needs are likely to take a back seat to shorter-term planning horizons and the needs of their family.



## 4 Women's financial plans for retirement

In this chapter we explore some key areas of relevance to this research. These include what emphasis women place on planning for retirement and women's attitudes to different forms of retirement income and to pensions in particular. We also describe the pattern of pension holding within our sample.

### 4.1 Planning for retirement

In the previous chapter we highlighted the general finding that women of working age tend not to dwell on retirement, although it comes into focus from time to time in response to certain 'triggers', and becomes more salient as it approaches. It is, therefore, perhaps unsurprising that we found little evidence within our sample of very detailed and realistic forward financial planning for retirement. As we describe in more detail later in this chapter, some women in our sample were able to declare specific financial plans for retirement (pensions and other non-pension savings and assets), but these seldom appeared to be the product of considered and systematic planning.

Much previous research shows that women – like most men – take a more reactive than proactive approach to financial planning (including planning for retirement), and our own evidence seems consistent with this. Research also indicates that they are selective about what they actively plan for, and more inclined to plan for:

- the immediate and near future than the longer term;
- things they are looking forward to (anticipatory planning) than things they fear or dread (precautionary planning).

## 4.2 Forms of retirement income

Women included in our research seemed aware of alternative ways of providing an income in retirement. However, we formed the impression that pensions are still regarded as the most obvious form of saving for retirement, especially occupational pensions. Pensions are the traditional way of saving for retirement and the association between pensions and retirement is still largely automatic for many people.

However, we also found strong evidence of growing concern, anxiety and scepticism about the value and the security of pensions. This was not easy to unpack. Most respondents did not know enough about different types of pension schemes to be able to say whether they were more concerned about one type of pension or another, although occupational pensions seemed generally less likely to draw adverse comment than personal pensions – especially if they are 'good' schemes provided by major employers. Certain public sector occupational schemes were widely perceived to be good ones.

Concern about pensions is fed by widespread media 'bad news' stories about pensions, whether about the much-vaunted looming Government crisis occasioned by the growing numbers of older people, the decline in the value of pension funds because of falls in the stock market, or straightforward pension 'scandals'. But respondents also reacted to their own personal experiences and to those of friends and family, especially parents.

There was some evidence that women sometimes regard pensions as 'locking' money up in too rigid a way. For this reason, some women prefer other forms of saving that provide more flexibility to access money if necessary. In the case of couples with joint financial plans for retirement, having one pension scheme (the man's) may encourage the household to consider other alternatives for any other disposable income, but this is a hypothesis that requires further investigation.

A strong recurring theme in our interviews was the perception that there may be better alternatives to pensions. In particular, we repeatedly came across the idea of property offering a real alternative, both as a capital investment and as a source of rental income. Property – often the current accommodation – was also frequently referred to by women as a key element (and/or security net) in their, or the household's, portfolio of retirement assets.

We were told about various non-pension financial products and plans held by women (and/or their households), including ISAs, endowment policies, various high interest long-term savings accounts and property. However, with a few exceptions, these were rarely referred to specifically as earmarked for retirement, and often seemed minor in relation to retirement income needs. Moreover, women who reported other forms of saving for retirement often had a pension scheme as well. On balance, we would have to conclude that although pensions currently carry many negative associations for women, other alternatives still seem more theoretical than real.

## 4.3 Women and pensions

### 4.3.1 Women's attitudes to pensions

In this section we present a brief analysis of the attitudes to pensions that we encountered in our interviews with women. There was variation between respondents, and also some complexity in the picture presented by individuals. Here, we have simply tried to describe some main themes, noting any strong associations between them as well as links with respondent characteristics such as age, life-stage and marital status, but not attempting to be comprehensive in this.

In a general way, most women we interviewed said when asked that they regard pensions as important. As we have already indicated, a pension is the main source of income associated with retirement and most women assume that they will need some sort of pension to support them when they retire – an independent pension of their own and/or a share of a partner's income.

However, pensions are a relatively low priority for most women. Just as thoughts about retirement are often remote for women, so are thoughts about how retirement is to be paid for. This is particularly true for younger women. As we have seen, pensions tend to come more often to mind as people age, but they are not usually a major pre-occupation until retirement is imminent. This is a very important point and should be seen as providing the main background or context against which to set the remaining discussion in this section.

Pensions are difficult for some women to think about. There is sometimes an uncomfortable association with old age, or a debilitating concern that not enough has been done to ensure financial security, and that the future may hold limited scope for plugging the gaps.

At the same time, there is growing awareness that individuals **need** to give some thought to pensions, and more so than in the past. This increased awareness is linked to widespread reports about the future of pensions that most women we interviewed had had some exposure to. Most women we interviewed believe that the Government is looking to relieve pressure on the state by encouraging people to make independent provision for themselves. There is a fairly common belief that the State Pension is to be phased out and eventually abolished. Some women even believe that this has already happened.

As the State Pension is increasingly regarded as small and unreliable, private pensions are assuming a more prominent role in women's consciousness. But as described in the previous section, many of the associations with private pensions that we encountered were quite negative. Poor images are fuelled by reports in the press; the experiences of relatives and friends; and sometimes personal experiences.

Although there were exceptions, many respondents regard the private pension system as unstable and risky, in the sense of unpredictable, likely to be disappointing and carrying few guarantees of providing a useful retirement income. It was also

perceived to be difficult to understand and a 'minefield' for the uninitiated. Respondents felt that easy-to-understand information is hard to come by, reliable and affordable independent advisers are thin on the ground, and the subject itself is intrinsically complicated and boring.

In the middle of all of this was a slender, but important, awareness among respondents that women in particular need to pay more attention to pensions than they have in the past. This is mainly because of the changing nature of partnerships between men and women, more couples choosing to live together than marry, more marriages ending in divorce and more women entering relationships where one or both partners has a complex marital history. Respondents of all ages in our sample observed that women can no longer assume that partners will provide for them in old age, but in the case of some partnered women, these observations often seemed curiously disconnected from the facts of their own situation.

As we discuss later, there were (mainly partnered) women in our sample who regarded pension planning and provision within couple households as an essentially male role linked to breadwinning. This was strongly associated with the recognition that women with children or with others to care for face obstacles in achieving the same levels of independent pension provision as their male counterparts. However, some respondents felt strongly that it is important for women to provide for their own independent pension in retirement. This is seen as part of a process of emancipation from dependence on partners, of not being captive to the vicissitudes of modern relationships, but also of taking control, and 'doing your bit'.

Our interviews focused women's minds on pensions and their own pension prospects. In some cases, we brought to the surface latent anxieties about pensions and financial security in retirement, resulting from increased awareness of the need to do something, uncertainty about what to do for the best, and conflict between planning for the future and dealing with the demands and needs of the present. We also tapped into some feelings of guilt from women who felt they were not doing (or able to do) enough towards their pensions:

*'I feel like I haven't done anything to put away for my husband and our life in retirement together. I feel like I'm not very responsible.'*

(36, married, two children aged five and two, not currently in paid employment)

Women know, in a general way, that it is better to start paying into a pension earlier rather than later (although there are different ideas of what is early and what is late). But many feel that they are not in a position to do this because of competing demands on their energies or resources; or that they have already left it too late:

*'It's like shutting the stable door after the horse has bolted. We're all sort of panicking now, but really when we first started work we should have been doing something. But in hairdressing there weren't any pension schemes or anything like that. We got paid in cash so you spent, didn't save.'*

(42, divorced, one child)

However, our sample also included respondents who had for various reasons decided not to worry about pensions. These included women who:

- feel that pensions are not the only – or best – answer to funding retirement and who said that they had alternative plans or hopes, for example, in property or inheritance;
- hope that their children or other family members will furnish them with a safety net;
- expect the state to support them if necessary, even if only in a modest way;
- simply prefer to live for today and let tomorrow take care of itself:

*'My friend was here when it was on telly one morning. We were having a cup of tea and she said, 'Have you got a pension?', and I said, 'I ain't got no pension, the Social will keep me when I finish work'. That were it. Never thought about it till we listened on the telly'*

(47, divorced cohabiting, four children)

#### **4.3.2 Pension holding within the sample**

In this section we comment briefly on the pattern of pension holding that we came across in our qualitative sample, both private pensions – occupational and personal – and State Pensions.

##### *Private pensions*

Our sample included women:

- with no private pension holding at all, who were not currently contributing to either a personal or occupational pension, and had not done so in the past;
- who were not currently paying into a pension but had done so at some earlier point in their lives;
- who had current schemes to which they were contributing.

Typically, only women who were in paid employment when we interviewed them had active pension holdings of their own. Pensions tend to be associated with employment because:

- it is work that generates the income necessary to invest in a pension;
- private pensions have traditionally taken the form of occupational schemes.

It seems very uncommon for households to use income generated by the male partner's job to make payments into a pension in the woman's name if she is not working. In most cases when we asked about this, the possibility had not really occurred to anyone within the household. One woman said that she would be reluctant to raise the subject with her partner in case she gave the impression of being greedy or lacking in trust. Another respondent who had been previously

partnered felt it would be unfair to expect her partner to pay into a pension plan that he may not be around to benefit from, even obliquely. We came across only one instance in which the man had paid into a personal pension for his wife, but this had come to an end when they divorced. In one other family the possibility had been raised by the man and actively discussed, but the women was reluctant in the immediate future to tie up family funds in this way.

Personal pensions were much less common in our sample than pensions provided through employers. Women with a private pension contract had often started because their workplace scheme was easy and relatively painless to join, and this seemed the normal thing to do. In contrast, setting up a personal pension requires a relatively organised, informed and committed approach to pensions that, as we discuss later, does not resonate with many women's lives. It was also clear from our interviews, that many women, in common with men, have high levels of concern about the risk associated with personal pensions.

Some women had a pension record that was relatively unbroken since first starting work, but this was not typical. At the other extreme were women who had only a very brief pension record, for example, those who had worked for a few years and contributed to an occupational pension before getting married, having children and never working again. Some women had no private pension at all. There were many variations between these ends of the spectrum, for example:

- late starters with subsequently unbroken records;
- early starters who had pulled out of pensions for reasons not to do with getting married and having children;
- a lot of women with patchy pension records, corresponding to periods in and out of the labour market.

Pension holdings seemed small for the most part, to the limited extent that we were able to establish any information about current or projected value at retirement. This impression is reinforced by women's accounts of the length of time they had been contributing to different pension schemes, as well as by other information they were able to provide, for example, about the nature of their job(s) and/or income, or the amounts regularly paid in to individual schemes.

A key feature of the pattern of pension holding in the sample, and one that corresponds to findings from quantitative research in this area, is the difference we found within most couple households (especially those including children) between pension holdings accumulating in his name and those accumulating in hers. In most cases, our assessment was that men's pensions were significantly larger than women's because of higher rates of pay, longer hours worked and less broken work histories.

### *State Pension*

There is less to say about variations within our sample in respect of their entitlements to the Basic State Pension (BSP). As we describe later, knowledge about the State Pension seemed generally poor among the women we talked to, although there were exceptions. Most women we interviewed did not know what the full BSP amounts to, what the eligibility criteria are for receiving a full pension or whether they personally are likely to qualify. As far as we were able to assess, a number of respondents do **not** currently appear to be in line to receive a full BSP – but many did not know what (if anything) they might expect. Many women seem unaware that they can get a forecast of their State Pension entitlement even from an early age. Few remembered seeing such a forecast.

#### **4.3.3 What women feel about their current individual pension prospects**

There is little evidence that women in our sample, whether living alone or as a couple, had given much thought to what income they would like to have or need in retirement. This includes both a personal income 'target', and/or one for the household as a whole.

Similarly, there was little evidence that women had done much towards **finding out** in a detailed way, the projected value of their current pension arrangements, again either at a personal or household level. This is not surprising among young women whose retirement is a long way off, and who, arguably, still have some scope to manoeuvre, but much of this uncertainty persists well up the age scale.

A woman living alone (whether single, separated, divorced or widowed) has only one focus for evaluating her current pension prospects: whether what she has done in the past and what she is currently doing will ensure she receives 'enough' income after retirement through the state and private pension systems.

However, a partnered woman generally needs to consider two aspects:

- Is the household doing enough to ensure that their collective income after retirement will be adequate to meet anticipated needs?
- Is adequate provision being made within the household arrangements to:
  - meet her personal and individual needs after retirement; and
  - provide any safety nets she might need in the event of separation, divorce or bereavement (before or after retirement)?

In general, most partnered women we spoke to had thought a bit about the first of these questions – albeit often inconclusively, because of their uncertainties both about what they might get and what they might need.

However, comparatively few had thought seriously about the second question. Women are understandably often reluctant to face up to the possibility that a valued relationship may come to an end; or to broach this sensitive issue with their partner.

At the least it seems embarrassing and difficult, and some even seem to fear that discussing these matters might precipitate a relationship breakdown. There were exceptions, however, and partnered women who had been in more than one relationship seemed more likely to have done this than those who had not.

As might be expected, we held some interviews with women who were very confident about what they were doing (or more often what was being done within the household) to safeguard their financial security in retirement. Some women put all their faith in their husband or partner's assurances that everything was sorted out and had no individual opinion of their own. We also talked to some women who were very worried, and anxious that they had not done enough (individually or as a family).

However, it is probably fair to say that most of our respondents simply do not have much idea about whether they are doing enough. Are they in 'good schemes'? Are they paying enough? Have they started early enough or left it too late? What will they get at the end of the day? Is their personal situation safeguarded in the event of their partner dying or their marriage breaking down? Few women could give themselves confident answers to such questions.

#### **4.3.4 Knowledge and understanding of pension arrangements**

This section explores, in more detail, how much women seemed to know or understand about their current pension arrangements – their entitlement both under the State Pension system and from any private schemes to which they belonged (or from which they hoped to benefit). We begin with a description of what we found.

##### *Private pensions*

In our interviews, we often found that it was not possible to get anything like a full and accurate picture from women about any private pension arrangements they had. Information about their schemes was typically limited, as was understanding of the way they work. There were exceptions in our sample, but a lot of our respondents were able to give, at best, only very limited answers either about currently active schemes or schemes they had belonged to in the past. Respondents often found difficult to supply details (or even a general picture) of:

- the type of scheme;
- how it works;
- how much they pay (or have paid) in;
- whether employers contribute and, if so, how much;
- the current value of their holdings;
- the projected value on retirement:

*'They had a good scheme where I worked so I just joined that. This pension is still with this company, and I don't know enough about it. I know nothing really about pensions.'*

(44, married, two children)

*'I just pay whatever they take from the company. I don't know what the company scheme is to be honest. I don't know what it is, but I rounded it up a bit. They wouldn't let us join the scheme until we were 21 – or it might have been 25.'*

(36, married, two children)

*'A thing comes every year from the pension saying how much they've contributed and all of that, but I don't even particularly read it if I'm totally honest. I'm not particularly curious and I probably think I won't make much sense of it anyway.'*

(48, married, one child 15, works part-time)

*'I don't know what it entails, but all I know is that the council's pensions are meant to be brilliant. It's one of the best out apparently. And that's all that I know about my pension.'*

(28, cohabiting, no children)

Respondents were often particularly unclear about older pensions they no longer pay into, including frozen pensions from previous employment. This was especially true if a lot of time had elapsed and/or they had contributed for only a short period. In a few cases, women either assumed that they would receive nothing from past pension schemes, or had completely forgotten about them, and remembered only in conversation during the interview.

One respondent had a personal pension that her husband at the time had opened in her name and made payments into on her behalf, but she knew little about it:

*'I was barely aware of it, although I must have signed things and what have you. I think it was a Co-op pension. I'd probably understand it better now, but at the time I didn't really get involved.'*

(42, divorced, one child)

Many women hope to benefit in retirement from private pensions, occupational or personal, that their partners are contributing to. Perhaps unsurprisingly, we found that haziness and vagueness about pension arrangements also extended to these:

*'He (husband) has got the company pension plan he's had all the time. But that's one of those ones that has done something strange. They've stopped it now and swapped it for something else. I don't know, I'm completely lost.'*

(36, married, two children)

An important area of ignorance included what their partner's pension is likely to pay out on retirement. A few respondents said they did not know what the pension would amount to, but had accepted assurances that it would be a 'good one':

*'All I know is that I will be okay if anything happens to him (her husband). But I know no more than that about our situation.'*

(57, married, three children)

Some partnered women said they did not know how they would be personally affected from a pension point of view in the event of divorce or separation. Most married women believed they would have some entitlement to their husband's pension under these circumstances, but not everyone was sure:

*'Would I be entitled to any of his pension if we split up? I wouldn't have thought so. Well it isn't something I've thought about. I don't know how that works.'*

(37, married, husband's second marriage, two children)

There was perhaps even less general clarity about the rights of cohabiting women in the event of separation. Some women who were living unmarried with their partner seemed generally aware that they had few if any rights in law, but had not often connected this specifically with pension entitlement, particularly if retirement still seemed a long way off.

More significant was women's ignorance surrounding their pension entitlements should their partner predecease them. Nor did they know what difference it would make if this happened before or after retirement.

### *State pensions*

Some respondents were fairly well informed about the State Pension and their current expectations in respect of it, but in many other cases we found both:

- lack of information:

*('I don't know much about it. I know that the Government gives you a certain amount but it isn't a lot');* and

- misinformation – for example, a few respondents thought that:

- the State Pension had already been scrapped (or would be by the time they retired);

- people with private pensions aren't eligible for it:

*'I'm sure there was a cut-off, I thought they were actually scrapping State Pension for people under a certain age, and I'm pretty certain they were saying that you've got to provide for yourself.'*

(46 single, no children)

*'Somebody said they were trying to phase it out, they were trying to get everyone to pay into private pensions to save the Government the money of funding people's pensions.'*

(45, married to second husband, two children one with special needs)

There was also widespread uncertainty about:

- when they would be able to start claiming the State Pension;
- eligibility criteria for a full pension, and whether they were likely to meet them;
- what they could expect from the state:
  - if they were fully 'paid up' at retirement;
  - if they weren't entitled to the full amount.

In general, women were aware of a link between National Insurance contributions and the State Pension, but we frequently found that respondents were very hazy about the exact nature of the relationship. As one respondent put it:

*'I don't know how it works. I'm a bit of an ostrich really, I just bury my head in the sand.'*

(44, married, two children, not in paid employment)

There was little knowledge or understanding of HRP and other ways in which women can partly compensate for years spent out of the labour market because of family responsibilities. Some respondents were completely unaware of HRP. Others were mainly unclear about how it works, when it started and, most crucially, whether they themselves stand to benefit from it (and if so, to what extent).

Additional Pension (SERPS and, latterly, State Second Pension) does not seem widely familiar, even to some who might be entitled to it.

Few women had had a forecast of their state entitlement – or even seemed aware that this is available.

There are a number of factors that seem to be of paramount importance in explaining why women's knowledge and understanding of pension arrangements, even those that affect them personally, is so poor. Certain themes crop up time and again in discussing different aspects of women's relationship to pensions, and we have already touched on some of the most important in this context. These include the relatively low salience of pensions for women – there is little incentive to master the details of arrangements that have low current priority. Other important factors include:

- **Pensions hard to understand:** Pensions comprise a complex aspect of retirement planning. This is already well known to Government, the pensions industry, financial advisers and most members of the public who have tried to engage with it. Not only is it difficult to obtain a clear view of the alternatives and their relative advantages and disadvantages, it is also often hard to understand how any given scheme works. This includes both private pensions and the State Pension. If not thoroughly understood, information is hard to retain and hard to make use of. A number of respondents said they had never fully understood their pension arrangements. Others said that they had absorbed some information, usually when joining a scheme, but were unable to remember much about it at the time of interview (and may not have understood it at the time).
- **Poor information:** Not only are pensions inherently complex, but information provided about them is also often thought to be poor or inadequate. This includes information about pensions provided by, or through, employers. Some respondents said that they had never received comprehensive information about their pension schemes. Where they did get information they often found it impenetrable – which tends to damage confidence about dealing with or understanding it.
- **Lack of interest, lack of confidence and inertia:** Many women find pensions dull and boring. They also often lack confidence in their ability to get to grips with the subject matter. Either of these factors may be sufficient on its own to generate passivity and inertia.
- **Perceived relative unimportance of women's pensions:** In some couples where the male partner is seen as the main pension provider for the household, the woman's pension is regarded as a relatively unimportant part of the household's retirement plan overall. For this reason it may register less.
- **Financial planning and gender identity:** Finance within many couple households is often perceived as a male preserve and, in many cases, one that women are pleased to offload. This means that some women make little effort to master the details and intricacies of pension arrangements that affect them<sup>4</sup>.

Most of the reasons given above apply to men as well as to women – the difference is often a matter of degree. Women seem, on average, rather less interested in, and less clued up about, pensions than men, but the general level of awareness and understanding appears low for both sexes. It is mainly when we come to the final two reasons that we find issues that tend to discriminate more explicitly between men and women.

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<sup>4</sup> Where we also interviewed a male partner we often found that we could get a somewhat better picture of the couple's pension arrangements from him than from her – even for those solely in the woman's name. However, although the men we talked to were often **relatively** better informed, their grip on pensions was still often limited.

A number of women we spoke to had paid into pension plans without any clear idea of how much reward or benefit they could expect. They were often just 'going with the flow' or following the example of others (workmates, family or friends, advisers in the work place) rather than relying on their own deliberation and research. Lack of interest and lack of confidence again seem likely to be the two main explanations for this dependency.

Although we have painted a picture of quite hazy knowledge among women of the details of their pension plans, this was not true of everyone we interviewed. Some of the exceptions were women who professed to have always been interested in, and good at, financial management and planning. They prided themselves on their financial acumen and money-management skills. Others came from financially-aware families who were advising them and taking an interest in their pension plans.

As women approach retirement, their grasp or knowledge of their pension plans often seems to improve a little. This is partly because they are spurred into taking an interest and making their own enquiries but also because they are more likely to be receiving unsolicited advice and information, including pension forecasts. Even as they approach the threshold of retirement, however, many women are still hazy about their pension expectations.

A number of women in our sample were contributing to the pension schemes of major public sector employers such as the NHS or local authorities. In quite a few of these cases, respondents felt that they were in a 'good pension' and seemed likely to know a little more about the scheme to which they were contributing. Discussion of the pension scheme with colleagues at work appeared quite commonplace and a number also mentioned receiving information and advice about their pension at their place of work.

Women who have been through a partnership breakdown tended to be more knowledgeable about their pension arrangements, because:

- a review of financial affairs is usually a standard part of separation or divorce;
- women going through this process find themselves forced to take responsibility for their own financial planning, including for their future.

This transition does not necessarily plug all the gaps in their understanding of pensions, but it tends to concentrate their minds on matters they have previously assumed their partners would take care of.

Media coverage of pensions (already touched on earlier) seems to have had an impact on some women we talked to, encouraging them to look into the detail of any pension plans they hold.

Finally, one respondent attributed her relatively good grasp of pensions and her own status in this respect to early education while still at school:

*'At school from the age of about 14 we were doing pensions and APRs and things in maths. I remember the teacher bringing in her pension scheme from the teachers' pension – it made an impression on quite a few of us I think. I remember the assignment, we had to do a survey on friends and relatives asking who had actually got a private pension scheme or knew about a private pension scheme. It was quite an eye-opener for the whole group. We did tally charts and pie graphs, and I remember finding out about people who thought about but didn't actually do anything, probably thinking, 'Oh well, I'll do it when I reach my 40s, I'll do it when I reach my 50s'. My father had a private pension but he opted out, and when I mentioned this research we'd done it made him sit and think – and he went out and got a private pension then.'*

(28, divorced, two children including one with special needs)

## 4.4 Chapter summary: key points

### **Planning for retirement**

- In general we found little evidence of detailed, realistic forward financial planning for retirement.

### **Forms of retirement income**

- Women on the whole are aware that there are alternative ways of saving or investing for retirement, but pensions are still regarded as the traditional default option.
- However, there is increasing concern and scepticism about pensions, fed by media coverage of the 'pensions crisis' and, to a lesser extent, by personal experience and the experiences of family and friends.
- Concern about pensions is not well-informed and generally extends to all types of pensions, because most people are not knowledgeable enough to distinguish between the different types of pension arrangement.
- This caveat notwithstanding, occupational pensions are likely to be seen as the best option, especially those offered by large well-established employers. Pensions are linked to working in many women's minds, and when they think about private pensions it is usually the occupational type that come most readily to mind.
- Defined benefit schemes offered by employers such as the NHS are quite widely recognised as 'good' schemes, although the reasons why they are 'good' are often less well understood.
- Some women see pensions as a rather inflexible form of saving for retirement that 'locks' money away. In households where the man is already contributing to a pension, other more liquid savings arrangements (if any) may be preferred to a second pension.

- There is widespread belief that there are better alternatives to pensions, especially centred on the property market, but there was no evidence that many women were actively pursuing such options as an alternative to putting money into a pension.
- We were told about a variety of savings and investment arrangements held by women in our sample, including property, ISAs, endowment policies and savings accounts, but these were rarely earmarked specifically for retirement.

## **Women and pensions**

### *Women's attitudes to pensions*

- Women's attitudes to pensions abound with apparent contradictions.
- Women say, when asked, that pensions are important, but they don't in practice seem to accord them high priority – because they are not salient, and because some assume they will be supported in retirement to some extent by pension income provided by their partner if not through their own arrangements.
- Pensions usually seem to remain a relatively low priority until retirement itself begins to loom.
- There is increasing awareness that individuals need to give thought to private pension provision because of concerns about the ability of the State to support a growing pensioner population.
- But there is also increasing concern about the value and security of private pension schemes, which acts as a disincentive to participation.
- There is some awareness among women that the increase in the rate of divorce and partnership breakdown means that women can no longer depend on their partners to provide for them in old age. Many women also feel that some degree of independence is important for its own sake.
- But the idea also persists for some women, as well as some men, that pension planning and provision is essentially a male role linked to breadwinning and that women have other concerns to put first, namely the care of their children and families.
- Interviewing women about pensions often brought to the surface latent anxieties about their financial prospects in retirement and uncertainty about what to do for the best.
- There was some awareness that it is better to start preparing for retirement at an early stage but many women also feel that there are too many other competing – especially familial – demands on resources (their own or the household's).

*Pension holding within the sample*

- Pensions are strongly associated with work and women with active pension holdings of their own were mainly women in paid employment.
- It seems very uncommon (and not really even a considered option) for income generated by male partners to be used to contribute to a private pension in the woman's name if she is not working.
- Occupational pensions were more commonly held by women interviewed than personal pensions. Women with occupational pensions often told us that they had joined a pension scheme at work because it was easy and relatively painless to do so, requiring little initiative or organisation on their part. Moreover, employee contributions deducted at source were easier to 'spend' without missing them.
- Very few women in the sample had unbroken pension records and, in as far as we were able to establish, pension holdings were small for the most part. In couple households, our assessment was that men's pensions tended to be worth considerably more than their partners'.

*What women feel about their current pension prospects*

- There was little evidence that women knew much about their current pension prospects or had done much towards finding out, although there were some exceptions and respondents approaching retirement were more likely to have obtained some information.
- Partnered women were likely to have given more thought to the financial prospects of the household unit than to their own personal prospects, including any safety net that might be needed in the case of divorce, separation or bereavement. This seems to be an area that couples sometimes find difficult and potentially sensitive.
- Some women had few views of their own about their likely financial status in retirement and had put all their faith in their partner having made the 'right' decisions.

*Knowledge and understanding of private pension arrangements*

- Women pension holders found it difficult to supply us with details of the type of pension scheme they owned: how it works; how much they pay in (or is paid in on their behalf); whether their employer contributes (and if so how much); and the current and projected value of their holdings.
- This uncertainty extended to partners' pension holdings, and women often did not know how they would be affected in the event of divorce or separation.
- A more important area of ignorance was the claim they would have on their partner's pension in the event of his death.

*Knowledge and understanding of State Pension entitlement*

- Respondents varied in terms of how much they knew about their State Pension prospects and were often unaware that they could get a forecast of their entitlement. Few had actually seen (or could remember seeing) such a forecast.
- There was evidence of widespread uncertainty about eligibility criteria for, and the value of, the full basic State Pension.
- There was also evidence of misinformation, for example, women who thought the State Pension had been 'scrapped' or would be by the time they retired, and women who thought that owning a private pension disqualified them from claiming the State Pension.
- Women often had limited, if any, knowledge about HRP and other measures aimed at women involved in caring for their families.
- Additional Pension (SERPS and State Second Pension) also does not seem widely familiar.
- A number of factors play an important part in explaining women's low levels of knowledge and understanding about their pension arrangements and prospects. Some, but not all, of these apply also to men. They include the following:
  - pensions are complex and hard to understand;
  - information about pensions is also often thought difficult to understand, and many women lack confidence in their ability to get to grips with it;
  - pensions often seem dull and boring, and are low in salience;
  - in partnerships, the woman's pension is often regarded as a relatively unimportant part of the household's retirement plans.
- Levels of knowledge and understanding tended to be highest among women approaching retirement age, both as a result of their own enquiries and because they become recipients of unsolicited information about their pensions. Women paying into the occupational schemes of major employers were also often more knowledgeable about their pensions as a result both of employer-provided advice and information, and informal information exchange with other employees. Women who had experienced partnership breakdowns often said that they had had to 'wake up' to taking financial control and had also been drawn into a review of their financial affairs as part of their separation or divorce.



# 5 Partnership and women's pension status

This chapter is concerned with factors that are particularly important for women in terms of their pension status, and indeed their general financial standing in later life. They are of relevance mainly to women who are married to, or living with, a male partner, especially but not exclusively those who have had children.

## 5.1 Life choices and decisions

Throughout their working lives, women make choices and decisions that affect their financial status in old age. Some of these are conscious voluntary decisions, part of their direct planning for retirement. However, most are not primarily focused to this end, but may be described as involuntary decisions – life-choices that can have profound implications for financial standing in retirement, but whose effects are not necessarily taken fully into account – their significance was not recognised at the time, their outcomes were not understood or appreciated, and hence they were not really thought about. Because the implications of such decisions are invisible and unforeseen there is no real incentive to find out about them at the time.

Important life-choices for partnered women that can affect retirement income include often interrelated decisions about, for example:

- their relationship with their partner and their role within that relationship;
- whether or not to have children and what sort of mother they want to be;
- their working life – what sort of work to do, whether or not to stop work if they have children or continue on a part- or full-time basis.

Of course, many such life-choices are often not really 'free' choices so much as conditioned by a whole range of linked and overlapping factors, personal, familial and societal. For example, personality and other psychological attributes, educational attainment, family role models, cultural norms and expectations, 'structural' obstacles

such as lack of good affordable child care facilities, and the law. Sometimes such choices evolve in an unplanned way, rather than resulting from explicit conscious decisions.

In this chapter we have assembled evidence from our research about how partnered women in our sample relate to their partners, their children and the economy and the impact this has on their pension status.

## 5.2 Partnerships within the sample

Our sample included a very wide range of different types of partnership, couples drawn from a range of socio-economic backgrounds and age-cohorts, married and unmarried, with and without children and including a significant proportion of couples in which one or both members had been previously partnered.

Interpersonal relationships between partners are varied and complex and they change and evolve with time, circumstances and life-events. Features of these relationships are reflected and mirrored in a whole variety of ways, encoded in every aspect of their lives together, including how they manage and run their financial affairs.

## 5.3 Household versus individual level plans for retirement

One of the main focuses for this research was to explore the balance couples strike between making financial plans for retirement at the level of households or individuals, the factors that affect this balance, and its implications for women's independent financial futures.

Within our sample of couples, we found two opposite approaches to financial planning for retirement:

- **Household planners** focus on the household as the main unit of analysis, and their objective is to maximise the total amount available to support the couple as a unit.
- **Individual planners**, whose plans for retirement are focused less on the household unit than the individual.

Our sample included some couples that were primarily household planners, some that were primarily individual planners, and a proportion that combined elements of both.

From our evidence it seems clear that while economic rationality sometimes plays a part in explaining why couples operate the way they do, other factors are probably more important, ranging from specific personal experience to deeply held values and cultural determinants. It is beyond the scope of this study to unravel these complex interactions in detail, but some understanding of these factors is important

from a policy perspective in order to gain insights into the priorities and drivers of different households. We have, therefore, attempted to identify some key features and characteristics that appear to be associated with 'typical' couples within each group. This is necessarily a limited and incomplete analysis, but we believe it provides a useful window into some important themes.

### **5.3.1 Household planners**

Household planners are couples whose financial planning focuses on the household rather than the individuals that comprise it. Their objective is to maximise the total amount available to support the couple as a unit in retirement. Resources are largely (or even entirely) seen as being pooled, shared or held in common.

The label refers to the weight of consideration they give to the future financial health of the household as a whole, compared with the independent financial standing of the individuals that are a part of it. This does not mean that all their retirement assets are held in joint names, although some may be. From their standpoint, it is less important whose name the savings and assets are held in, and individual plans are usually of secondary significance – except in so far as they feed into household plans and affect the total holdings of the household.

This was a fairly common model within our sample. We came across it in all age groups but, perhaps, especially among older couples whose expectations of the likely longevity and staying power of their own relationship would have been based on the extent to which they have grown together to function and perceive themselves as a unit, but also on the relative rarity of relationship breakdown within their cohort. They grew up into a world where marriage was for life, in which couples were not expected to separate (and did not usually do so).

A typical household planner couple is in a longer-term stable relationship, married or cohabiting. Younger couples do come into this category, but there is likely to be stronger association with people who are not in the first stages of their relationship and are, generally, more mature.

Household planner couples typically (although not exclusively), share household roles and responsibilities along traditional gender lines. In these cases, the man acts as the main breadwinner and generates the bulk of the household income, and the woman carries the main domestic responsibility, including caring for children and older relatives. She may be in paid employment, but this will tend to be secondary to the needs of the family, and the breadwinner's job.

The typical household planner couple has children. This is often reflected in the woman's career path, which tends to be fragmented, with periods out of work and periods in part-time employment. She is likely to be a lower earner and generally less career-orientated than her partner. Her main area of responsibility – the family – dictates her priorities, and the family's needs tend to dominate her decisions about when and how to work, and what to do with any money she earns. Her own needs

are unlikely to prevail over the perceived needs of children, for whom she takes responsibility in the same way that she entrusts her partner with some of her own needs.

The household planning approach depends on a high level of sharing and mutual trust – to some extent it is also an expression of these qualities, which are also often valued aspects of the whole relationship. To this extent, this approach is deeply rooted in the nature and values of the partnership, tied in important ways to how the partners see themselves and each other, and central to the partners' identities as individuals and as a couple. If a couple has a sharing relationship that they feel works this is often something they cherish and some cannot see how a partnership can thrive without a significant degree of sharing:

*'I don't understand how you can be with someone for a long time and share everything and still have a 'his' and 'hers' bit. We do that (share) because it works. I spend money and he doesn't question it. He spends money and I don't question it. We have the trust to assume that.'*

(61, married, two adult children)

Because the partners' essential financial outlook on life is as a couple, it is not uncommon for all monies entering the household to be paid into and drawn out of a single joint account to which both partners have equal access. But even if this is not the case, for example, if there are other accounts or financial products held in individual names and accessed only by one or other partner, these tend to be regarded, ultimately, as shared assets available for the common good.

A degree of sharing also provides flexibility within the partnership. For example, most women could not take time off to care for their young children unless they were supported by household finances, which would largely be generated by their partner while they were not earning.

Household planner couples, like most other couples, do not necessarily make financial plans for retirement in a highly rational and organised way. They are more likely to engage in a process that is tardy, opportunistic, piecemeal and inadequately informed. Both partners may be involved but one person, generally the man, tends to have a larger and more significant role and is seen to carry ultimate responsibility.

The role of main retirement planner within the household often falls to the man as an extension of his role as breadwinner. Making plans for future income is allied to generating current income, and the breadwinner is also seen as the person most closely engaged with, and connected to, the world of finance, money making and planning. The female partner often disowns this role, does not regard it as part of her purview and typically sees it as difficult and dull. She will tend to be less well-informed than her partner about retirement planning – pensions and other non-pension alternatives, although, as we have noted before, he is unlikely to be very well informed or competent in these matters either.

In a typical household planner couple, the man will have a pension associated with his job and/or will be paying into a personal pension scheme. Both partners will see his pension (or lack of it) as most important. She may have some private pension (especially occupational pension) assets in her name but these are likely to be of much lower value than her partner's. Both partners will see her pension (or lack of it) as less important – nice to have but not essential or critical.

Most respondents whose situations most closely fitted this model not only seemed content with it, but positively valued it. Its main weakness in the context of this research is that it only works as long as the relationship lasts. Women may find themselves in a vulnerable or exposed position if the household unit breaks down. Retirement assets are likely to have accrued most naturally and easily in the male partner's name, since he has a longer and better-paid work record. The strong household emphasis may have blunted any latent impetus towards making independent provision for both partners.

One respondent had given money to her husband, which he had paid into his personal pension scheme. This was on the understanding that both would benefit from the pension when eventually they retired. They have since divorced and three years later she has still not been able to get any money back:

*'At the moment I'm still fighting to get back what I paid into the pension fund. So I'm currently stuck with the State Pension, and I'm a bit dubious now about going back into a private pension because the company promised me that if anything unfortunate did happen it would be really easy to sort out – and it'll be three years in January that I've been fighting to get my money out of the pension.'*

(28, divorced, two children)

**Case 1: Household planners.** This couple is married (his second marriage) and have two children under ten. She (Lesley) is in her late thirties, he (Rob) in his early forties. She works part-time to fit in around school hours, he works full-time and earns nearly five times as much as she does – about £40,000 per year. He would rather that she did not work at all.

Rob is the main financial handler and decision-maker; partly because he is older, more numerate and more financially aware; and partly because his is the greater income. All their money is held jointly in a single account, with the exception of two minor savings schemes that Lesley has set up: she has joined a Credit Union saving scheme at work, and saves £2 coins in a jar. She knows little about pensions. She has joined a pension scheme at work but can't remember if she belonged to one in a previous job. She is confident that his occupational scheme – a public service scheme he has paid into for 25 years – will provide them with an adequate income in retirement, although in interview, he expressed some anxiety that it might be under-funded.

They talk occasionally about retirement, but not in much detail. Rob has thought about when he might be able to afford to retire (he was hoping it would be at 50 but now thinks he will have to wait until he is 55). However, Lesley has given little thought to it and doesn't know what their income is likely to be. She just wants to have enough to be able to 'look after' her grandchildren. Lesley believes that women don't think about retirement because they are preoccupied with their children and spend any spare money on meeting their needs. She is content to let Rob look after their financial affairs, including their retirement plans, because she believes that he knows what he is doing, earns more money and doesn't find it stressful in the way that she feels she would.

### 5.3.2 Individual planners

Individual planners include couples whose plans for retirement are focused more on the individual than the household unit. Retirement plans (and probably other financial affairs) are likely to be planned and managed separately. There is less sharing. Such couples tend to focus on who owns particular assets, and do not see these as part of a common pool.

Individual planners include couples who haven't done any financial planning for retirement at all. This might be for any number of reasons, including that they are too young to have started to think much about it. However, their focus when they do think about retirement, is usually on what their own personal situation is likely to be, how much they will have to live on, where it will come from and how secure it will be. Individuals may worry about their own situation (if they worry at all), even if their partner's retirement prospects are relatively healthy. This is because they make fewer assumptions about being able to rely on their partner's arrangements.

Partners in these households are likely both to be in paid employment and to keep separate bank accounts into which their earnings are paid. Household bills are often shared, but responsibilities are divided in a way that seems 'fair' to both parties – although this may have some regard to respective earnings levels. Thus, the higher earner (often the man) may, in practice, make a larger contribution.

A typical couple in this group is not long into their relationship and more likely to be cohabiting than married. Older people are included in this category, but generally it is a group made up of younger couples. One or other partner may well have been partnered before and there may be children from former relationships. However, the couple is less likely than household planners to have children from their current relationship.

Events like the birth of children sometimes precipitate a change in how the couple relates financially, and may nudge the family in the direction of household planning:

*'Your perspective of what money is within your relationship changes loads, because it's no longer **your** money (if you have given up work), it's **our** money – because it's our family and we have to eat and buy food and clothing, so it isn't **his** money any more.'*

(32, cohabiting, no children)

Individual planners include people (men as well as women) who have 'had their fingers burned' in previous relationships. They also include couples in which one or both partners are of an independent cast of mind for quite different reasons, for example women who consciously reject traditional models of female financial dependency.

Roles and responsibilities within individual planner households may be carved up, but divisions of labour are likely to be less deep or clear-cut than they are in typical household planner families, and less organised along traditional gender lines. Both partners (still) retain some capacity to resume life as independent individuals, a foothold outside of the partnership.

**Case 2: Individual planners.** Kerry is 39 and cohabits with Tim, 40. They have been together for three years and have recently moved to a house they are buying jointly. Both have been married before and are divorced. There are no children.

The couple have just set up a joint account into which they each pay a set amount to cover household bills. Each also has their own separate account into which their salary is paid.

Kerry's divorce left her short of money and struggling, and she feels she has learned to be much more financially aware and independent. She has two occupational pensions (one frozen and one active), and is looking for other ways to boost her retirement income. She inherited a bungalow from her grandmother, currently lived in by her parents, and she is keeping this in mind for her own retirement.

As their relationship is relatively new, each partner makes their own pension provision. The subject is not one they discuss. Tim's pension contributions are paid directly from his business account and his accountant advises him at the end of each financial year if he can afford to put more in.

### 5.3.3 Hybrid planners

In between pure household planners and pure individual planners lies a wide spectrum of partnerships that strike some kind of balance between focusing on the financial fortunes of the couple as a whole and those of the individual household members.

These 'hybrid planners' see the financial prospects of the household unit as important, but also foster individual interests within this for a variety of reasons, for

example, as insurance against relationship breakdown or death, to maintain a sense of individual independence within the context of the relationship, or simply because they find it easy to do so with the resources available. For example, young married professionals who do not yet have children may both have occupational pensions that they regard as personally important while sharing other financial assets and plans to benefit them as a couple in retirement.

This is an amorphous hybrid grouping that defies easy encapsulation but is an important one for policy makers. Typical members of this group include young married couples.

Many couples fall within this hybrid grouping to one degree or another. It represents an attempt to reconcile two opposing sets of criteria: the needs of the family and the household as a whole are seen as very important, but it also often seems desirable that individuals should have at least some independent resources they can call on. However, our impression is that couples often tended to lean in the direction of household rather than individual planning, particularly when it comes to retirement provision.

**Case 3: Hybrid planners.** Louise and Max have lived together for four years. They have three children between them, all from previous relationships. She is 45 and he is 46. Both partners work but he earns three times as much as she does, £30,000 to her £10,000. Her working life has been fragmented ever since her first child was born and she has had a few spells working part-time, as she currently does. In addition to her salary, she also receives £150 a month from her former husband. All major household bills are paid by Max, including the mortgage. She is saving her income to add an extension to the house to accommodate their growing children.

Max's former relationships have left him somewhat embittered. He feels he was exploited financially and this has left him wary. Louise also bears the scars of her previous relationship. She describes her former husband as very controlling and is now keen to hang on to her independence while doing her best to make her relationship with Max last. She feels she has been a victim of a society that expects women to earn less than men and be financially dependent on them.

She is paying in to an NHS pension and plans to make AVCs when she can afford it. She feels that although her pension is important, paying the mortgage and having some savings are probably more important. For example, her son from her previous marriage is still high up on her list of priorities. She expects to have to pay for him to go to university and is not looking to Max for help with this.

Max has always been self-employed and has a personal pension purchased in his early 20s and three endowment policies. He considers himself well provided for. He respects Louise's need for independence and is sensitive to her views. The couple is careful to treat each other fairly with respect to financial matters and try to avoid arrangements that place each other in a position of vulnerability. He is in the process of re-organising his pension so that in the event of his death she will be the main beneficiary.

## 5.4 General organisation of household finances

Couples' classification in terms of the way they approach retirement planning often appears to reflect, in reasonably consistent ways, other aspects of how they organise their household finances. As we have seen, household-level planners (and to a lesser extent hybrid planners) tend to be households in which the partnership is conceived to a greater or lesser extent as an integrated financial unit with a more or less common pool of money.

As we have noted, sharing resources serves a variety of ends, both economic and social. For example, sharing increases financial flexibility and supports individual household members as their individual needs and resources ebb and flow. Women who want to look after their children while they are small only have the flexibility to do so if income generated by the male partner is shared.

Moreover, sharing often expresses the integrated nature of the partnership. The partnership itself is the primary consideration, and the way it supports itself financially and in other ways derives mainly from the way the partners relate to each other. Many see a healthy element of sharing as a core ingredient in a partnership. Women (and their partners) regard it as fundamental to, and symbolic of, 'proper' relationships, even if some degree of independence is seen as desirable. This is what enables it to amount to more than the summary of its individual components.

Many couples therefore place high value on sharing, which was often made clear to us in our interviews. This, in turn, tends to lead to a predisposition to do much of their financial planning on a joint or collective basis – which generates the 'household planning' emphasis we have already commented on.

In households that share their assets, pensions are likely to be seen simply as one more source of income feeding into the common pool. Again it isn't seen to matter much whose name is attached to a given asset as long as the family is provided for.

The disadvantage of this approach is again that it only works as long as the family unit lasts, and it may be vulnerable to death or separation if sufficient independent provision has not been made.

It is also worth stressing that even where independent financial and retirement planning is seen as desirable it may only be a viable option if the household is

committing enough resources to make independent provision viable. A couple that splits up before or after retirement will need to spend more as two individuals than they did as a couple (unless both become re-partnered). If their pension provision was inadequate as a couple, it would be even more inadequate if divided in two (although more fairly distributed). If couples want to provide viable retirement incomes for each partner in case they need to live independently at some point then they need to be putting away more between them than they would need if they continued to live together. Some households are not economically in a position to do this, and many more are not organising their affairs on this basis.

As we have noted, because the issue of sharing usually has deep roots within the relationship it can be very difficult for either or both partners to consider or discuss independent provision, since this may seem to call into question aspects of the relationship that both choose to regard as given, and which are seen as both highly important and highly sensitive.

## 5.5 Traditional gender roles and financial planning

As well as sharing financial resources, we found that most couples also shared household chores and responsibilities. The majority favoured division of labour and specialisation rather than each partner making a contribution to every task, although the extent to which this was carried through varied, and often seemed more complex and 'negotiated' than at first sight.

We also found considerable evidence that roles and responsibilities are often divided along traditional gender lines – for example, women being responsible for the household, for short-term spending and for children and their needs, while men take the role of main breadwinner with responsibility for longer-term financial planning, house repairs, family cars and so on.

As we have already noted, the extent to which financial planning for retirement within couples is seen as an essentially male preserve is an important issue that has implications for women's pension planning. This varied widely between couples in our sample, from one extreme where there was little or no evidence that gender identity played any part in a couple's financial planning arrangements, to households (probably the majority) where it was clearly the most important determinant. This second model (or variations of it) was not uncommon even among younger couples.

In some couples where men were mainly responsible for retirement planning, their female partners often appeared, or claimed to be, quite passive in relation to their own and/or the household's plans for retirement. Even if they had pension holdings of their own, they gave little independent thought to them and lacked knowledge and information about how these worked or what they would be likely to yield. We came across women in this group who had not discussed the future with their partners, who were content to '*leave it to him*' and were happy with minimal amounts of information: '*He's told me it's a good one (pension)*'.

We interviewed a few couples in which both partners said that the man had tried but failed to encourage the woman to take more interest in retirement planning. In other couples it was clear that both partners were content with their arrangement: the woman pleased to off-load a dull area of responsibility to someone she trusts; and the man happy to accept it.

However, while this dependency model seems likely to work out well enough in some households, there are two obvious risks attached:

- The partner on whom reliance has been placed, may not be particularly good at financial planning for retirement. This can happen if the role is taken on just because it is a 'man thing' rather than because of specific skills or aptitudes. Many of the men in our sample also struggle with pensions, and often have almost as many difficulties and problems in this area as women.
- More importantly, if the partnership comes to an end (whether through death, separation or divorce) the dependency assumptions rapidly come unstuck. Indeed, the mutual satisfactions of a partnership that works well can blind women to their vulnerability if it comes to an end.

We came across a number of instances where the frailties of the model became apparent following partnership breakdown. Many of the previously partnered women in our sample related a financial awakening after separation or divorce, and claimed to be taking much greater interest in their retirement and individual pension plans as a consequence, even if they had subsequently formed new relationships.

This seems to us to be an important but very sensitive area in terms of encouraging greater pension independence among women. It goes right to the heart of how couples work and what they value, the core identities of the individuals within a relationship and the store of confidence and trust they have in one another and in their future together.

Our interviews also provided us with important evidence that some younger, single women are influenced by beliefs and/or assumptions that their financial status in retirement will be looked after for them by a future (not yet materialised) male partner:

*'Pensions are just less likely to be at the forefront of a woman's mind than a man's mind. Some women hope that when they get to retirement age they'll be so comfortable that they won't have to worry too much about pensions.'*

(29, cohabiting)

Our research is limited in terms of what it allows us to say about the prevalence of such attitudes. We came across one clear case of this kind where the respondent was particularly conscious of, and articulate in relation to, her views on the subject. We suspect that diluted and less conscious strains of these attitudes persist among at least a significant minority of younger single women but this would need further investigation.

**Case notes 4: Nicola.** Nicola is 32, living alone in the first flat she's ever bought. She works as a fashion buyer, and seems successful and fairly well paid. When she started work she didn't think about putting money away for the long-term, and never gave any thought to pensions at all. She assumed that she wouldn't be working for long, because she expected to get married to someone who would look after that. This hasn't so far happened. She hasn't had anything that even looked like a lasting relationship. She still hopes that *'Mr Right'* will appear, but has now slowly and reluctantly begun to turn her mind to making sure of her own future just in case he doesn't. She describes her views on marriage as *'old-fashioned'*, but that's *'how I've been brought up'*. Her parents were clearly strong role models. Her mother stopped work soon after marriage, and her father has always taken care of the finances. They both seem to have been very happy with that arrangement, and she hopes for something similar.

She describes herself as *'terrible at saving'*. She lives out of her salary, and doesn't even have short-term savings. Since buying her flat she doesn't feel she has spare money to save, but she keeps thinking she ought to. In another part of her mind she thinks, *'the more money you've got put aside the better, for the rainy day'*. Nicola feels her life moves fast – *'in my life I don't know where I'm coming from in ten days time, let alone ten years'*. The concept of retirement and pensions is hard to visualise – *'just seems like too far away to worry about or think about'*. *'Who knows where I'll be at that point?'* She has no idea how much she might need in retirement – doesn't even contemplate it.

She has joined a couple of senior staff pension schemes in the past, just because they were offered. But she didn't know much about them, and when she changed jobs she *'closed them off'*. She didn't transfer them, and doesn't know what (if anything) they'll eventually be worth to her. She didn't feel she understood these schemes, and isn't sure what kind of schemes they were – there was *'lots of information'* in the post, but she was never very interested. She doesn't even know what kinds of schemes exist. *'Annuity'* means nothing to her. At this point she's beginning to feel she ought to know a bit more – but is still not really interested. She never really thought actively about pensions until a year ago, when she talked to her parents about it – she'd turned 30, *'Mr Right'* hadn't arrived, and she felt that maybe she should start thinking about the future. *'Maybe before I'd been quite naïve... At this point I'm beginning to think, OK, maybe Mr Right's not going to come along for a while, and maybe I need to start being a bit responsible'*.

Now she's started a new job, and expects to be offered a scheme that she thinks the company contributes to. She wouldn't have asked about it, but if it's offered she thinks she'll probably take it up. However, she knows her father is very disappointed with his pension, which is *'a lot smaller'* than he hoped for.

Her conclusion is that you can't rely on pensions to provide a real retirement income – you need investments, savings, property deals etc. However, she regrets that she's been *'so naïve'* as to have worked for 14 years without having put anything away at all, which seems *'a waste'*, and *'stupid'*. *'I should have had a different mentality when I started working'*. But again, she didn't expect to work for more than a few years before marriage took over.

She says she has a *'very different mentality to lots of modern working women'*. Most of her girlfriends are keen on financial independence, but she'd prefer *'someone else to provide for me'*. She's not interested in finance – *'don't want to look at a bill'*. If she married she would want joint accounts, *'a partnership of sorts'*. Separate finances are *'not my cup of tea'*. She feels if she was embarking on marriage she wouldn't look into pensions issues, much less what would happen to these in the event of separation, divorce or bereavement. These are things she'd expect to *'find out about later'*.

She doesn't know whether she'll get a State Pension, assumes so, but probably not much. She didn't know she could get a forecast, and is quite interested in that. She's heard of SERPS and S2P, but has no idea what they mean. She doesn't know what *'contracting out'* means, or whether she has done so.

## 5.6 Motherhood – children and their needs

The primacy of the maternal role for many women was a very strong theme throughout this research. Respondents with children, from the youngest in our sample through to those past SPA, provided us with evidence of the many ways in which this aspect of their identity has shaped and driven their lives – and sometimes continues to do so even when the children are grown up:

*'Both my kids have recently had second babies, and the whole of the summer and autumn I worked my diary on a day-to-day basis because they might need me – and that's how it is, we feel we have a responsibility to be there for our kids if they need us.'*

(61, married, two adult children, still working part-time)

Later in this chapter we further explore one key aspect of this that is particularly relevant in the context of this research: how women typically adapt their place in the labour market in order to have and bring up their children. But we note here the example of respondents who said they had made careful career decisions, before even having children, to ensure that they were working within an industry or for an employer that would permit them some flexibility as working mothers:

*'It was a conscious decision to go either for the NHS or the county council because of their flexibility for mums to go back to the workplace.'*

(32, cohabiting, children planned but none yet)

The arrival and presence of children may have several interacting effects on women beyond shaping their working patterns, causing them to withdraw, at least temporarily, from the labour market (and sometimes for a longer period), and the adoption of child-friendly working patterns (which may involve part-time and/or lower-paid working). For example, it increases financial pressure on households because children bring additional costs and the household loses all, or part of, the woman's wage while she is caring for them. It also establishes new child-focused priorities for spending, particularly in the mother's mind. A number of women we talked to made it clear that they put their children first, above anyone else, but especially above themselves and their own needs:

*'I don't know whether that's a woman thing, but we tend to make sure everybody is alright rather than ourselves.'*

(27, married, two children, in paid employment part-time)

For example, children are a spending priority for many women with incomes of their own, both in terms of basic necessities and other expenditure (toys, electronic equipment, clothes and so on). This starts when children are babies, but can carry on into adulthood, and represents an important competing demand for money that might otherwise be available to pay into a pension fund:

*'To me my daughter's wedding is the priority. If I had a family then I wouldn't have that responsibility. Once she's gone, the wedding is finished, and I've done my bit. Then I have got my own responsibility to look after myself in my retired life – and to have a good retired life also.'*

(47, divorced, one adult child, working full-time)

We found evidence that the arrival of children can also bring a degree of financial maturity. For instance, the sense of responsibility for protecting and helping children sometimes persuades people that they now need to provide for tomorrow and not just live for today. However, life insurance, health insurance and higher education fees – planning strategies adopted with the interests of children at heart – can siphon off funds that might otherwise be available to pay into pensions.

Moreover the needs and demands of the family tend to impose a short-to-medium-term financial planning horizon, rather than a long-term focus on providing for old-age, by which time the children will be independent. And these restrictions are imposed at a time when it would be in women's best interests to lay down an early foundation for pensions growth.

Some women find themselves so preoccupied with the present when their children are growing up that they don't have time for, or choose to defer any thoughts about themselves and their own longer-term future until later:

*'The kids are still so young, we're so involved with now rather than worrying about the future that we haven't actually sat down and physically done any planning for the future. Also with three young kids there's not a lot of spare pounds floating around.'*

(40, married, three children, not currently in paid employment)

*'I think in my head, once the children are all settled and sorted then you go on to the next part in your life, and you think about what you're going to do there.'*

(57, divorced and remarried, six children)

Once again, if women don't feel able to focus on planning for retirement until their children are off their hands they may then find that they have left it too late to make useful provision.

### **5.6.1 No work, part-time work, low-pay and fragmented work patterns**

For many if not most respondents, having a pension is linked inextricably in their minds with having a job. People in paid work are in a position to have a pension if it is available through work and/or because they have an income that can be invested in a personal pension. Conversely, people who are not in paid work are not in a position to have a pension.

One or two retired women in our sample had spent most of their adult lives out of the workforce. These were women who had left work shortly after getting married and remained at home even after their children had grown up. Younger women we interviewed were more likely to have returned to work after having children, or to have active plans to do so.

This appears to result from three interacting factors:

- There is perceived to have been a shift in terms of what society expects of married women, especially those with children. Some older women said they gave birth in a climate where staying at home almost indefinitely to care for their children was normal and even expected, but there is now a widespread expectation that women will return to work at some point after childbirth, although there is a range of values and expectations about when this should happen.
- Economic pressures in many households militate in favour of women continuing to earn as soon as they feel able.
- Enabling changes are also seen to have taken place in recent years in the availability of childcare alternatives – nurseries and playgroups, crèches, nannies and childminders, and in the way some employers perceive and provide for female employees with children.

However, we found little evidence that the desire to build up their own pension entitlement figures significantly in most women's decisions either to stop work or to return to it. Many said it did not even occur to them to think about issues affecting state or private pensions in considering whether to take time off to have their baby, and when (or whether) to start work again afterwards. Moreover, they were generally adamant that it would have made no difference when asked how they would have acted if the pension implications had been spelt out at the time. This is mainly because immediate issues affecting the children and the family seem more important as well as more urgent than the long-term needs of the parents.

In spite of the cultural and enabling changes discussed above, women in our sample tended to conform to the pattern that national statistics would lead us to expect, especially once they had had children. If they were in work, they were likely to be in much less well-paid jobs than their partners. And mothers were very likely to be in part-time employment and in jobs that fit in other ways around school holidays and term-times. For women in higher paid and professional jobs it may be difficult to pursue their careers on a part-time basis. A few respondents said that they had stayed out of the workforce longer than they might otherwise have done because of this:

*'I worked in childcare, which involves a lot of crisis intervention and out-of-hours work. It would've been very difficult to combine with childcare, particularly as my husband's job meant he worked very peculiar hours and took him away a lot.'*

(61, married, two adult children)

Women work for a variety of reasons: for the money, for social purposes, to keep active and engaged with the world outside the home, and to pursue career interests of their own. But many put their children first. They believe that their children need them (at least part of the time) and they want to fulfil what they regard as their responsibility in this respect. More importantly, many women actively **want** to be with their children, especially when they are very young, but also as they are growing up. Some respondents saw this as part of the point of having children – they were quite surprised at the thought that they might have chosen to set it aside in the interests of maximising pension income, and tended to dismiss this idea out of hand. In these cases, their broken work patterns may to an extent arise from positive personal choices, rather than merely being imposed by lack of access to child-friendly employment:

*'I took the choice that I didn't want to work full-time, and I like being here in the afternoons when he's home from school. I wouldn't change that I don't think. I wouldn't go to work full-time for the future, because I think this is equally important.'*

(45, second marriage, two children aged ten and 17)

Even where this is not the case, in some households the women are the ones who work part-time when their children are born because their husbands are higher earners, and from the point of view of the household economy it would make less sense for the man to do the caring at the expense of his job:

*'There is a great onus on women to be always there for the children. It's always been me who took the part-time job or maybe stopped working because of the children, it was never a question of M did it or I did it. And I sometimes turned round and said, 'Why don't you stay at home?', but he'd say, 'Can you earn the same money that I can?', and I'd say 'Well, no'. So there you go, end of story really!'*

(42, married, two children)

*'In an ideal world I'd like to stay at home with any children (we have in the future), but I think I would probably go out of my mind, so I'd probably end up giving up work but starting a business from home or something like that. We've thought about my partner giving up work to stay at home with the children but he's progressing up the career ladder now, and that may be less of an option in a few years time. It is an impossible situation.'*

(28, cohabiting, no children)

Low pay, part-time work and fragmented work patterns can all be significant barriers to women's independent pension holding. Broken work records result in fragmented pension records, and low pay (whether associated with the type of work or with shorter working hours) limits what women are able to contribute to any schemes they do hold. Movement in and out of the work force can also bring pension penalties associated with having to work out a qualifying period with some employers before being allowed to join (or even re-join) an occupational pension scheme. Schemes that are not transferable between jobs are either frozen or wound up, and our sample included women who had spent rather than re-invested lump sums realised from pension holdings in jobs held for only short periods:

*'About six months after I left, they wrote to me and said, 'You've got this pension, and it can be frozen, or you can just have all the money back', or part of the money or something. So I said, 'Well, there's no point in freezing it', because there wasn't a lot in it – so I had the cash back. I got it just before the baby was born so the money came in handy for buying cots and things.'*

(25, single mother, one child)

Whilst our sample included examples of all of the above, it also included women who own a series of frozen pensions that they have already lost track of, or feel in danger of so doing. Many people find it difficult to get their minds round what even a single pension will be worth, and this inevitably becomes harder with lots of 'bits and pieces' rather than one single contract. This situation presumably gets more common as labour market flexibility increases and is particularly likely to affect women, since they tend to have broken employment patterns:

*'You start one job, you're given a pension, and you pay into it. You leave, you freeze it. You work somewhere else, they offer you a pension, you take that and pay into it for a year or so – then you leave and freeze it. That's frozen and you think, 'Three pensions on the go, what am I supposed to be doing with them?''*

(32, cohabiting, no children)

Women often compromise their earning capacity for the sake of their children, but may also do so to help their partners or to maximise household income, for example, if they lose work and/or change jobs to fit in with their husband's career moves. A few respondents had also given up jobs or lost out on work opportunities to care for family members other than their children.

Partners' views can be a very powerful force influencing women's decisions to have breaks from paid employment or to limit their working hours. This was apparent from many of our interviews, including those with some younger women. However, it is important to reiterate that a great many, if not the majority, of our respondents who had adapted their lives in paid work to fit with the needs of their children or families said that they did so because they wanted to. This is not to say that they wouldn't welcome better flexible employment opportunities or other initiatives to allow them to combine their domestic and working lives more easily, but for most there are at least periods in family life when it remains a much stronger priority than paid work; and vastly stronger than long-term pension entitlement.

## 5.7 Chapter summary: key points

### **Life choices and decisions**

- Women make voluntary and involuntary decisions that affect their financial standing in retirement. The latter are life-choices (for example, to have children or to be a 'stay-at-home' mother) – often conditioned by a whole range of social and economic factors – whose effects on retirement income can be profound but are not necessarily taken into account at the time.

### **Household versus individual level plans for retirement**

- Couple households in our sample varied in the extent to which financial plans for retirement were focused mainly at the level of the household ('household planners'), or mainly at the level of the individual ('individual planners'). They included some hybrid households combining elements of both household and individual planners.
- **Household planners** were fairly common within our sample. We found examples in all age groups, but especially among older respondents. They operate on the basis of a largely-shared household economy and try to optimise retirement income for the household as a whole.

- **Individual planners** tend to have separate retirement plans and other financial arrangements. The aim is to achieve independence for each partner, and to optimise their own financial status in retirement irrespective of the other partner's arrangements.
- **Hybrid planners** cover a wide spectrum of arrangements that lie between household and individual planners. Hybrid planners regard the financial prospects of the household unit as important, but also foster individual interest, for example, as insurance against relationship breakdown or to maintain a sense of individual independence within the relationship.

### **Importance of sharing**

- Sharing of finances within couple households is often seen as very important both in economic and social terms. Many couples place high value on sharing, and the 'household planning' approach tends to be driven by an often deep-seated desire to pool resources, which expresses fundamental aspects of their whole relationship. Sharing also brings greater financial flexibility.
- This seems an important but sensitive area in terms of encouraging greater pension independence among women, going right to the heart of how couples work, what they value and their identities within the relationship.

### **Traditional gender roles and financial planning**

- As noted earlier, gender identity plays an important part in the financial planning arrangements of couples. While it has little or no influence in some households, in many others it is a very important factor, even among younger people.
- In couples where men were mainly responsible for retirement planning, women claimed often to be correspondingly passive and dependent in relation to this activity – lacking in information, interest and motivation, and leaving key decisions to the man.
- Often, both partners were comfortable with this status quo; sometimes male partners were keen to involve their partners more but met with resistance.

### **Motherhood, children and their needs**

- The primacy of the maternal role was a very strong theme throughout the project, children shaping and driving the lives of most mothers we interviewed. Children are important influences on financial preparation for retirement:
  - the effect they have on women's work patterns is one of the biggest impacts
  - the additional costs they bring increase financial pressure on households
  - their arrival establishes new child-focused priorities for spending, particularly in the mother's mind.

- Children are sometimes a catalyst for a more mature approach to financial planning, but new planning strategies are often designed with children and their security in mind, rather than the long-term interests of the mother or the household.
- Financial necessity, social contact and career aspirations are key motivations for returning to work, but children's needs are usually paramount, and affect not only if and when women go back to work, but the sort of jobs they look for. When compared with their male counterparts, mothers are more likely to work part-time for lower pay in order to secure the flexibility they want in order to care for their children.
- The work patterns of mothers are more likely to be fragmented and many lose out on pensions for a variety of reasons associated with this: having to work for qualifying periods before being allowed to join (or re-join) occupational schemes, losing track of small frozen pensions, 'cashing in' non-transferable funds, and so forth.
- However, pensions rarely seem an important consideration affecting women's decisions about stopping or restarting work when children are born.

## 6 When relationships break down

As we have described in the previous chapter, many couple households plan for retirement as a financial unit. Income is shared and the accrual of an independent pension in the woman's name is often not seen as critical. Men frequently take on the traditional male roles of breadwinner and principal financial planner, especially with respect to retirement plans and women are often content with this arrangement. Similarly, women typically retain key responsibility for children and their needs and regard these as more important than paid employment, career, and spending money on themselves, including their own future.

We interviewed couples who had reached SPA who considered this model to have worked well for them. We also interviewed much younger people conducting their affairs along similar lines, especially (but not exclusively) married couples with children, for whom such arrangements seem to make the most sense from various standpoints.

Nonetheless, we have also suggested in preceding chapters that when couples separate or divorce, it has a potential impact on women who are financially dependent in this way. Married women may have rights to any pension assets that have accumulated in the man's name, but we came across a number of cases in our sample where women had relinquished these rights – for example, so they do not have to stay involved with their former partner or tied to him in any way, or so they can keep the family home:

*'I think I had the option then because something had just changed in the law where I could have made some (claim to) that pension – but I wasn't very interested at that stage of having this tie of 30 years. I felt very uncomfortable about that, quite independent. So I decided not to touch the pension.'*

(41, second marriage, two children from first marriage)

*'I think that was part of a package of all the things that I didn't have a hope of claiming. (The divorce) got so nasty that I think I lost my rights to his pension as well. The solicitors guided me. I think it was all tied in with the house. He kept changing his mind about the children. He fought me to get the children.'*

(52, divorced at 36, three adult children)

Cohabiting women have no rights to their partner's pension in the event of separation. Some were aware of this, but others were not clear.

The breakdown of a marriage or partnership emerged as an important trigger for some women:

- bringing about a general financial awakening and emancipation;
- encouraging them to take independent action to prepare for their own retirement.

**Case 5: Katy.** Katy left school at 16 and married young. She worked as a self-employed dance and fitness instructor throughout her first marriage. Following her divorce she was encouraged by her solicitor to 'up your earnings potential' and she began working full-time and taking her career progression seriously for the first time. She now earns £33,000 a year plus bonuses. Katy was very financially dependent during her marriage – *'I didn't know anything'*. However, she has changed all that: *'I started to look at things more from a business perspective. I found I have quite a talent for it'*. Prompted by her move to financial independence following her divorce, Katy took out a small personal pension *'It was a minimal amount but the most I could afford at the time, and it had the option that you could put in a lump sum at the end of the year if you wanted to'*. She continued to pay into her personal pension until switching to an occupational pension three years ago, into which she pays 5 per cent of her salary, matched by a contribution from her employer.

However, in the wake of separation or divorce, many women find themselves in more difficult circumstances than hitherto, whether or not they can make a competent job of becoming their own financial planner and manager. Their priorities may shift to a realisation that they need a pension of their own, but their freedom to generate enough independent income to make this a reality through substantial contributions to a pension scheme may well diminish. If they have children they now have to play their maternal role alone, and children still tend to come first in any equation involving their own versus their children's needs. Women may also be reluctant to jeopardise maintenance payments from former partners by increasing their personal earnings.

One woman told us that during her divorce she spent freely – using up savings and not replenishing them – in order to secure herself the best financial arrangements from the proceedings:

*'Prior to divorce it was very much along the lines of saving so that you've got something for a rainy day. During the divorce procedure that was not the way to go or I would have got totally ripped off. So it was a case of spend what you earn.'*

(36, separated, no children)

A number of our respondents were women in second or subsequent marriages or significant 'live-in' relationships. As we have already indicated elsewhere, there was evidence from within our sample that women entering a relationship of this sort for the second or third time seem generally to be more financially aware, especially than women married for the first time. They were, therefore, now less inclined to:

- rely unquestioningly on the continuance of their new partnership;
- leave the generation and management of household income entirely in the hands of their new partner;
- relax into the assumption that their financial needs in retirement would be looked after by someone else.

**Case 6: Jane.** Jane is 32 and lives with her partner of a few years. She has one young child from a previous marriage that was short-lived and ended in divorce. The house that she and her partner live in together is a detached house of some value that is in her name and represents the fruits of astute personal decisions buying and selling property throughout her 20s. She owned the house before she met and married the man from whom she is now divorced.

Jane is not a graduate, but has had a successful career as an event organiser and still does some irregular contract work for her previous employer. She began working part-time when she became pregnant and felt unwell much of the time. Once her baby was born, she stopped work altogether for about a year before returning part-time. Physically and emotionally this was her preferred option. Her son is her first priority and spending time with him while he is small is of much greater importance to her than working, although she enjoys her line of work and finds it fulfilling.

Jane is an independent-minded woman. She has not relied on anyone else to think about her retirement future for her, and she made sure that her house was not made a part of any divorce settlement entered into with her previous husband. However, she says that when she got married she felt additionally secure in the knowledge that her husband was a 'good earner' and had his own pension arrangements.

The fact that she was at home with their young son meant that as a family they relied more on his income than on hers. If she had stayed married and if she had wanted to continue paying into a personal pension, she feels she would have been happy to ask her husband to make payments on her behalf.

However, now she knows that marriages (and other partnerships) can fail she says she is unsure if she would feel able to ask someone to make payments on her behalf if there is a chance of them not still being together at retirement.

Her new partner is a high earner, but she is still wary of emotional or financial dependency. She also protects her own financial interests. The fact that she cannot depend on being provided for by her partner once she reaches SPA is another source of anxiety for her.

Both Jane and her partner have their own bank accounts. She receives maintenance from her former husband to pay for her son and she uses her own money for most things to do with the house because she hasn't really let her new partner 'in' yet. They do not have financial secrets from one another and would talk freely about any savings or pensions arrangements they each have, but they do not yet make assumptions about sharing the benefits of any of these.

Women entering relationships with men who have been partnered before may also be more likely to have some awareness of a need to prepare independently, or at least have some independent plans. As one respondent in this position told us:

*'Nobody knows for certain what's going to happen in relationships. Although it's important for us both to do our separate pensions as a goal to provide for both of us, the separate pension for me is a security net in case something happens between me and G. Twenty years down the line things may be fine and we might be aiming for the same goals as now – but we may be living separately, and I may be a single mum. It's something I need to think about for myself, so I have a pension for myself when I retire.'*

(24, cohabiting expecting her first baby)

But in spite of the widespread awareness that partnerships often do break down nowadays, there seems surprisingly little reflection of contingency planning in most people's approach to retirement income. For older women this might be explained by the culture they grew up with, but there were surprisingly few signs of precautionary planning even among many women in younger age groups, although independence is more of a cultural norm for them. This is probably explained by two points we have made before:

- the idea of providing for retirement is so distant on most people's mental horizons that it just doesn't rate as a priority. There are many other factors in most relationships which make more urgent demands on people's attention;
- if a partnership seems to be working the last thing most women (or indeed men) want to ask themselves is what happens if it comes apart. They either don't see termination as a serious risk, or don't want to tempt providence, or don't want to face up to the implications of planning on the assumption that it might be. It is uncomfortable to contemplate the prospect that a relationship which forms the core of their present world may prove vulnerable, whether through death or the disintegration of the partnership.

## 6.1 Chapter summary: key points

- Our research confirms that the breakdown of partnerships can have important adverse effects on women if they have been financially dependent within a relationship and have few independent retirement assets of their own.
- Divorced and separated women entering new relationships seem less likely to leave financial matters unquestioningly to their partner or to assume that their financial needs in retirement will be looked after by someone else.
- Many women develop a new and more independent approach to financial planning and management in the wake of separation or divorce, but their scope to enhance their pension status significantly is often limited, particularly if they have children.
- Although partnership breakdown is now recognised to be common, comparatively few couples seem to make contingency plans about retirement income in that event; partly because pensions do not seem a pressing enough concern, but also because it is difficult for a functioning couple to face up to the possibility that it may not last.



## 7 Men's perspectives on women's pensions

This section is based on interviews with 27 male partners of our main sample of women. These were carried out in order to obtain a rounded account of the circumstances and financial plans for retirement of some of our sample households, and of the perspectives of both partners which might have a bearing on women's retirement plans and provisions.

The first point to make is that the men in the sample often (although not always) seemed better informed about their own financial plans for retirement than their partners were about theirs. However, it is also true that, like women, they displayed a fair degree of uncertainty about these arrangements: what they are, how they work, and, in the case of pensions, their current and projected value. Men did not know if they have done, or are doing, enough to prepare financially for retirement. And although they were often able to put on a better show in talking about financial planning than their partners, our overall impression was that this often concealed a great deal of ignorance, doubt and anxiety.

As might be expected, men in our sample were often, if not always, the main income generator within the household. In so far as we came across explicit financial plans for retirement within these households, the most important of these generally took the form of pensions held in the man's name.

In a number of cases, the men we interviewed were quite clear that they regarded it as an important part of their identity as men to be in charge of the family's financial plans for retirement and to provide an income for retirement as they had during their working life:

*'The male has always had a higher income normally. He's worked longer because there's no break for children because when we had kids – I am probably a bit old-fashioned or male chauvinistic – I felt it important that (my wife) was at home. So that stopped her working. I think that we're better off because of that.'*

(45, married, two children)

Some men did not look for any input from their partners (financially or otherwise) and a few said they positively did not want it. Others had tried but failed to generate much interest from their partner about planning retirement (or other) finances. On the specific subject of pensions, a small number of men in our sample just did not regard it as important for their partner to have separate pension provision of her own.

In a small number of households where we interviewed both partners, the woman had a very active involvement in financial planning for retirement and their partner more of a back seat role. This was true, for example, of one couple in which the wife was the person with the acknowledged 'head for figures' and facility with 'paperwork' and official forms:

*'If you ask me how much is in our bank account I couldn't tell you. She likes to do it and I'm quite happy to let her do it. If I need anything I know the money is there if I want it. If it were in my control it wouldn't last as long as it does, I'd imagine.'*

(M28, cohabiting, one child from his previous partnership)

In another family, the wife was the main financial manager carefully controlling the income generated largely by her husband and extending this role to cover planning for retirement. She had put pressure on her partner to join his employer's occupational pension scheme although he was uncertain about how the scheme operates.

As we have already noted, we also interviewed couples where both partners were actively involved in financial planning and preparation for retirement.

When we discussed with men the issue of independent pensions for women, few were unable to see the point or value in it and in general the benefits were perceived as evident. Although we have already noted that some men feel it is personally important to be the sole provider for their family both before and after retirement, this is probably not the main barrier within households to women having pensions of their own.

Some men felt they knew about what happens to retirement finances when married couples break up because such cases were often much discussed at work, where he is a member of a secure public sector defined benefit scheme. More typically, however, the men we interviewed seemed to have given little explicit thought to the implications for their partners of their current retirement plans in the event of separation or divorce.

Perhaps more surprisingly, we found that a number of male respondents had given little detailed thought to their partner's position in the event of their own death, either before or after retirement. Men sometimes assured us that their partner would be 'alright' if widowed, that they would receive money from insurance policies or from pensions, but there was often little evidence that this had been worked through to a realistic conclusion.

As we have noted, the situation in the event of termination of partnerships either through death or breakdown was not something that men had often discussed with their partners, perhaps, again, because it is not one that is easy to raise or to contemplate. Like the women interviewed, the male respondents were often uncertain about what would happen to their pensions if they died before retirement, and were often unaware of the options following retirement to purchase single or double life annuities in the case of defined contribution schemes.

## 7.1 Chapter summary: key points

- Men often seemed better informed than their partners about their financial plans for retirement. In some cases, they were even better informed about their partners' arrangements. However, we still came across a large degree of ignorance, uncertainty and anxiety.
- In a number of cases, our male respondents made it clear that their role as breadwinner and financial planner was important to them and did not look to their partners to share this role. Some did not regard it as important for their partner to have an independent pension.
- When we discussed the issue of independent pension provision for women, most were able to see the benefits but the implications had not often been fully thought out or faced up to, and little had usually been done by way of implementation.



## 8 Other factors affecting women's pension status

Chapters 5 to 7 dealt with factors relating to the retirement (especially pension) status of partnered, and previously partnered, women. Most of the issues raised were particular to women. This chapter brings together some other important factors (many of which we have touched on elsewhere) that affect women's pensions. However, most of these also affect men to some degree.

### 8.1 Lack of perceived saliency of retirement

A key factor affecting the take up of pensions by women is that retirement is not perceived to be personally relevant or salient until it approaches. A number of the older women we interviewed said that they did not really start to consider retirement or how it would be paid for until they were well into their 40s and, not uncommonly, their 50s.

### 8.2 Problems understanding the pension system

Another important factor is the real, and perceived, difficulty women have in understanding the workings of the pension system or of particular schemes within it. We showed in Section 4.3.4 that women in our sample were frequently uncertain and lacking in information about their own current pension arrangements and this we take to be symptomatic of a wider lack of knowledge and understanding.

In respect of private pensions, there are questions about how they work, what they cost, what benefits they yield, and whether they affect State Pension entitlement. In respect of the State Pension, women are uncertain about whether they will get one at all, how much they will receive at what age, and what the qualifying criteria are. Respondents also demonstrated uncertainty about what happens to their partner's pension if the partnership comes to an end, or if their partner dies either before or after retirement.

As we have already observed, our evidence suggests that limited knowledge or understanding of the pension system is a factor that affects women to an even greater extent than men. There is probably a range of reasons for this, including both resistance to the subject matter (difficult, boring, a 'man's thing') and fewer opportunities to learn about it (for example, if they are at home with children rather than in paid employment with access to work-based sources of information and advice):

*'I feel that I'm ignorant in those kinds of things. I should probably understand but I've always thought that it wouldn't be my place to do that, I would have a partner and I'd let him deal with things like that rather than myself. I think it's sort of inbred for men, and something they've had to deal with all their lives. Their dads would say, 'Well now son you're getting older, you've got to think about this', and the information sort of passed to them. Girls are brought up to look after the house and the kids and let the man do that.'*

(37, lone parent, three children)

*'To me it's just mumbo jumbo. He seems to know what he's talking about because he used to be a union chap fighting for workers' rights for pensions. Men seem to understand pensions more than women do. I don't know why, whether women just don't find it very interesting, or, like me, just don't understand.'*

(45, second marriage, two children)

*'I've heard about them (different sorts of pensions) but I don't really understand them. That's difficult to admit because today in society women are supposed to be equal to men, so we should be clued up on these things. Unfortunately, not all of us are.'*

(37, lone parent, three children)

**Case 7: Shirley.** Shirley is 48, married with one son aged 15. She had a full-time job for the local council between the ages of 19 and 34, stopped work for six or seven years after her son was born, and started again on a part-time basis at the age of 41.

She hadn't thought much about pensions until a couple of years ago, when she saw publicity about needing to top up your State Pension. This was about the time she started working again, and she signed up for the council's pension scheme. She had paid into their pension when she first worked for them and signing up seemed the obvious thing to do. She assumed they would 'all join up eventually'.

She doesn't feel she knows much about her scheme, and she didn't think to ask much about it. She says the employer pays into it, but she doesn't know how much. She gets '*a thing come in every year from the pension, saying how much they've contributed and all of that*' but '*I don't even particularly read it, if I'm totally honest*'. She's '*not particularly curious*', but also '*I probably think I won't make sense of it anyway*'.

She hasn't any idea about how much her accumulated pension might be worth. It sounds like a final salary scheme, but she had six or seven years out of work looking after her child and is now working only part-time. Her husband also has a pension, which is about to mature (he's 60), but she doesn't know how much that's worth either. Nor does she know what either of them will get from the State Pension – or what this depends on. She says she's never heard of SERPS or S2P, or about contracting out. Nevertheless, she seems optimistic and incurious about the family's retirement income, in spite of her lack of knowledge about how much they'll have to live on.

She is aware that she could put extra money into her occupational pension. She thinks she might do that, but will review it later, maybe when she's 50, because then it will be only ten years away and will begin to seem more real. She doesn't seem to have any sense that, at 48, she's already left it late for thinking about topping up. They've never sat down and thought what they need to pay in; they just pay what they pay and hope it's OK.

### 8.3 Mistrust of pensions

Earlier we commented on the widespread mistrust of pensions encountered in our interviews. In a few cases this stemmed directly from bad personal experiences with pensions or from the experiences of family members or friends:

*'The way pensions are going at the moment long-term things are not looking optimistic, and that discourages me from topping up. It's more going back to the safe saving deposit account...low risk. Having been burned by the endowment policy and knowing what's happened to some pension funds it's not something I'll be leaping into.'*

(36, divorced, no children)

However, we also found negativity resulting from media coverage of pensions 'scandals' and reports of pension value wiped out by stock market losses. Pensions increasingly seem an uncertain type of investment, and some people are concerned that people with pension contracts do not seem to have any control over what happens to them – particularly worrying if anything goes wrong. Putting money into a pension seems to demand blind faith in the people that run it – whose performance in recent years seems at least questionable:

*'I see the pensions industry as desperately unstable, and I fail to understand that you put a lot of money into something you have no control over...I just like to be able to see what's happening and have some input into it, whereas with pensions you don't have that.'*

(28, cohabiting, no children)

Concern about the perceived high risk of pensions linked to the fortunes of the stock market has affected the behaviour of a number of women we interviewed, for example, deterring them from investing in personal pensions as well as from taking opportunities to top up their pension pots with AVCs. Some respondents, interested in making financial plans for retirement, said they had considered or turned instead to other forms of investment, including property:

*'We often talk about the future and where we want to be financially. We are renovating this property for a short-term home, as a project and as an investment. Our ultimate aim is to purchase a couple more houses to rent out like a retirement fund. I refuse to have pension schemes other than my occupational pension. I want to invest in bricks and mortar because I'm a bit of a control freak, and I want to be able to see an investment, and not let somebody else play around with it.'*

(28, cohabiting, no children)

However, in only a handful of cases were we provided with evidence of these spoken intentions being put into practice.

**Case 8: Joanna.** Joanna started work at 20 while still living at home with her parents, and began contributing to a personal pension. She says this was a decision consistent with her personality as someone who has always saved and liked to plan ahead. However, the main impetus came from her father who suggested that she invest some of her surplus income in this way. At the time her parents were entering retirement, and beginning to travel and broaden their interests. She felt that they were *'doing something right'*, and was, therefore, willing to take his advice.

Nonetheless, she was unusual among her friends, most of whom had gone to university and were struggling *'to establish themselves'* throughout their 20s. Any spare income they had after paying student debts and housing costs was more likely to be put towards health insurance. Her friends laughed at her, but she took their teasing lightly, secure in the knowledge that she was building something up for the long term.

In addition to her personal pension, she made contributions towards two or three different occupational pension schemes offered by employers she worked for in her 20s. However, she restricted the amount she put into these schemes because she was already paying into a personal pension. On leaving a job with an occupational pension, she either froze it or, if permitted, transferred the accumulated sums to her personal pension.

At intervals during her 20s, Joanna increased the amount she was paying into her pension, but claims to have been slightly inhibited by a feeling that it was somewhat 'sad' for such a young person to be paying so much towards their retirement.

Joanna's well-laid plans and her confidence in the path that she had chosen were 'shattered' when the company whose scheme she had been investing in announced that it was under-funded. On advice, she transferred her funds to a new company, but the transfer took longer to organise than she had expected and during the delay, the value of her pension pot dropped considerably. Thoroughly disillusioned with the whole business, she stopped paying into a personal pension and has since been saving spare funds in a high interest savings account. But this money is not earmarked for retirement so much as for emergencies and other needs in the short- and medium-term.

Having been someone who thought about retirement, the fact that she is no longer making provision for that stage in her life is a source of great stress for Joanna. She avoids reading about the predicted pension crisis because of the anxiety it creates. She feels paralysed by her bad experience and by the fact she does not feel that there is anyone who can be trusted to give her sound, foolproof advice. Joanna has had some luck and success with property in the past, and she feels that this may provide the answer to her need for retirement income. Her house is her biggest current asset and she hopes that at some stage she will be in a position to buy to let. Currently, however, most of her limited and sporadically generated income is already earmarked.

## 8.4 Paid employment and linked pension schemes

Having a job is currently perhaps the key variable associated with pension provision. Paid employment is the main route through which National Insurance Contributions are made towards the State Pension. It gives access to employer-provided pensions and it supplies income that can be invested in personal pensions. Work and pensions are linked in people's minds and having a job is likely to trigger thoughts of having a pension. Conversely, not being in work tends to deter people from thinking about taking out a pension.

We found that certain types of jobs and employers were likely to be associated with women joining pension schemes available through work. In particular, respondents working for public sector organisations and other major employers offering final salary schemes usually perceived these to be 'good' schemes and were likely to have joined up. They also often reported a positive culture in the workplace surrounding such pension schemes, with encouragement to join both from workmates and from advisers at work:

*'She's quite high up in the profession, and she sort of made me aware of it, the fact it was important that I paid into my pension.'*

(24, cohabiting, expecting her first child)

*'When you're 25 you don't think pensions, do you? But they (advisers at work) talk to you, they lay it down and they talk you into it and say, 'You're only 25 but it's not that far away', sort of thing. And it is nice to have that bit of security, isn't it, something that you're going to have for the future.'*

(37, married, two children)

Not all women in our sample who were members of occupational schemes were aware of what contribution (if any) their employers were making, but where they were, such schemes were generally viewed in a positive light (providing 'free money').

A few respondents said that joining occupational pension schemes early in their working lives provided an introduction to the world of pensions and an incentive to maintain connections with it. Some women told us they were pleased that they had joined employers' schemes when they started working, although they did so without much planning or forethought at the time.

A number of the women we interviewed expressed strong views about the benefits of joining employer schemes where contributions are deducted at source. Money paid out in this way is not missed and a discipline is imposed that many women feel they would have difficulty maintaining in the face of other competing uses for income. In some companies, joining seems to be accepted as natural, easy and fairly painless, and seems the normal thing to do. The inertial decision is to join rather than to stay out:

*'I just joined it because it's easy and straightforward, and the financial people just came, and it was easy to sort out. We pay in so much and they pay in so much, so it just seems pretty sensible. It's free money isn't it? So I took it.'*

(36, married, two children)

*'I don't mind paying a pension when you're earning some good money and it's coming straight out of your wages. You don't see it and you don't miss it. It doesn't matter.'*

(25, single, one child)

*'Sometimes it does grieve me to think that they're taking £130 off me. But things crop up – like the car might break down and need doing or the telly blow up or something. I think that if it's took out of your wages then you know what you've picked up. I don't have to cater for my pension going out, so you just don't miss it.'*

(24, cohabiting expecting her first child)

One respondent felt it was important to be able to transfer pensions between jobs in order to encourage people to keep paying into them. Pension portability is particularly important to many women, because of their broken job records – but it is not a widely understood topic.

## 8.5 Family influence and advice

Family role models play an important part in the lives of some women affecting positively or negatively their attitudes to retirement and to financial planning for old age. Family members can also be important sources of advice for women. Fathers (and to a lesser extent mothers), exerted a positive influence in the lives of a number of women we interviewed, especially if they were perceived to have been successful in conducting their own financial affairs:

*'I had a father who always said it was best to put into a pension, even if it means going without a little bit now, but thinking of your future. My father was very much financially organised with pensions and everything – so my mother's life is wonderful.'*

(46, second marriage, one child)

But personal contacts can act as positive or negative role models. Some women wanted to emulate their example, but other respondents were put off pensions by bad experiences of family members – for example where payouts had been lower than expected. So a woman whose father was a practising advocate of pensions might want to follow his lead if it seemed to have bought him a comfortable retirement lifestyle; but, conversely, might take it as an awful warning if she saw his hopes dashed and his thrift wasted.

## 8.6 Lack of certainty about the future of the State Pension

Concern was often expressed about the size or future of the State Pension. This can be depressing, but has sometimes been a trigger for investigation of private pension options:

*'They're already saying that the old people years ago saved into pensions for the people now – but there isn't enough to go round now.'*

(42, widowed and divorced, adult children)

## 8.7 Chapter summary: key points

- This chapter brings together important factors affecting women's pension status not already dealt with in Chapters 5 to 7. Other research has shown that these affect men as well, although often to a lesser extent. These factors include:
  - lack of perceived saliency of retirement, women failing to think both realistically and in personal terms about retirement, and the need to think independently about providing an income for later life;
  - problems understanding a pension system that seems inherently complex as well poorly explained;
  - mistrust of pensions, which seem increasingly risky, especially personal pensions;

- absence of paid employment, and its linked pension schemes;
- family influence and advice that can have powerful effects both in terms of encouraging women to invest in pensions and putting them off;
- lack of certainty about the future of the State Pension – fairly widespread among our sample members, and triggering some to explore private pension options.

# 9 Differences between cohorts

## 9.1 Generational change

When we embarked on this research we expected to find major differences between generations of women in a few key areas. In particular, we expected younger women to be more interested in making independent provision for themselves in retirement rather than relying on partners than their mature counterparts had been at a similar age. We anticipated that young women would be more interested in financial independence and more aware of the increasing risk of relationship breakdown.

It was often quite difficult to disentangle cohort effects from other differences between women in our sample, but our evidence supported this hypothesis, although to a more limited extent that might have been supposed.

The older women interviewed tended to make it clear that they had given little, if any, thought to their financial status in retirement when they were young, because they had made unquestioning assumptions about being provided for by their husbands, in line with the prevailing culture. Many had married at a young age (late teens and early twenties) – often only once they had saved enough as a couple to buy their first house – and had settled into a life in which they expected to be cared for financially in return for making a home for the family, and bearing and looking after children. This is how one respondent recalled it:

*'You aimed for marriage. The woman has a certain role in life. The gender issues were quite split, they weren't blurred as they are now. And my ex-husband was somebody who wouldn't do certain things in the house that were seen to be a woman's role. He would sit down at the end of the month and go through the bills and things that had come in, and write the cheques.'*

(62, divorced, adult child)

Older women were more likely than younger women to feel that they had had few alternatives or options when they were young. Getting married (fewer women in those days cohabited with their partners) was a primary goal in life for women, as was having children. Being a housewife for most, if not all, your married life was the norm and, barring misfortune, it was reasonably safe to assume that the marriage would last into retirement.

Women who had gone on to have children, expected to look after them themselves with little or no help from others. Playgroups, nurseries and other similar childcare facilities were thin on the ground, and to go out to work when children were small, or even once they were older, was to kick against the norm. Moreover, employers favoured single women and did not welcome mothers.

Older women in our sample recognised that their younger counterparts are less able to rely on their relationships to build secure financial units, and are vulnerable to the pressures of combining motherhood with paid employment:

*'It's different now for young women, because they're going to have to do pensions aren't they? When we were younger it was the man that worked either in the factories or where they went they had a works pension – but there's not many women did, most women stayed at home with their children in my day, not many worked. It's a bit different now.'*

(58, separated, five children)

However, they also remarked on the opportunities that young women have nowadays to pursue careers or paid employment on a par with men. This was seen to be true especially of single women and women without children. But there was also seen to be much more opportunity for married women with children to go out to work, earn money and pursue job satisfaction through a career, and ensure a degree of financial independence.

Younger women in our sample were less likely to have married or be contemplating marriage at such a very young age. Cohabitation is a socially acceptable state of union and is entered into with varying degrees of commitment or expectation of the relationship enduring. Younger women were more likely than the older women we interviewed to have had a certain amount of work experience by the time they entered their (first) partnership and to have had the opportunity of taking up an occupational pension scheme.

For the most part, younger women seemed to value a degree of financial independence and agreed that the ability to earn a living is important for women nowadays in the face of the increasing instability of partnerships. The notion of independent pension provision among younger women seems more 'normal', and positively desirable to some, even among those who expect to be relying heavily on their partner's pension in retirement. For a few young respondents (including partnered women) independent pension provision was a high priority.

**Case 9: Hilary.** Hilary is 28, lives with her partner of two years and describes herself as coming from a working class background. She has a degree and a highly paid job in IT, which means that she works long hours and travels widely. Hilary is financially very ambitious and wants to be able to stop work while she is still young enough to enjoy the freedom. She has dedicated herself to this goal and is very single-minded and strong-willed in its pursuit. She has clear plans for building up a retirement income through a mixture of employer-linked pension fund and freelance property development, beginning with their current property. She would like to have children and is developing her financial potential as quickly as possible in order to be able to make space for children when she is in her mid-thirties. By that time she hopes to have achieved much of what she has set out to achieve, and expects to be able to allow her partner – currently the lower earner but on a rising trajectory – to be able to take over as the main income generator.

Most of the foregoing paints a picture of ‘climate change’ among women. Personal futures are more complex and difficult to predict than they were a few decades ago, relationships take a wider range of forms and there is much less certainty about how they will work out in the longer term. Younger women expect to work, whether or not they are in partnerships, and even after having children, albeit on a changed basis, and there are now more opportunities to enable women to work as well as look after their families.

But in spite of all this change, in how things work as well as in attitudes, we found evidence of a great deal of continuity in some of the fundamentals of family life that have profound implications for women’s pensions and the pension gap. In some ways, the similarities were more striking than the differences. As expected, we did find clear signs of generational change, and the case for financial independence both before and after retirement, seems more obvious to younger women than to the older generation. But traditional attitudes often persist even among younger women, and even where views have changed, their effect is often diluted by the many other factors discussed in earlier chapters (especially Chapter 6) that continue to shape women’s lives. These include the priority women accord to their children and the persistence of traditional gender roles even in young couples (albeit in looser forms).

Although the evidence is frail, we suspect that though younger women think more about their independent financial provision, and make more realistic assumptions about partnership and break-ups, these are not always carried forward into their own personal relationships, especially if they marry or have children.

In particular, there are only limited signs that culture change has led to widespread changes in behaviour when it comes to providing young women with better or more independent pension entitlements. Even among young women pension provision still does not often come across as a real financial priority. They may be more aware

of the need for independent provision, but there is not much evidence that many are taking adequate steps to plug the gap, for all the reasons set out in earlier chapters.

## 9.2 Experiences of older women

Our research involved interviews with a number of women over SPA who were able to provide us with a retrospective analysis of the decisions they had taken that had affected their financial standing in retirement.

All had been married, some still were, mostly to their first husband; others were widowed, and yet others divorced. As we have already indicated, the marriages of most women in this age group had followed very traditional lines, especially in the early years. If they had been in paid employment, they were likely to have paid the married woman's stamp, and this seemed to have been a more or less uncontroversial decision at the time.

At least one respondent, however, now bitterly regrets the choice that she made. Separated and then divorced in her early 50s, she had worked part-time in order to care for her four children and was not entitled to her own State Pension when she reached retirement age. Her ex-husband worked for a large firm and paid into an occupational pension that now supports him. She is in receipt of Pension Credit and says that she gets by only by 'scraping'. She feels that her situation is very unfair since she contributed to the life of the household in ways that were at least as important as the financial contributions made by her husband. She believes that the pensions of couples should be in joint names to prevent one person (usually the woman) from losing out in the way that she has done:

*'A couple, when they get married or whatever, should both have the same pension and should both pay them in his name and her name – because I couldn't pay a penny – and I did without all those years to pay my husband's pension, and I didn't get a penny, not a penny.'*

(61, separated, four children)

Another respondent was advised by her employer when she married at 19, not to pay the married woman's stamp, and she took his advice simply because it had been offered, and the couple were not struggling for money at the time. Now she is very pleased to have made contributions towards an independent State Pension, although she is still happily married and she and her husband are financially secure. Neither partner has a private pension (occupational or personal), but they have other savings and investments, including properties that generate rental income. Her pension is paid into a joint account on which they both draw, but she feels it provides her with a degree of independence.

In a few cases, older women in our sample were forced to face negative consequences of financial dependence in their 40s and 50s, because they had been either widowed or divorced. All described the difficulties this had brought them both financially and in other ways, as they struggled to get to grips with financial

management and planning, and with generating an income to live on for the rest of their lives. Returning to the workplace, increasing their working hours, learning about their options for retirement planning and money management had been major preoccupations in most cases.

One respondent who married young and divorced in her mid-forties gave up working when she married. When her marriage ended so did any claim to her former husband's private pension and this was one factor that propelled her back to work. She re-trained at graduate level and started work full-time for the local authority. She has extended her working life past SPA because she is still worried about her income when she stops working. But she says *'I don't want to work into my seventies thank you Government'*. She has worked to understand pension issues and has used the services of an independent adviser since shortly after her divorce but still finds the issues difficult to grasp fully:

*'There's far too much information out on all these pensions and so forth, which actually clouds the issues. There is too much to understand. I mean what is a stakeholder pension, SERPS, AVCs? Everything's got a different name. What do they all mean? It's alright if you're working in that field, but if you aren't it becomes a confusing jumble.'*

(62, divorced, one adult child)

The final story from our sample concerns a woman who worked for only a few years before starting a family. She never returned to work, even after her children had grown up, partly because both she and her husband hold traditional views about men and women's roles – *'We chose that I was at home'*. Her husband had a 'good job' and paid into an occupational pension and she believed that their financial status in retirement was assured. However, he was made redundant when he was in his early 60s and his pension will not be paid until he reaches 65. Meanwhile they both live off Pension Credit. She found she was eligible for a small pension payout from an occupational scheme she contributed to when she worked, but this sum is deducted from his Pension Credit payments. She is very upset by the way things have turned out and has found events very frightening. Their lifestyle for the time being is very constrained and she is frustrated because neither of them could work to supplement their current income in small ways because, *'They'll just penalise us, take it back off you'*.

Retired women whose personal experiences had underlined the risks inherent in financial dependency in respect of retirement plans were not alone, however, in recognising these. Many older respondents thought it important nowadays for women to have their own financial plans for retirement, especially because of changing patterns of partnership, but also because of general cultural shifts in the roles and expectations of men and women.

### 9.3 Chapter summary: key points

- There is some evidence of a cultural shift over time. Younger partnered women are more likely to feel it is important to have their own pension than their more mature counterparts did at the same age; there is a generally greater sense of independence among younger women, and awareness of changes in partnership patterns, with more women cohabiting and high rates of partnership breakdown.
- When older women were young, their aspirations were more likely to have focused on marriage and children. They were more likely to have expected to give up work when they married or had children and to accept financial dependency throughout their lives. Childcare options were limited and cultural norms tended to dictate that women looked after their children themselves. Women expected their marriages to last and lived their lives in anticipation that they would. They expected to benefit from their husband's pension when they reached retirement age.
- Younger women that we interviewed were less likely to have married or to have married young, and tended to have spent longer in the workforce before entering their first partnership. They recognised that younger generations could depend with less certainty on their relationships lasting, and were more likely to feel it important for women to be able to earn a living and make independent pension provision.
- However, some traditional elements persist within the lives of many younger women, (especially those with children) and other factors combine to dilute the effects of culture change. Young women are more often aware of the case for independent financial provision, but this does not necessarily bring about action to plug their pension gap.

## 10 Information, advice and support

In general, our evidence suggests that women do not feel that help and advice in the area of pensions is readily available.

Information and advice that women in our sample said they had acted on, for example, deciding to invest in a pension or joining an occupational scheme at work, came from a variety of sources. Important among these were close personal sources, trusted figures of authority such as parents (especially fathers), and 'qualified' friends – people working in finance and related fields:

*'I always go to him for advice, I do speak a lot to my father about finances.'*

(37, married with two children)

Also important were figures at work, employers and their advisers as well as colleagues able to spell out their understanding of the pros and cons of different courses of action. Banks were an important source of advice for some women and, in a few cases, they mentioned other professional financial advisers.

One or two women we spoke to had evidently taken important investment decisions simply in response to commercial advertising on television or through the post, sometimes without apparent concern about its possible partiality. Our sample also included one or two financially literate and confident women who regularly browsed media reports for information relevant to their retirement plans.

The main complaints about sources of information and advice that we received from women concerned the scarcity of readily-accessible, low cost, independent and credible sources of information about pensions. Many women are concerned about not understanding enough to be able to ask sensible questions or comprehend the answers they are given:

*'I'd go to my bank, but I probably wouldn't understand what they were talking about, and I'd feel stupid saying, 'I don't understand!'. I need someone who can talk English instead of this bank stuff.'*

(25, single parent)

Good sources of advice about personal pensions were felt to be particularly thin on the ground:

*'The information is only as good as the person telling it and most of them have got a financial incentive somewhere. I don't trust anyone to give me really impartial advice because I don't think there is such a thing. This is another reason why I've shied away (from investing in a personal pension scheme).'*

(46, single no children)

The importance of making the right decision when it comes to retirement planning and investing in pensions increases the sense of frustration, anxiety and lack of control induced by a complex pension system (*'nothing is simple when it comes to pensions'*). It seems obvious, but it is worth noting that women (and men) need either to feel sufficiently in command of the 'facts' to be able to make informed decisions and choices, or to be able to depend reliably on the judgements of someone else. At present, neither option seems to them to be widely available:

*'I would consult a financial adviser but they just scare me, because there are big words. And I know this is going to sound silly, but when I was a kid I always thought that adults knew what they were talking about, but as I've got older I think, 'What a load of piffle'. It's like when you go to the doctor's and they're paid to sit there and listen, and they say, 'Have you tried this?', 'Well it must be this then', and it's just trial and error – and I think, 'Crikey, what have I come to see you for?'. Financial advisors would be juggling with my money like that.'*

(30, single mother with child aged 11)

*'At times I've thought that I should go to a financial adviser just to get a summary of what I should be doing – but at the same time they're only crystal ball gazing as well, they don't know what's going to happen to the markets.'*

(36, divorced, no children)

Decisions about the financial affairs of a lot of women are made by proxy through their partners and this suggests that an important target for advice aimed at closing the pension gap should be partnered men. Young women should also be a prime target given the importance of women starting early to prepare financially for retirement.

In the context of this project, we suggest there are a number of key areas of information and advice that are paramount. These include the whole area of planning for a retirement income including the various options, their benefits and risks, and how to weigh them up in order to make a decision tailored to personal circumstances. They also include advice about how to optimise the balance between household planning for retirement and individual planning, as well as simply drawing attention to the importance of doing both:

*'I think women should be made a lot more aware that it's not always the right thing to be dependent on a man. 'We'll have our pension together' – but it doesn't always work out like that.'*

(45, cohabiting previously partnered, four children)

In this context, much better information is also needed about the possible financial consequences of widowhood, separation or divorce and how to maximise protection. Suitable information about the pensions implications of the different ways a partnership can end might make it easier for the parties to discuss these sensibly and come to terms with them. Information is also needed about most basic aspects of the State Pension system:

*'From a woman's point of view information on pensions would be good, on the fundamentals of paying a stamp. If you took time out how does that make a difference? Is there anything about being a married woman that makes a difference? Simple things we all wonder about but never bother to find out.'*

(32, cohabiting, no children)

## 10.1 Chapter summary: key points

- Women recognise the importance of making the right decisions when it comes to financial planning for retirement, but do not feel that information and advice is readily available. Advice that women had acted on about pensions appeared mostly to be provided by close personal sources, people at work and 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. Various inhibitions emerged:
  - some women lack confidence to consult professional advisers, fearing they will not be able to 'speak the language' or frame sensible questions;
  - some also think professional advice is costly, meant for people with lots of money;
  - advice may be unreliable or self-interested (and, therefore, untrustworthy).
- Many women consult their partners, or even depend on them to make financial decisions on their behalf.
- Important areas for information and advice aimed at women include:
  - different options for planning retirement income, and their associated risks and benefits;
  - how to optimise the balance between household planning for retirement and individual planning;
  - the financial implications of widowhood, separation or divorce, and ways in which these can be mitigated;
  - basic aspects of the State Pension system, including building up rights and the existence of entitlements such as HRP.



# 11 Policy implications

## 11.1 Introduction

The Government's 2002 Green Paper on working and saving for retirement<sup>5</sup> attempted to assess the extent of pension under-saving. It identified a range of initiatives aimed at overcoming inadequate income in retirement, including measures to tackle a variety of barriers identified as perpetuating differences between men and women in terms of:

- the proportions who have private pensions;
- the value of these pensions (both State and private).

The Government has already taken action to enhance the State Pensions that women accrue, offsetting labour market disadvantages they face as a result of caring and other gender-related responsibilities. The measures in the Green Paper (and subsequent Command paper<sup>6</sup>) to provide information on working and saving options aim to improve the information women obtain and raise their awareness of pension issues.

Our research confirms the importance of these initiatives, but shows that awareness of pensions issues remains low among women. It also extends understanding of women's attitudes and behaviour in respect of pension planning in ways that suggest additional new emphases if not new directions for policy-makers. The most important of these arise from our findings in relation to partnerships, financial planning and decision-making within households, and the life-stages at which women make financial decisions.

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<sup>5</sup> Simplicity, security and choice: working and saving for retirement, DWP 2002.

<sup>6</sup> Simplicity, security and choice: Informed choices for working and saving, Cm 6111 DWP 2004.

The research demonstrates that policy-makers need to find ways of highlighting two key messages:

- the need for women to accumulate pensions in their own right; and
- the need to increase the priority given to pensions by both women and men, particularly within families.

This chapter outlines general areas which the research indicates policy-makers need to consider.

## 11.2 Increasing saliency of retirement

The research reinforces facts that are already well understood about the lack of saliency of retirement for women (and indeed for many men as well). Retirement is seen to belong to tomorrow, not to today, and to an older self that many women find difficult to identify with or are even reluctant to do so, especially if they have anxieties about later life. Many have little idea how much retirement income they will need, particularly at early stages in their lives.

The findings also suggest that some women have difficulty in thinking about their own retirement (the end of paid employment) because their working lives are not well-defined. They fail to conceptualise their retirement in a personal way as something which needs separate consideration; instead they tend to think in terms of their partner's retirement, which tends to be more easily defined by the end of full-time paid employment, and hence seems more 'visible'.

Policy-makers need to promote a **personalised** awareness and acceptance of retirement as a stage of life for which both men and women must actively plan financially and in other ways. This is particularly pertinent given increasing longevity and its implications for women's financial standing in retirement.

## 11.3 Increasing independent retirement provision

The research evidence suggests that the importance of partnered women having retirement income in their own right is not adequately recognised in many households. Financial sharing within relationships is commonplace and greatly valued, and often deeply-rooted in the partnership. This often leads people to think about long-term finance on a household rather than an individual basis. There is some understanding of the need for a safety net for partnered women in the event of divorce or separation, but little evidence that independent plans are commonly either accepted as a general priority for women, or actively pursued as an objective.

The research provides evidence of a cultural shift over time. Younger partnered women are more likely to feel it important to have their own pension than their mature counterparts did at the same age, and no longer take for granted that their relationships will continue till they retire. However, even in younger age groups, we

did not see many women making serious plans or taking much practical action to secure independent retirement income. Traditional expectations and perceptions persist to a surprising extent, pensions do not have high priority in many minds, and other pressures often over-ride any latent interest in making independent provision. These matters need to be addressed by policy-makers to help bridge the gender pension gap.

In the light of increasing relationship breakdowns, policy-makers need to consider how messages about women needing pension provision in their own right should be promoted. The essential consideration is that any policies need to make financial sense, not just at the individual level, but also at the level of the household unit. The research has also shown that partnered women often do not play much part in the household's strategic financial planning – to some extent because both partners still tend to regard this as a man's role, but often because women themselves are reluctant to get to grips with what many see as a difficult chore.

Policy-makers need to understand how different types of couple households operate financially. This applies to how:

- income is:
  - generated;
  - used for the benefit of the household unit and/or for the individuals that make it up;
- decisions are made about spending and saving.

It is important to understand how all these elements are linked to wider personal, cultural and societal values.

It also seems important to recognise that providing independent pensions for both partners which would be viable in the event of partnership breakdown would, often mean that the household needs to invest more money as well as splitting the investment more fairly between the partners.

## 11.4 Targeting pension and retirement planning messages

A range of information and retirement planning messages is needed, but with different emphases for different groups of women, for example, women of different ages, with different marital histories, with and without children, and with varying levels of income. Even if Government and the financial services industry succeed in simplifying messages about the complex field of pensions, it will still be important for women (and their partners) easily to identify issues and options relevant to their own circumstances.

Previous research has demonstrated that financial plans are often precipitated by life-events, for example, having children or getting divorced. Our research has reiterated the importance of tailoring retirement planning messages to women

according to their life-stage. In particular, strong messages targeted at young women are needed about the benefits of starting a pension early in life. These messages need to make sense to young people in their own terms and to take account of the fact that they have little interest in their old age per se, and cannot visualise it ever happening to them.

The research highlighted that pensions are associated with paid work. Targeted messages are needed to show how women who are not working can continue to build up pensions both through the state and private sectors.

Partnered women need better understanding of what their financial and pension status would be in the event of separation, divorce or bereavement, and need to know what questions to ask to establish this. Messages explaining this need also to be targeted at male partners and/or couples in non-threatening ways. Clear explanations from a neutral source might help to make it easier for couples to discuss the woman's situation if the partnership ends – a difficult but important issue.

More effective messages are needed about the State Pension system, many aspects of which are little understood. The messages need to cover basic elements such as eligibility criteria and amounts, but also important features of the system such as HRP (how it works and how to accrue credits), and the availability of personal forecasts.

### 11.5 Considering women's financial priorities

The research provides clear evidence that women tend to see their families as their top priority, and put the needs of their children and family above their own. If faced with a choice of investing in their own financial futures or using their income to meet the needs of their children, most women would choose the latter as both a more important and a more immediate priority. This has significant implications for policy-makers in promoting pension provision for women.

# Appendix A

## Technical report and documents

### Technical notes

#### **Recruitment**

The sample was selected purposively for us by a professional recruitment agency<sup>7</sup> working door-to-door in our five sample areas.

They were issued with a detailed sample specification agreed in advance with the DWP and a screening questionnaire for recording details of women recruited to the project. Information from the screening questionnaires forms the basis for the table overleaf that shows the characteristics of our achieved sample.

#### **Sample characteristics**

We interviewed 69 women instead of the 70 we were aiming for, and 27 instead of 30 men. The shortfalls were due to last minute drop-outs, and although we considered trying for replacements we decided in the end that this would not be cost-efficient.

Compared with our specification, our achieved sample showed a slight under-recruitment of single (never partnered) women, and widows. It also included only ten of the 15 women over 60 that we hoped to interview. In most respects however, we were satisfied that it captured the main variation in which we were interested.

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<sup>7</sup> Plus Four Market Research.

## **Appointments and respondents letters**

Appointments were made with people who agreed to be interviewed and respondents were left with a letter explaining the purpose of the research and their part in it providing guarantees of confidentiality and contact details for the research team.

## **Timelines**

Female respondents were also asked to complete a timeline grid before the interview providing information about key events during their lives in terms of education, marital history, childbirth and employment. The purpose of this exercise was to stimulate women to start thinking about their life events, and recalling details that would be important in the interviews. It was anticipated that this would: save valuable time; 'prime' women before the start of their interview; and provide the researcher with a useful framework for exploring each personal situation.

In practice, these documents worked very well. In only a tiny minority of cases had the grids been mislaid or women failed to fill them in in advance. In a number of instances, we were told that they stimulated women to think a lot about their life, what they had done and why.

## **Topic guides**

We prepared three separate topic guides, a main guide for use in interviews with women of working age and versions of this adapted for use in interviews with retired women and with our male respondents. These covered a lot of territory, but were used in a flexible way according to the needs of each situation. Not all topics were relevant to each interview and the order in which they were covered was partly conditioned by what respondents wanted to talk about and when. The guide reproduced in this report is very detailed and was very valuable in helping to calibrate the understanding and approach of the team of researchers who worked on these interviews. However, in most cases, researchers took shorter summary versions of these guides with them into the field.

## **Stimulus material**

In addition to the guides, the research team were equipped with stimulus materials for discretionary use within interviews. These included a set of short 'scenarios' illustrating different situations in which women might find themselves. These were useful in a number of interviews for exploring respondents' knowledge and understanding of the financial implications of different sets of circumstances, and for teasing out views and attitudes. In some cases, the research team found that they helped to de-sensitise issues, allowing women to talk about them in terms of the circumstances of 'other people' rather than their own.

An important part of the interviews on this project involved exploring with partnered women household arrangements for managing finances. To help structure these conversations, we developed a booklet covering different areas of expenditure and

asking respondents to tell us, for each, how responsibilities within the household are shared (for example, in respect of shopping for food: women were asked to say who plans and makes decisions about what to buy and when, who contributes the money, who deals with the actual payment of bills and who has the final/biggest say. These booklets were intended for use as stimulus only and were used at the discretion of researchers. In some cases we found them helpful, especially in helping respondents to understand the level of detail in which we were interested. In other cases, however, researchers felt they were slightly dull and repetitive after the first few pages and were not the most useful or interesting way of extracting key information.

The final piece of stimulus was a sheet with a prompt or checklist of ways in which people prepare financially for retirement. Again these were used by researchers as necessary, for example, to help unpack the financial retirement plans of women, their partners and the household unit as a whole.

### **Interviews with couples**

Interviews with couples were carried out using two interviewers each interviewing one half of the partnership. The interviews were conducted in parallel so as to alleviate any anxieties that we would 'play' partners off against each other. We considered interviewing couples together, but decided against this because of the likelihood that one would tend to dominate the conversation. In all except a handful of cases, these arrangements worked very well although it was sometimes difficult to find the space within homes to accommodate two interviews running simultaneously. In one instance, the female respondent was keen to be interviewed with her partner present, partly due to ill-health and partly because she felt she knew so little to say about their joint affairs.

### **Data capture**

Interviews were scheduled to last an hour, although in some cases women felt they had little more to say after the first 30 to 40 minutes. All sessions were tape-recorded and professionally transcribed<sup>8</sup> for analysis.

### **Information sheet**

Before leaving respondents, we gave them a sheet with the contact details of The Pension Service, Pensions Direct and the Pension Advisory Service, in case they had been stimulated by the interviews to find out more about pensions and/or their own circumstances. In most cases, respondents were pleased to receive this information.

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<sup>8</sup> By Secretarial Services.

## Data analysis and reporting

Each researcher involved in the project analysed their own interviews according to procedures and an analytical framework agreed in advance. While we agreed that it was important to be able to look across cases at particular issues or themes, we also felt it was important not to lose the rounded 'story' provided by each case. These had a lot to teach us about the complex interactions and interplay between factors shaping women's financial status in retirement.

Where we have drawn on these cases to illustrate our findings, we have taken care to remove details that might breach our confidentiality agreements with respondents.

Use of verbatim material in our report is for illustrative purposes only.

**Table A.1 Characteristics of the achieved sample**

	No
<b>Age</b>	
25-30	9
31-40	17
41-50	20
51-60	13
61+	10
Total	69
<b>Pension status<sup>1</sup></b>	
Occupational	39
Personal/other	7
None	20
DK	1
N/A	2
Total	69
<b>Household income<sup>2</sup></b>	
B	27
C	21
D&E	21
Total	69
<b>Employment status<sup>3</sup></b>	
Full-time	30
Part-time	16
No paid work	9
Retired	14
Total	69

Continued

**Table A.1 Continued**

	<b>No</b>
<b>Marital status<sup>4</sup></b>	
Single (np)	6
Married (npp)	20
Cohabiting (npp)	7
Married (pp)	9
Cohabiting (pp)	8
Divorced/separate	13
Widowed	6
Total	69
<b>Children</b>	
None (yet?)	7
None	10
None under17	25
Youngest 11-16	12
Youngest 0-10	15
Total	69
<b>Qualifications</b>	
Degree	13
Other qualifications	43
No qualifications	12
N/A	1
Total	69
<b>Tenure</b>	
Owner occupier	53
Rented council	6
Rented other	6
N/A	4
Total	69

<sup>1</sup> Private pension status (ever contributed).

<sup>2</sup> Different income quintiles were applied according to area using income statistics supplied by the DWP. B is the second lowest quintile while E is the highest. Different scales were also applied to single and couple households.

<sup>3</sup> Employment status of female respondent.

<sup>4</sup> np=never partnered, npp= never previously partnered, pp=previously partnered.

## Letters to respondents

### *Women only interviews*



Dear Respondent

This research project is being carried out by Independent Social Research on behalf of the Department for Work and Pensions (DWP). The aim of the research is to develop a better understanding of the choices and decisions women (and their families) make that can affect their financial situation in retirement.

Your address has been selected randomly from those in your area and because we need to make sure we talk to a range of people a few questions will be asked first to check if we've got the right mix of people in the research. The interview will be very informal – we will talk about your ideas and experiences. It will last about an hour, and will take place in your own home

Before the interview we would like those who take part to fill in a simple 'Timeline' highlighting key stages and points in your life, such as:

- Getting married or starting new partnerships
- The birth or adoption of children
- Time in and out of paid employment.

This is not essential but will be a useful guide for the discussion.

All interviews will be completely confidential. No-one outside the research team will know the names or addresses of those who take part and no other information that could identify you will be available to anyone apart from the researchers.

People taking part in the research will receive £25.00 in token of their time.

If you'd like to know more about the research, please contact either:

- Claire Murphy (DWP) 020 7712 2516 ([claire.murphy3@dwp.gsi.gov.uk](mailto:claire.murphy3@dwp.gsi.gov.uk)) or
- Wendy Sykes (Independent Social Research) 020 8883 4142 ([wendy.sykes@independentsocialresearch.co.uk](mailto:wendy.sykes@independentsocialresearch.co.uk))

The research will contribute to the Government's thinking about pensions.

We hope you'll agree to take part, and that you find the interview interesting.

Yours sincerely

Wendy Sykes and Claire Murphy

## Couple interviews



Dear Respondent

This research project is being carried out by Independent Social Research on behalf of the Department for Work and Pensions (DWP). The aim of the research is to develop a better understanding of the choices and decisions women (and their families) make that can affect their financial situation in retirement.

Your address has been selected randomly from those in your area and because we need to make sure we talk to a range of people a few questions will be asked first to check if we've got the right mix of people in the research. The interview will be very informal – we will talk about your ideas and experiences. It will last about an hour, and take place in your own home.

Before the interview we would like those who take part to fill in a simple 'Timeline' highlighting key stages and points in your life, such as:

- Getting married or starting new partnerships
- The birth or adoption of children
- Time in and out of paid employment.

This is not essential but will be a useful guide for the discussion.

We'd also like to talk to your husband or partner. Some couples make financial decisions jointly, and others may influence each other even if they have separate finances. It will be useful to know how men as well as women look at these matters.

Interviews with men will cover similar ground, but from the male partner's viewpoint. Different researchers will normally carry out the two interviews – ideally at the same time. All interviews will be completely confidential. No-one outside the research team will know the names or addresses of those who take part and no other information that could identify you will be available to anyone apart from the researchers.

Women and their partners taking part in the research will receive £25.00 each as thanks.

If you'd like to know more about the research, please contact either:

- Claire Murphy (DWP) 020 7712 2516 ([claire.murphy3@dwp.gsi.gov.uk](mailto:claire.murphy3@dwp.gsi.gov.uk)) or
- Wendy Sykes (Independent Social Research) 020 8883 4142 ([wendy.sykes@independentsocialresearch.co.uk](mailto:wendy.sykes@independentsocialresearch.co.uk))

The research will contribute to the Government's thinking about pensions. We hope you'll agree to take part, and that you find the interview interesting.

Yours sincerely

Wendy Sykes and Claire Murphy

## Timeline grid

WOMEN AND PENSIONS PROJECT  
A brief outline of key events in my life

Please use the supplied stickers to show at what age different events occurred in your life.

You can just write in the boxes if you prefer (or if you run out of particular stickers).

Please only record significant events – ignore very brief or temporary jobs or relationships.

Please begin overleaf

I am now            years old

<b>When I was this age:</b>	<b>This is what happened:</b>			
	<b>Education</b>	<b>Work history</b>	<b>Marriage and partnerships</b>	<b>Birth of children</b>
<b>16</b>				
<b>17</b>				
<b>18</b>				
<b>19</b>				
<b>20</b>				
<b>21</b>				
<b>22</b>				
<b>23</b>				
<b>24</b>				
<b>25</b>				
<b>26</b>				
<b>27</b>				
<b>28</b>				
<b>29</b>				

Grid continues on separate pages for ages up to 70

## Timeline stickers

### *Education*

I left school	I went to college (non-degree course)	I left college (non-degree course)	
I went to university	I finished university		

### *Work history*

I started working full time	I started working full time	I started working full time	I started working full time
I started working part time	I started working part time	I started working part time	I started working part time
I stopped working	I stopped working	I stopped working	I stopped working
I stopped working	I stopped working	I stopped working	I stopped working
I changed from full to part time	I changed from full to part time	I changed from full to part time	I changed from full to part time
I changed from part to full time	I changed from part to full time	I changed from part to full time	I changed from part to full time

### *Marriage and partnerships*

I got married	I got married	I got married	I got married
I started living with a new partner	I started living with a new partner	I started living with a new partner	I started living with a new partner
I started living with a new partner	I started living with a new partner	I started living with a new partner	I started living with a new partner
I separated from my husband	I separated from my husband	I separated from my husband	I separated from my husband
I got divorced	I got divorced	I got divorced	I got divorced
I split up with my partner	I split up with my partner	I split up with my partner	I split up with my partner
I split up with my partner	I split up with my partner	I split up with my partner	I split up with my partner
I was widowed	I was widowed	I was widowed	I was widowed

### *Birth of children*

I had a child	I had a child	I had a child	I had a child
I had a child	I had a child	I had a child	I had a child

## Main topic guide

### WOMEN AND PENSIONS

#### Main topic guide: women of working age<sup>9</sup>

##### Notes

This is the topic guide for interviews with women of working age. Separate guides have been developed for use with retired women and male partners. Although much of the guide will be relevant in all interviews, certain sections will be more relevant for some sub-groups and these are highlighted where it is thought to be helpful.

A topic guide is not a questionnaire, it is an *aide memoire* or game plan that sets out in more or less detail the ground to be covered in qualitative interviews. It is also a mutable instrument that will tend to evolve as fieldwork progresses and understanding develops.

Not every topic on the guide will be covered with every person and the order in which issues are raised will also vary. Much depends on what the respondent has to say and when and how she wants to say it. The questions that appear on the guide are there to help the interviewer stay on track, they will seldom be asked in the way in which they are written down.

##### Reminder to interviewers

Interview materials:

- The topic guide
- A copy of the respondent letter
- Interview stimulus material
- Incentive, receipt form, thank you slip

The respondent should have completed a Timeline prior to the interview. If not, complete one with them at the start of the interview.

---

##### Introduction

Introductions

Current household details

Check main features of Timeline:

Marital history

Children

Work history

Other

---

<sup>9</sup> Only the main topic guide is included in the report, this was adapted for our interviews with retired women and men.

Is there currently a main 'breadwinner' in the family, or not?

If yes, who would they say is the main breadwinner?

Why?

What does that mean?

Do they think that their partner would share that view of the current situation?

If not, why not?

Over the course of their current relationship, have there been times when the current situation has been different, for example (PROBE AS APPROPRIATE)?

There has been no breadwinner

The role has been shared

The other person has been the main breadwinner

Probe for circumstances surrounding different phases

### **Household planning and decision making – general**

*Keep this section brief, it will provide some context and serve as a general warm up, but shouldn't be allowed to go on too long.*

*Ask all except single women, never married.*

*Formerly partnered women can be asked about their previous relationship(s) as well as any current*

'Can I just start by asking some very general questions about how decisions that affect the family are made in your household?':

Do both partners tend to be equally involved in all key decisions affecting the household or do you operate in some other way?

Probe for details of the household model, eg:

Different areas of responsibility taken by different partners

Both involved in all decisions but different partners taking the 'lead' in different areas

Is there one person who generally tends to have more say than others in the household?

Who and why?

Who, if anyone, is mainly responsible for making decisions about:

The house/flat, how it is furnished and decorated?

Maintenance and upkeep of the house/flat?

Children (if applicable) and day-to-day details of their lives (bed-times, diet, manners, clothes, friends)?

Children's schooling (if applicable), what sort of school and where?

The household car, type of car, how often it is replaced?

Where family holidays are taken and when?

For each, probe

How much and what sort of influence each partner has and why?

If anyone else has a say in these things?

If not, why not?

Could they have more say if they wanted to?

If not, why not?

### **Household financial planning and decision making – introductory**

*The idea is to keep coverage of this topic fairly brief at this stage and return to it later in greater detail, but treat fully if it seems appropriate (see Section F)*

*Again some sections will not be relevant for single women who have never been partnered, use guide selectively*

*Formerly partnered women can be asked about their previous relationship(s) as well as any current ones*

### **General financial planning and decision making**

'Can I ask you to talk a bit about how your household makes decisions and plans about money'?

Would you say that as a household you make fairly careful plans and decisions about what to do with your money, or not?

Probe reasons for response ('Why do you say that?')

Do both partners tend to be equally involved in making financial plans and decisions, or do you operate in some other way?

Probe for details, eg:

Different areas of responsibility taken by different partners

Both involved in all decisions but different partners taking the 'lead' in different areas

Ask why

Who, if anyone, would you say is the **main** financial decision maker and planner in the household?

What does that mean in practical terms?

Probe for details of what it means to be

A financial decision maker

The main financial decision maker

Why do they have that role?

### **Financial planning and decision making for retirement**

Have you given thought to how you will be financially provided for when you retire?

How far have they thought about their own **personal** financial future (separately from their financial future as a couple)?

To what extent have they started to put any plans into action

Eg contributing to pension schemes, saving money, investing in property (to live in or to let) etc

Are any of these personal plans (as opposed to plans for the household at large)?

What input is/has been made by each partner to any active plans?

Probe for details and reasons

When did they first start making some kind of financial provision for the future?

Household

Personal

What were the triggers/why did they start at that point?

If **no plans**, ask why not

Probe reasons, especially if no **personal** financial plans

Ask if they think this will change, or not

If yes, when?

Why?

Ask if they have ever had plans (that have lapsed for some reasons)

If yes ask what, when lapsed and why?

*Widowed/divorced/separated women*

Ask briefly at this stage about what happened to any financial plans for retirement they had when they were widowed/separated/divorced

### **Attitudes towards retirement**

Do they give much thought to their retirement?

If not why not?

How do they define retirement, why?

When do they think they will retire?

At what age, why?

At what age would they like to retire, why?

What do they know about proposed changes to SPA (equalisation)?

How, if at all, do they think it will affect their choices about when to retire, and why?

Do they know that they can defer their State Pension?

Does/would this affect their choice about when to retire?

### **Current financial provision for retirement**

*This section will need to be negotiated carefully depending on the marital status of the respondent*

*Ask previously partnered women about previous relationship(s) where appropriate, as well as any current ones*

What **financial provision** are they currently making (or do they currently have) for when they retire:

Joint/household?

Separate/individual/personal?

Ask about, for example (USE CHECK LIST IF USEFUL):

Accrued entitlement to State Pension

If they are contracted in or out of Second State Pension

Occupational pension – what type? Defined benefit or defined contribution/ money-purchase scheme?

Personal pension

Other financial products

Marketable assets (housing equity, business equity)

Inheritance expectations

Probe for full details personal, joint, partner's arrangements

Reasons for shape and composition of current portfolio?

Why do they have what they have?

Jointly/covering them both personally

How have choices been made?

By whom?

On what basis?

How far have choices and decisions been made?

Jointly

Individually

Who has contributed to what (so far)?

If both, who has been the majority contributor?

Why?

How do they feel about this?

To what extent have their individual and joint choices and decisions been made:

Carefully, consciously, rationally (economic man/woman)?

Opportunistically, haphazardly, in response to what has come along?

Do they think that they have done/are doing enough to be able to live as they want to in retirement:

As a couple?

Personally/individually?

If yes, probe for reasons why they think they are

If no, ask why not

What do they think they should be doing and why aren't they

How much do they know/feel they know about the details of their partner's individual provision for retirement?

Pensions?

Other?

If nothing, little or only hazy ask why

If more than this, ask if this has always been the case of if it has changed over time

If changed over time, probe for reasons

How important do they feel it is to know about the individual provision that their partner has made?

Probe reasons for response

Are they aware of the differences between different types of annuity?

And their implications?

What do they know about type of annuity their partner has, if any (e.g. joint life, single life)?

Currently to what extent are they going to be dependent on their partner's pension/other personal financial arrangements when they retire?

If not at all, ask why not

If they are going to be dependent, ask

Is this something agreed and discussed by both partners?

What was the deal/understanding?

How do they feel now about any dependency they have personally on their partner's financial arrangements for retirement?

Have their feelings changed over time?

How and why?

Do they know what the arrangements would be in the event of:

Their partner predeceasing them?

Divorce?

Do they know how far they would be financially supported in either of these eventualities?

If not, why not?

How do they feel about any loss of security they might suffer?

If they have an **occupational pension plan** (if more than one ask about each):

When did it start accumulating?

Are contributions still being made to it?

If not why not?

Do they know how much they can expect from it when they retire, or not?

If not why not?

Did it come automatically with a /the job or did they choose to opt in (if so, why)?

Are/were contributions made by the employer?

If so, how far did this affect their attitudes towards having an occupational pension?

To what extent has having an occupational pension affected their general attitude towards making other kinds of personal financial provision for retirement?

How and why?

If they **don't** have an occupational pension

Why not?

Have they had the opportunity and missed it?

For example, turning down employer's offer to make contributions

If so, why?

How do they feel about having missed it?

Have their feelings changed over time?

In what way and why?

If they never had the opportunity to take out an occupational pension:

Why not?

How do they feel about it?

Have their feelings changed over time?

How and why?

If they have a **personal pension plan (or more than one)**:

What sort?

When did that start?

Why did they start it?

Do they know how much they can expect from it when they retire?

If not why not?

If yes, what do they feel about the amount of money under current arrangements they are likely to get, why?

Do they feel they could/should have done something more at an earlier stage to increase their expectations?

Why didn't they?

If they **don't have a personal pension plan**:

Why not?

Have they ever stopped, sold, cashed in or contracted out of any financial plans they were making for retirement, eg:

Occupational pensions?

Personal pensions?

Other savings or investments?

If yes, what?

Why?

How far were any decisions made individually/jointly?

### **Intra-household economy**

*Detailed exploration of money coming in and its allocation and use in the household*

*Adapt for women with different marital status*

*Previously partnered women can be asked about their previous relationship(s) as well as any current*

Main sources of income into household

Should have gross household income, probe for rough share of the total 'brought in' by each partner and/or from other sources

How do they think about the money that comes in from different sources?

Who does it 'belong to' and why?

If they say 'to both of us', or 'to the family', ask

'Does that mean you and your partner would have equal say about how money earned by one or the other is spent'?

How is income 'stored'?

Types of accounts ('pots')

Short and long term, including:

Current accounts

Savings or similar longer term accounts

Other

Joint or separately named and why

How joint or separate are these **in practice**?

Reasons for 'shape' of storage arrangements

For each 'pot', explore who:

Administers it

Contributes funds

Makes key decisions about the use of funds

Benefits mainly from the use of funds

Probe reasons fully

What is the pot mainly (used) for?

Do they have any reserves/accounts/pots that their partner doesn't know about

Why?

What for?

Where does/has the money come from?

What are the main regular **priority** outgoings from all accounts

The 'must dos'

For the household/family

Individuals

Probe reasons why they are a priority

Do both partners **agree** about what the priorities are?

Are there any areas of **disagreement**?

About what money is being spent on?

About what money should be spent on?

About how much is spent on different priorities?

How are areas of disagreement dealt with?

Who has the final say?

Why?

Do they include financial provision for retirement as a **priority**?

Household/family

Individual/personal

How much of a priority is each considered to be?

If not a priority (one or both), explore why not

Are both partners in agreement about this?

Explore any differences of opinion and reasons why

Who has final say?

Why?

Apart from the priority areas, what **other things** is money spent on:

On behalf of household/family?

For the benefit of individuals?

For each explore

Which pots the money comes from?

Who contributes the funds?

Who actually administers the spending and why?

Who makes the key decisions about how much is spent and what is bought and why?

How far do both partners contribute to these decisions?

Who has the final say and why?

How far is any of this (non-priority) expenditure seen as dispensable?

Nice but not necessary

What expenditure could most easily be 'done away with'?

To what extent would they consider 'diverting' funds used for non-priority expenditure to financial plans for retirement:

For the family/household?

For individuals?

If not, why not?

### **Attitudes to retirement planning and changes over the life course**

What do they feel about their current financial prospects in retirement:

Joint?

Individual?

How important do they currently feel it is to make financial preparations:

Joint?

Individual/personal?

Why?

To what extent has their attitude to planning for financial security in retirement changed over the course of their life so far, if at all?

If changed, looking back over their life course when have the main changes occurred?

From what to what?

At what ages/stages?

Why/ in response to what?

Probe for details eg The media? Government messages?

### **Awareness of need for a life course/long term approach to financial planning for retirement**

At what stage in life do they think it is important to begin seriously to make financial provision for retirement?

What is their view based on?

Have they always had this view or has it changed over their adult life?

From what ?

Why/in response to what?

To what extent have their views (at any stage) actually affected their behaviour as far as preparing financially for retirement is concerned?

If so, how?

If not, why not?

### **Life choices and personal financial prospects for retirement**

Looking back, have there been any phases in their life when they feel they might have been in a position personally to put something by for retirement

When and why?

Did they take advantage of them at the time?

Why(not)?

And which phases of their life so far have offered **least opportunity**?

Fully explore why

What triggered these phases/how did these phases come about?

How far at the time was financial planning for retirement uppermost in their thoughts?

Did they think about it at all?

Why(not)?

In retrospect would they change any of the choices and decisions that they made that triggered these phases of reduced opportunity?

Why(not)?

*Refer to Timeline and important to probe any apparent critical juncture that were not mentioned in preceding , eg*

*Having children*

*Looking after young children*

*Looking after elderly relatives*

*Partnership breakdown*

*Periods of ill-health*

### **Advice and support about pensions**

How far they feel competent to make sound decisions and choices about their financial future?

If they feel they needed advice and support about financial matters?

And if so:

Where would they go?

Who would they talk to?

Why?

What about if they wanted help and advice about pensions?

State pensions

Private/personal pensions

Where would they go?

Who would they talk to?

Why?

Have they sought help and advice about saving in the past? From whom?

### **Future plans (especially younger women)**

To what extent do younger women feel that financially planning for retirement is an issue they should already be engaging with?

Women who have not had children yet – are they aware of the effect motherhood could have on their ability to financially plan for retirement?

To what extent is financial planning for retirement a consideration in making future choices about work and family life?

Young never-married women – explore the issue of the 'Prince charming syndrome'. Do women understand the 'dangers' in leaving financial planning to a future partner?

## Household financial management booklet

### WOMEN AND PENSIONS PROJECT:

HOUSEHOLD FINANCES  
Who does what?

**Please place ticks to show who in your household does what when it comes to spending money on different things**

**Interview ID: .....**

**HOW WE MANAGE OUR HOUSEHOLD FINANCES****A. FOOD FOR THE FAMILY – THE ‘MAIN’ SHOP**

Please place ticks to show who does what.....

<b>WHO DOES WHAT</b>	<b>Plans/ makes decisions about what to buy and when</b>	<b>Contributes the money</b>	<b>Deals with the actual payment/ bills</b>	<b>Has the final/ biggest ‘say’</b>
<b>Me only</b>				
<b>Me mostly</b>				
<b>Both equally</b>				
<b>Him/Her mostly</b>				
<b>Him/her only</b>				

<b>Both separately</b>				
<b>Doesn’t apply to us</b>				
<b>Varies</b>				

## **HOW WE MANAGE OUR HOUSEHOLD FINANCES**

This grid was reproduced for each of the following categories of household expenditure:

- B. MY CLOTHES**
- C. 'WHITE GOODS AND DOMESTIC APPLIANCES**
- D. INTERIOR DECORATIONS**
- E. HOUSEHOLD REPAIRS AND EXTERIOR MAINTENANCE**
- F. HOUSEHOLD CARS**
- G. CHILDREN S TOYS, OUTINGS AND HOBBIES**
- H. HOLIDAYS FOR THE FAMILY**
- I. SHORT-TERM SAVINGS (for particular things or just a 'rainy day)**
- J. LONG-TERM SAVINGS AND INVESTMENTS**
- K. FINANCIAL PROVISION FOR WHEN WE RETIRE**

## Scenarios

### A *Jane*

Jane is 53. She's been married to Jack since she was 24. He's now 52. She has two children – both of them have now left home and have started families of their own.

Jack has worked all his life in a well-paid job. Jane stopped work in her 20s to look after her children. Since then she did some unpaid voluntary work from time to time, but didn't have a paid job again till she was in her 40s.

### B *Maria*

Maria is a married woman in her 40s. Her husband Tony will get a good pension from his work, but Maria has never bothered to join her employers' pension schemes – she reckoned Tony's pension would be big enough to support them both. And it probably will be.

### C *Veronica*

Veronica is approaching retirement. She'll get a very small personal pension, but she only started this late in life, and never put much into it. Apart from that she doesn't have any pension entitlements of her own except the State Pension. She doesn't think the two together would be enough to live on but she's not worried, because self-employed husband Gerald has built up a good personal pension fund over the years, so between them they should be comfortably off.

### D *Mandy*

Mandy is 28. She's been living with Pete for five years, and they expect to stay together long-term, although they don't have any plans to get married. They're both working.

They decided to keep their finances separate, so they each keep their own earnings, have their own separate accounts, and pay a share of joint living expenses. They also have separate savings accounts, but they don't have any long-term savings, and haven't thought seriously about pensions or retirement planning – they've left this to sort out later on.

*E Sandra*

Sandra's in her late 50s. She has two children, now grown up and moved away. Her husband left her five years ago.

She's not got much pension to look forward to – when she was younger she only took part-time work so it would fit round raising her children. The jobs didn't have pension schemes, and she didn't earn enough to buy her own personal pension.

*F Natasha*

Natasha is 30, and just starting work again after having her first child. She's a single mother. She gets a reasonably well-paid full-time job. Her new employer has a pension scheme, but she hasn't heard much about it, and hasn't thought of joining it.

## Financing retirement: stimulus

### *Ways of investing for an income in retirement:*

Occupational, company or works pension scheme, provided through the employer:

Final salary or defined benefit scheme

Money purchase or defined contribution scheme:

Group Personal Pension

Stakeholder pension (employer-based)

Other types of occupational pension

Personal pension (bought privately, not through employer):

Personal pension

Stakeholder pension (not employer-based)

Additional Voluntary Contributions:

AVCs

FSAVCs (free-standing AVCs)

Long-term savings and investment:

Cash in bank, building society etc

In stocks, shares, unit trusts etc

ISAs or PEPs

Property:

Own house

Property bought to let or as investment

Other investments

---

### **Possible issues to explore:**

1. How far are people aware of all these options?
2. Do they understand them and know the difference between them [brief consideration only]?
3. Do they know which they have?
4. Which do they have?
  - Which do they consider the most important to providing retirement income?
  - Which seem most productive? Least risky?
  - Which are they most and least inclined to invest further in (if at all) to provide retirement income? And why?
  - How confident are they that the steps they have taken/are taking/intend to take will give them enough to live when they retire?



# Appendix B

## Literature review

### Introduction

This appendix summarises key findings from the literature we reviewed at the start of this project. It focuses on findings relating to financial planning and decision-making, especially in the context of couple households. The review was undertaken primarily to inform the planning stages of the qualitative research and does not claim to be a formal and comprehensive review of the literature.

The chapter consists of three main sections covering:

- financial planning generally;
- financial planning for retirement;
- financial decision making in couple households.

### Approaches to financial planning

Financial planning in the sense of clear, systematic and comprehensive forward financial plans, even for particular phases of life, seems unusual. A 2001 report by the Financial Services Authority (FSA), suggested that most of what might be called 'financial plans' are reactions to specific events or needs such as buying a house or having children, illness or death of friends or family, redundancy or divorce. Often, events **stimulate** people to think about making financial plans, but do not translate into action. (FSA, 2001).

Other important features of people's general approach to financial planning highlighted by the report are that they:

- tend to be selective about what they plan for and leave the rest to be dealt with as necessary;
- are often reluctant to engage in active plans for the long-term future, the present and near future having more potent influence.

The report cites other research that suggests people are more likely to plan for positive events (anticipatory planning) than negative events (precautionary planning). People who have a lot of financial plans tend to have both anticipatory and precautionary plans, while those with only a few plans tend to focus on anticipatory plans. (Joseph Rowntree Foundation, 2000).

The main barriers to financial planning are: small disposable incomes, insecure incomes, lack of trust in respect of financial service providers, lack of trusted and knowledgeable advisers, feeling of lack of control over the future and lack of understanding about how things work.

The FSA report found little evidence of clear differences between men and women in terms of their general approach to financial planning, although women are more likely than men to spend their money on children and the family.

The report quotes research carried out by Mintel International which showed that a growing number of women have disposable incomes and want to engage more in financial planning, especially because of the increased risk of relationship breakdown. This finding is consistent with research that shows cross-cultural trends towards greater 'individualisation' cited by Pahl (2004).

Women are more likely than men to value face-to-face transactions in making financial planning decisions because they are less impulsive consumers of financial products, less embarrassed to ask questions and less likely to trust their own judgements (FSA, 2001).

However, a significant minority of women, around one-fifth, still leave financial arrangements in the home to someone else and this proportion appears to have changed little over time.

## Approaches to retirement/pension planning

Much of the existing evidence about general approaches to retirement, particularly pension planning, are consistent with the findings above. Many people do not think much about pensions until they reach a certain age, around 40 is often cited (DWP Report 194 (2003) on Savings and Life Events shows 40 as the age after which there is a steep reported increase in saving specifically for retirement), although there is some evidence that this is beginning to change.

Much provision for retirement is acquired passively, that is by default rather than as a result of active planning, for example, by getting a job where enrolment in an occupational pension scheme occurs automatically on taking up employment.

In terms of conscious, active planning for later life, Hedges (1997) found that important events that trigger people to consider pensions more seriously include reaching a milestone age, being faced with decisions about pensions at work, uncertainty about the future of the State Pension, witnessing parents retire, being made redundant, changing jobs or becoming self-employed, illness, marriage, having children, and divorce and partnership breakdown.

Hedges also found that people are generally unaware of the cost of delays in starting a pension.

According to a survey by the National Council of Women of Great Britain, published in 1998, general concern with pension provision among women increases with age and is lowest among women aged 25 and under. It is also low among women who are not in paid employment (cited in Peggs and Davies (2001)).

Women tend to know and/or feel they know and understand less about pensions and financial products than men do (FSA, 2001; DWP Report 193, 2003). Peggs and Davies (2001) also cite evidence that women are less knowledgeable than men about private and State Pensions and that a larger percentage of working women than men give lack of knowledge about schemes at work as their key reason for not joining.

## Couples and financial planning

Findings presented below stimulated us to think about the dynamics of financial decision making **within** households – what influences whether women acquire pensions or other retirement provision in their own right and the priority that is given to that individual provision. Areas of enquiry beyond whether or not women have independent incomes, how much they earn and their levels of knowledge or ignorance about pensions and other financial products emerged: questions such as whether women think of their income as belonging to them personally, what other priorities they have for spending it, and whether financial planning for retirement within the household is considered to be part of their domain of responsibility.

Important areas to emerge from our reading that we incorporated in the research included:

- Money within marriages or partnerships tends to be an important signifier of identity and relationship. Resources within a household are not always evenly distributed and, as a result, some family members are effectively much poorer than others, limiting their spending power and their ability to make spending decisions (Pahl, 1995; Vogler, 1998).

- One reason for the uneven distribution of resources is that people feel a greater sense of entitlement to the money they bring into the household, whether they earn it or receive it from the State in the form of benefits. The greater the proportion of household income contributed by the woman, the greater her power in decision-making (Rogers and Schlossman, 1990 – cited by Pahl, 2000), although women are less likely than men to take advantage of 'earner's privilege' (Stamp, 1985 cited by Molloy and Snape (1999); McCrae, 1987).
- Pahl (1995) showed that when women are not in paid employment, men tend to dominate financial decision-making in the household.
- A review of literature on financial organisation and the distribution of resources within households by Molloy and Snape (1999) concluded that different responsibilities for management and control of money are embedded in interactions between partners.
- Changes are occurring in the family patterns of money management 'that reflect changing ideologies within marriage'. Families are more likely now than ever before to pool their money. They regard themselves as a financial unit, but with some degree of equality of status between partners in terms of ownership of the resources (Pahl, 2004).
- In only a minority of couple households do men and women manage their finances separately from one another and make independent decisions about spending, although re-married people are more likely to than once-only married people. In most couples, there is a great deal of interdependence between couples in the way that resources are allocated. This affects individuals' freedom to make choices about how money is spent (or saved or invested).
- Different members of the household often have main responsibility for different kinds of spending decisions and this can limit their power to affect decisions outside their domain.
- Partners tend to see the husband as the main earner, the breadwinner whose earnings should be devoted to the needs of the family compared with the wife's earnings that tend to be seen as more marginal.
- Women are responsible for over 80 per cent of all expenditure on food and on goods and services for children. Men tend to be responsible for spending on areas such as repairs to the house and cars (Pahl, 2000).
- In general, women within a household tend to spend their money on family, especially if there are children involved. Male spouses see women's money as being for themselves, whereas women see it as being to spend on the family. 'In practice, women are more family focused than men in their spending: they are more willing to make sacrifices when money is short, they claim less for their own personal spending and they devote a higher proportion of their earnings to spending on children' (Pahl 1995).

- Pahl (1989) found that an increase in a woman's pay packet is more likely to be spent on children than a pound in a man's pay packet.

## Literature consulted

The following list gives details of the articles, books, reports and other information sources that we consulted during the course of this project. It is not a comprehensive list of the relevant literature in the field but consists mainly of fairly recent contributions that either provided us with important background data or helped stimulate our thinking about key issues in regard to women's attitudes to financial planning and management, especially in the context of the household.

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