Financial Wobbly Bits

Money Matters

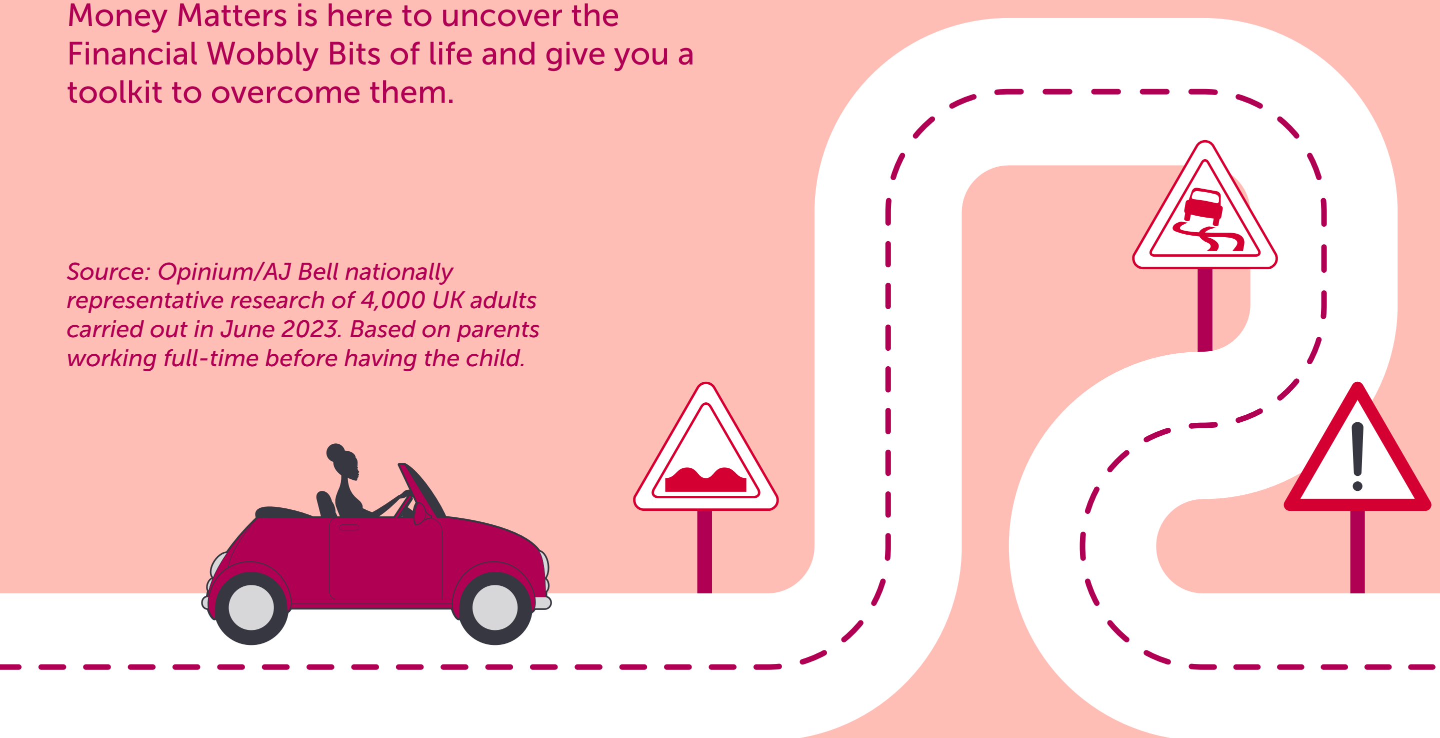
by AJBell

Life is full of Financial Wobbly Bits. We know from our previous research that women have less in savings, investments and pensions than men. But we wanted to work out why. What are the financial pitfalls that disproportionately affect women, and mean that they have less money?

We know that the gender pay gap contributes to a lot of the wealth disparity between men and women, but there are lots of financial milestones in people's lives that seem to affect women more than men – and ultimately make them poorer. These Financial Wobbly Bits of life are often tricky to navigate and filled with emotion – from moving in with a partner to having your first child or hitting the menopause. Not all of them apply to every woman, and for some they will be a minor speedbump while for others they will be a huge pothole. But we want to know how they affect the amount of money we have and – crucially – how can we stop that and fix that gender wealth gap.

Money Matters is here to uncover the Financial Wobbly Bits of life and give you a toolkit to overcome them.

Source: Opinium/AJ Bell nationally representative research of 4,000 UK adults carried out in June 2023. Based on parents working full-time before having the child.



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Starting work

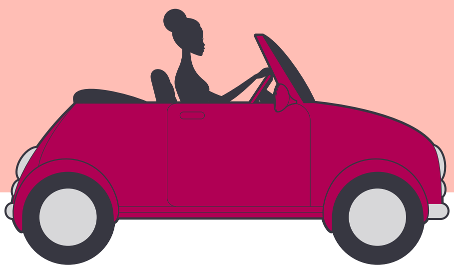
Alarmingly the first Wobbly Bit of a woman's life starts as early as 18, when they head off to university and take out a pile of debt to fund it. A third of women think they will never pay that debt off, in comparison to just a fifth of men. And with the gender pay gap, career breaks and all the other financial hurdles we'll look at in this report, that may well be true.

Women start work and are less demanding – they are more likely to accept the first pay offer they receive, rather than negotiating for a higher wage. And when it comes to benefits they prioritise softer, lifestyle benefits, rather than hard financial ones.

Our research found that only a third of women had ever successfully negotiated a pay rise, and that three in five women have never asked for a pay rise. By not bartering on pay like men, women are leaving themselves poorer and helping to widen the gender pay gap.

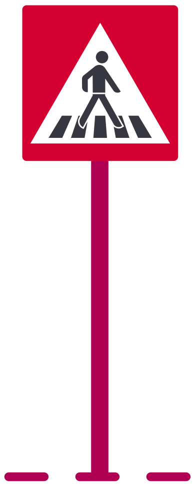
When quizzed on what extra benefits were attractive, women were more likely to ask for things like additional holiday entitlement, hybrid working, and parental leave polices than men. Meanwhile men were more focused on financial perks like share schemes and higher pension contributions.

This partly reflects women's wider responsibilities and that they still do the bulk of childcare (which we'll come to later) but it also highlights the differences between what the sexes are looking for from their employer.



How to fix it:

- ✓ Ask for that pay rise – we've got a handy article on it here:
- ✓ Don't settle for the first pay offer when moving jobs.
- ✓ Prioritise your financial benefits as well as your lifestyle ones.

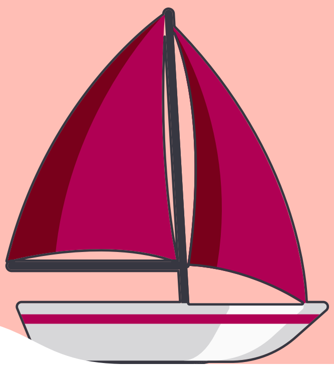


Pensions

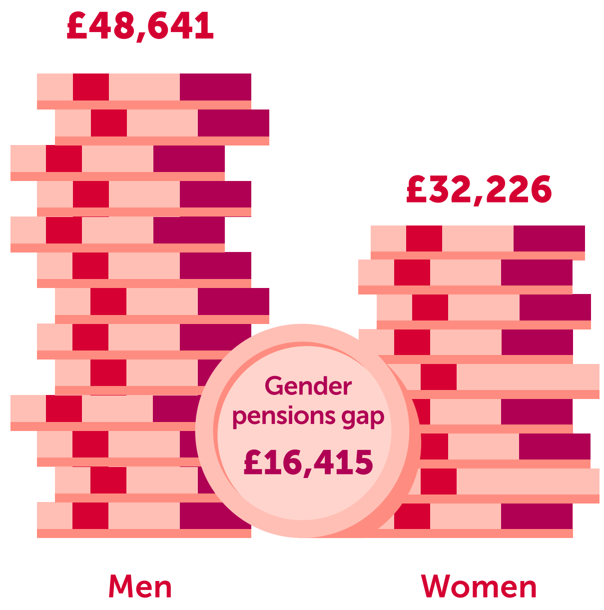
Men prioritise their pensions far more than women. Once you add in their higher earnings it means they have more in their pension pot when they hit retirement – or they can afford to retire earlier. Women live longer than men, which means they should actually have a bigger pension pot – but they don't.

Our data shows that, on average, men have almost £49,000 in their pension pot compared to just over £32,000 for women. Obviously the gender pay gap is a big factor in this, as even if men and women are contributing the same percentage of their salary, men are typically earning more than women and so putting more into their pensions in pounds and pence.

But our research showed that half of women have never paid more into their pension than the minimum requirement. Auto-enrolment has been great at boosting pension participation among both sexes, but the minimum contributions won't be enough to provide most people with a comfortable retirement. To do that we need to increase our contributions above the minimum.



How much do you currently have saved in your pension pot?

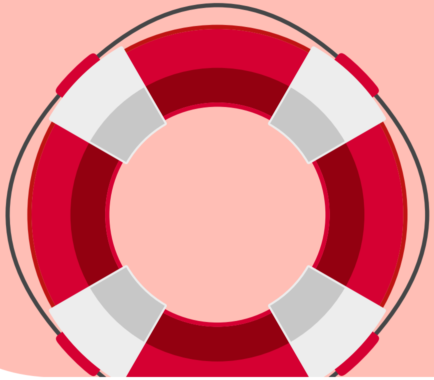


Source: Opinium/AJ Bell nationally representative research of 4,000 UK adults carried out in June 2023.

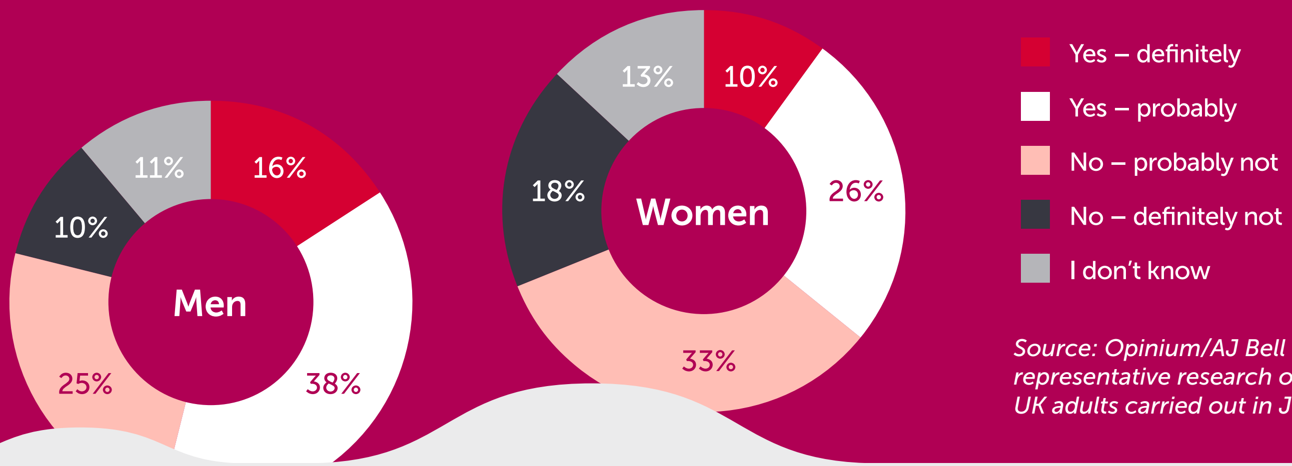
Financial Wobble #2

Pensions

Women are also more likely to not have engaged with their pension at all – a third said they had no idea how much was in their pension pot. Perhaps unsurprisingly, it means that women are less confident their retirement savings will provide for them in retirement. Half of women said they weren’t confident their pension pot would enable them to live comfortably when they retire.



Do you feel confident your pension pot will enable you to live comfortably when you retire?

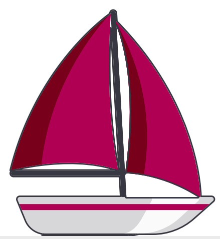


Source: Opinium/AJ Bell nationally representative research of 4,000 UK adults carried out in June 2023.

How to fix it:

- ✓ Work out whether you can contribute more than the minimum to your pension – even if it’s just an extra £50 a month that could amount to almost £42,000 after 30 years*.
- ✓ Check your pension account to see how much you have and where it’s invested.
- ✓ Work out how much income you think you might need in retirement and whether your pension savings are on track to meet that.

**Assumes £600 a year contributions with 5% a year annual growth over 30 years.*

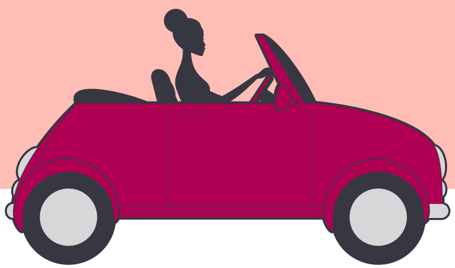


Co-habiting

How different couples split their finances is an eternally fascinating topic. But our research shines a light on the inequality between the sexes in many heterosexual couples. Let's start with buying a house: 30% of men buying with a partner said they paid more for their house deposit than their female partner, compared to just 15% of women who paid more. This highlights the higher savings levels that men have, but it's also a financial risk for women: later on, if the couple break up, they'd have less equity in the home.

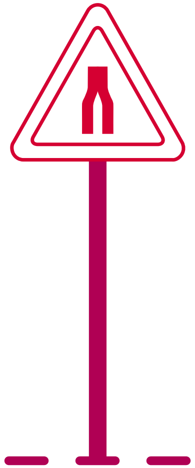
It doesn't end at the mortgage: a third of men say they pay more for bills than their partner, while just 9% of women say they are paying more. In many cases this may be because men are earning more, and so taking on a bigger share of the fixed costs. But it also might just be how a couple splits their costs, with women picking up the tab for other items. Not having a clear 50:50 split down the middle highlights two things: firstly that the gender pay gap has a lot to answer for and more needs to be done so men and women have equal pay, and secondly that if you don't have a clear financial split, with each half of the couple paying a set share of the costs, it can lead to financial inequality down the line – particularly in a high inflation period when the price of everything is soaring.

All of this translates into men having more savings than women. When quizzed just on their emergency savings pot, men have a bigger cash pile to fall back on than women, having 16% more in their savings pot.



How to fix it:

- ✓ Have a frank conversation about money before moving in together.
- ✓ Ensure you agree a fair split when it comes to bills.
- ✓ Make sure your financial future is protected if the relationship were to end.
- ✓ Prioritise your savings in the same way your partner does.



Children

We know that children have a huge impact on a woman's life – both personally and financially. But it's truly eye-opening how big the impact can be.

It starts with maternity and paternity leave. When we look at a couple having their first child, on average a father will take almost six weeks off in parental leave, compared to 23 weeks for the mother. Shared parental leave was launched almost nine years ago and heralded as a huge change for couples having children: no longer would it be assumed that women would be the ones to take a chunk out of their career for children. But it's been a flop, with the latest figures[1] showing a tiny proportion of fathers are taking extended leave, as less than 2% of eligible couples took shared parental leave. And far from increasing take-up, in 2021 the number taking it hit a 10-year low.

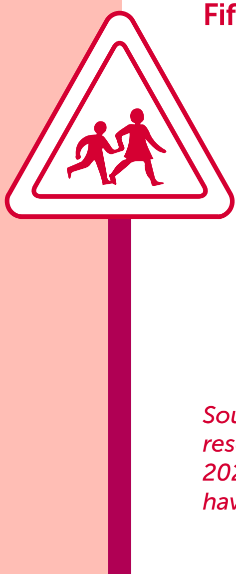
Our research shows that two in five men took absolutely no paternity leave when their first child was born, while another third took two weeks or less. So that's three-quarters of first-time fathers taking 10 days or less off work when their child was born. Fathers take slightly more leave with each child a couple has, but by the third child two-thirds of men are still taking two weeks or less off.

In comparison, a quarter of women took between nine months and three years off work, while another fifth took between three and nine months off. And a fifth of women didn't return to work at all, on top of another 8% who weren't working when they had their first child, so had no job to return to.

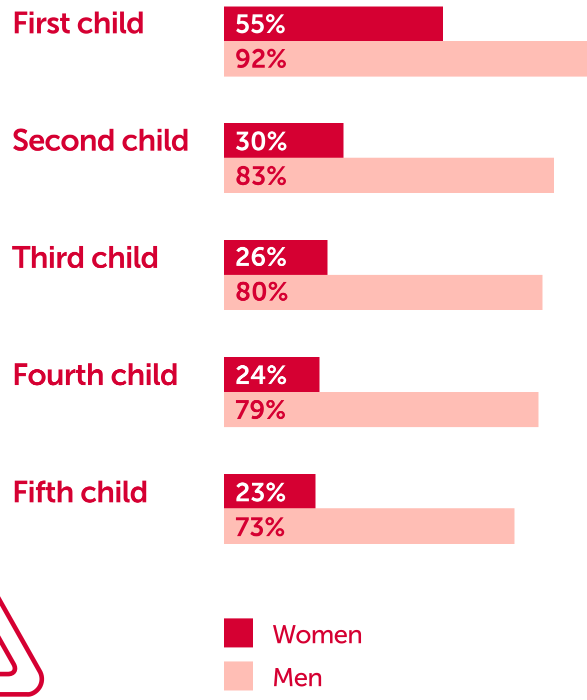
The difference in a couple's working patterns after having kids is stark too. For each child a woman has she is less likely to return to work full time – whereas for men the huge majority don't see any change in their working hours.

With their first child 92% of men who were working full time before they had their kid returned full time, compared to just 55% of women. Just 6% of men who were working full time before becoming a father returned part-time, compared to 38% of women.

For some women this will be down to personal choice, but for a huge number it will be the cost of childcare prohibiting them from returning to



Proportion of parents returning to work full-time after having a child



Source: Opinium/AJ Bell nationally representative research of 4,000 UK adults carried out in June 2023. Based on parents working full-time before having the child.

Children

work. Too often women are faced with the choice of returning to work for little or no money each month after paying for nursery costs – with those costs increasing for each child you have. The average cost of full-time nursery for a child under two is £14,800 a year[2] – meaning that someone on a £40,000 annual salary would need a £24,000 pay rise on returning to work just to give them the extra post-tax income to pay nursery fees.

Some opt for the half-way house of returning part-time, but this is still the preserve of mothers and not fathers. For example, by their second child more than half of mothers previously working full time went part-time, compared to just 15% of fathers.

The burden of childcare – both costs and responsibilities – is still falling heavily on women. Three times as many women than men say they pay for and take responsibility for childcare. This helps explain why more women are taking the time out of their work because of childcare costs.

It's not just their main salary that takes a hit; women also stop paying into their pension during this time. More than a quarter of women stop paying into their pension when they take parental leave, compared to just 8% of men. We found that 70% of men carried on paying into their pension at the same rate during parental leave, compared to just a quarter of women. On top of this 29% of women said they weren't paying into a pension before they had children anyway, compared to just 8% of men.

[1] Figures from law firm EMW.
[2] Based on Coram Childcare report 2023.

How to fix it:

- ✓ Be on the same page financially as your partner before you have kids.
- ✓ Don't make cuts that affect your financial future if your partner isn't – if they aren't cutting their pension contributions, don't cut yours.
- ✓ Get a fair split on the costs of having children.
- ✓ Research all the Government support you can get with childcare – it can make a big difference.
- ✓ Don't assume you have to be the one to cut your working hours – your partner could too.

Optimism of youth

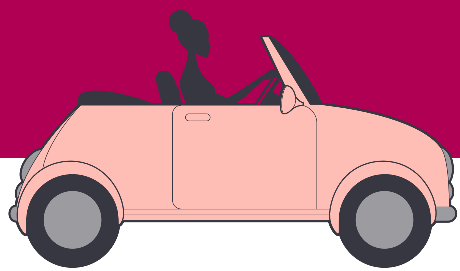
The good news in all this is that there is so much hope for future generations of women. When we delve into the age differences between women in our research, younger women are more financially savvy, on a more equal footing with their partners and far more aware of the need to get their finances in order.

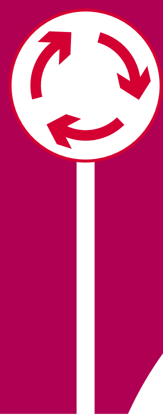
Let's take having children as an example: while the figures on shared parental leave don't paint a great picture, it's definitely improving. Half of couples in the 25-34 group shared parental leave, compared to just 10% of those 55-64 and 9% of those 65+. This highlights how changing attitudes take time to bed in, but can lead to real change. We quizzed people about whether they are preparing financially for having children and while only 22% saved up to have kids, that increases to half of all younger people.

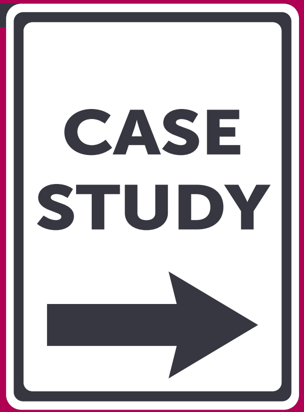
We're big advocates of having those tricky conversations about money with your partner to help improve the financial balance. And younger generations are far more likely to do that, with 60% of those aged 25-34 discussing finances before they have children, compared to just a quarter of those aged 55 to 64.

Younger couples are also far more likely to split the responsibility for childcare and the cost of it, with half of those 18 to 24 years old splitting costs, compared to just 30% of those who are age 65 and older.

Unfortunately, the combination of rising costs and being financially savvy means many younger people are put off having children because they are all too aware of the cost implications. Half of those aged 18 to 34 say their decision over how many children to have has been influenced by their finances, compared to just 16% of those aged 65 plus. What's more, a fifth of people are planning not to have children in the future because of the financial implications.







Optimism of youth

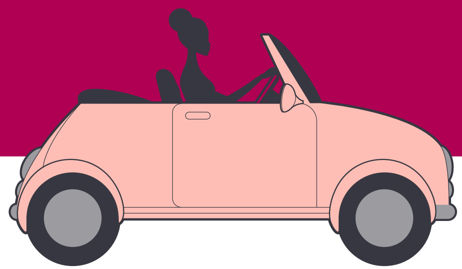
Marianna Hunt is 28 years old, works in finance, lives in London and is about to close on her first house that she is buying 50:50 with her partner. They split all their bills 50:50 and they've already spoken about how they'll split things like parental leave and childcare costs when they take the next step in their relationship.

"Conversations about money with your partner can be a bit awkward, but I feel like it's really important that the person you are with has the same vision and wants the same future as you do, and actually, I think it's as important on a financial level as it is on a relationship level.

"I definitely feel that optimism among my female friends. So many of them these days are engaging with their money, they know how much is coming in and going out each month, where I think only a few years ago there wasn't that same level of financial education, particularly for women.

"I think it's a very unhealthy British habit to be terrified of talking about money. Even splitting the bill at a restaurant, people are so scared of talking about anything, but I think the generational gap is changing there and I personally think it's for the better.

"I was really lucky that early on in my career a male colleague said to me 'are you going to ask for a pay rise this year?' and I hadn't thought of doing so, but they told me that all of my male colleagues were going to do it, so it sort of made me realise if I'm not doing it everyone else is."

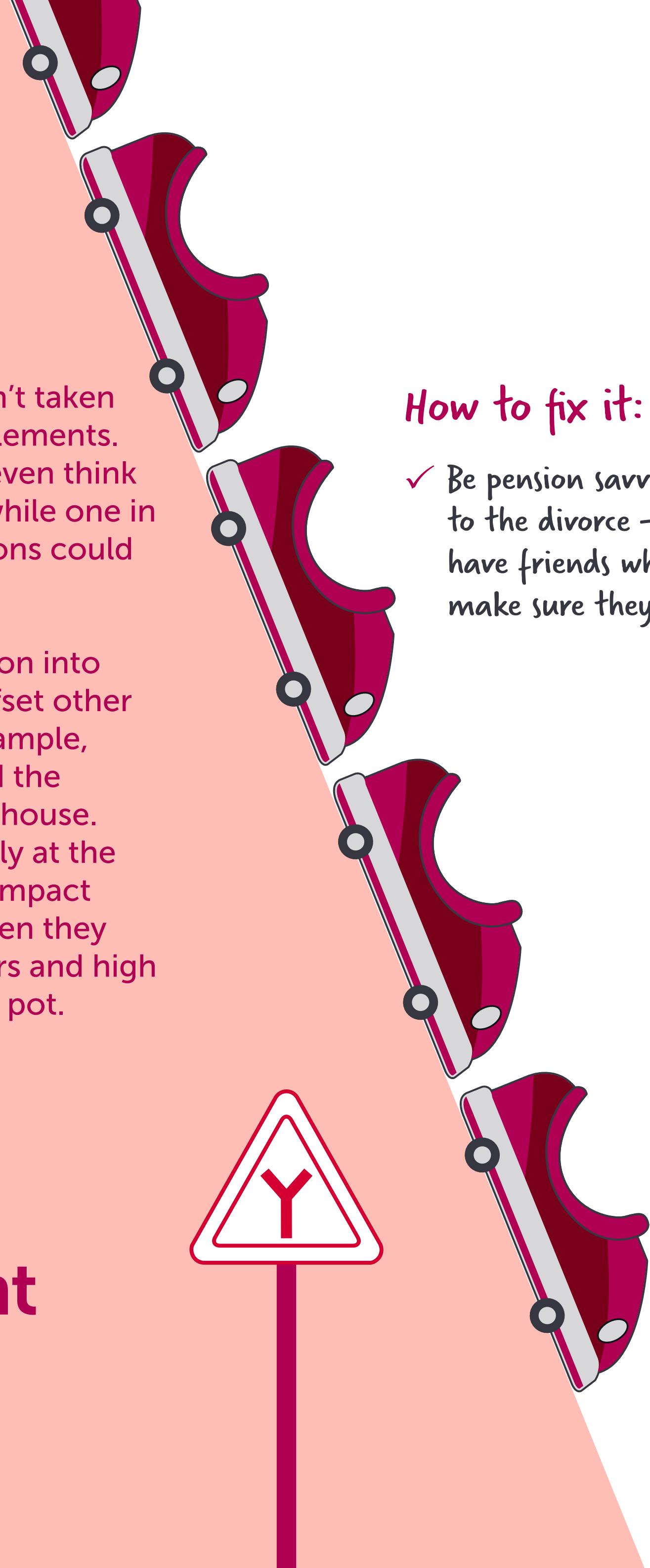


Divorce

No-one plans to get divorced, but we know it is a big financial hurdle in many people's lives. It's also often a time when the disparity between men and women's finances are laid out starkly, but with many women missing out in divorce settlements.

We know that men have bigger pension pots than women, largely because they have carried on working and paying in, while women have taken time out of work for family responsibilities. Some couples are fairly agnostic about whose pension the money goes into as they will share it in retirement. But that means it's crucial that pensions are taken into account if a couple divorces. But we found that 73% of people who divorced said pensions weren't taken into account in their financial settlements. A third of people said they didn't even think about pensions when divorcing, while one in ten said they weren't aware pensions could be shared.

Even for those who did take pension into account, half of them chose to offset other assets against the pension. For example, the man takes the big pension and the women gets a bigger share of the house. This might work out well practically at the time of divorce, but it has a huge impact on a woman's pension savings when they come to retire – as it will take years and high contributions to rebuild a pension pot.



How to fix it:

- ✓ Be pension savvy when it comes to the divorce – and if you have friends who are divorcing make sure they are aware too.

73% of people who divorced said pensions weren't taken into account in their financial settlements.

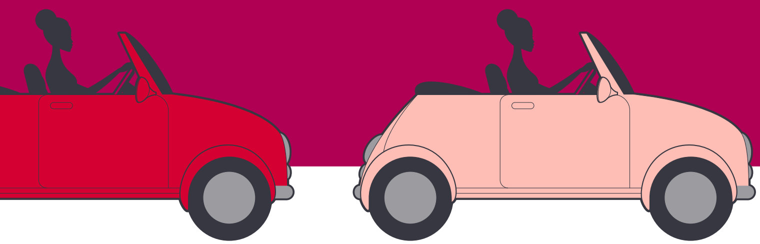
Single tax

Single women face higher costs from living alone, which has a big impact on their financial health. Our research shows that single women on average are saving less, putting less in their pension and are less confident about their financial future.

When quizzed, three in five single women say that living alone has a negative impact on their finances. Let's take pension savings: single women have an average of just over £29,000 in their pension, compared to £32,000 on average for all women. Single women also have less than single men, so the gender gap persists even in singledom.

Single women have less stashed away in their emergency savings pot than the average married couple. Some of this can be explained by single people being more likely to be younger, and so have had less time to have built up savings. But single women still have less money saved than single men: just shy of £4,600 for single men vs £3,600 for single women.

And this lack of savings has a real-life impact. When questioned, single people are less likely to feel confident that they will pay off their mortgage by the time they retire: 63% of single women are confident, compared to the average of 75% for married people. And asked about whether their pension will be enough in retirement, just a third of single women are confident they can live comfortably on it compared to 56% of married people.



Average pension pot

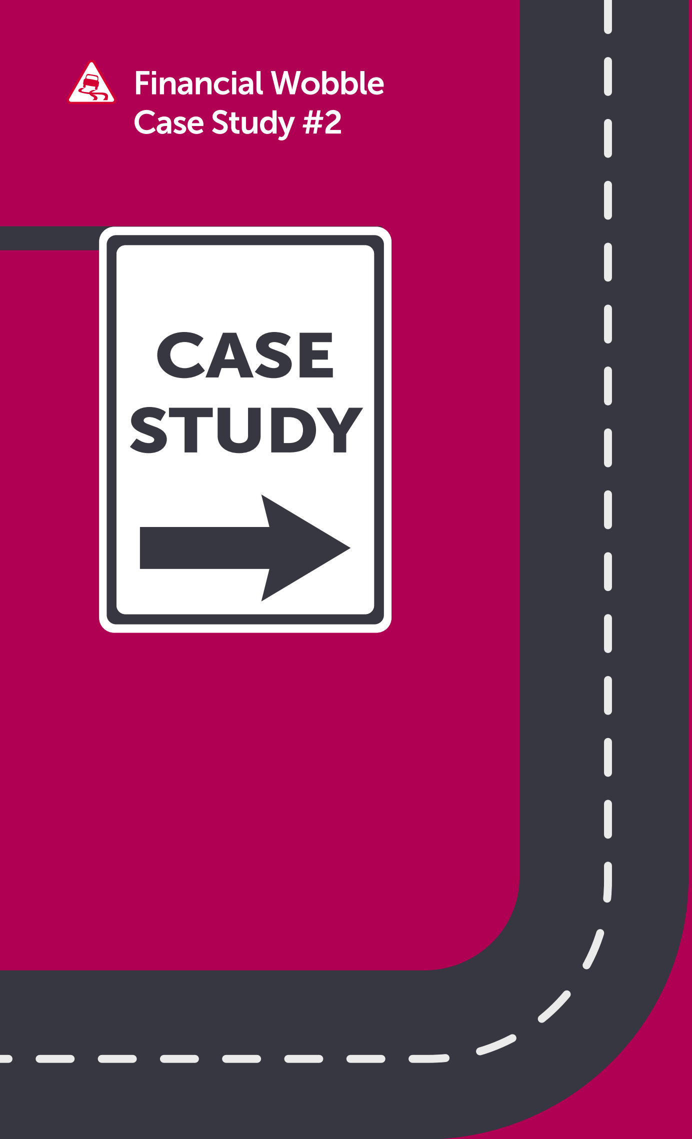
Men
£48,641

Women
£32,226

Single man
£40,130

Single woman
£29,220

Source: Opinium/AJ Bell nationally representative research of 4,000 UK adults carried out in June 2023.



Single tax

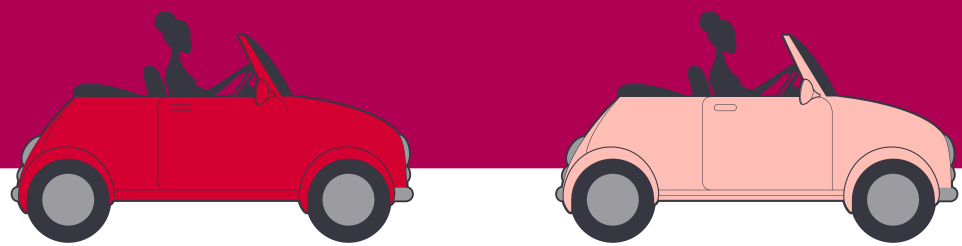
Andrea Coombes is a 31-year-old from Nottingham who has been single for several years.

"I actually lived with a partner for three years and it wasn't something I'd ever thought about before but I remember when I moved out feeling that my expenses had literally doubled. It really slowed down the amount I was able to save. Now I've got a significantly better job with an increased income but I'm still saving less than when I was co-habiting.

"I think if you have two incomes coming in and if something goes wrong for one of you – if one of you loses your job – you have support there, whereas if you are single, it's just you and your emergency fund.

"I think when you are in a relationship, you can think more long term, whereas now I'm not co-habiting all of my focus is on building up my emergency fund. You just have to focus a lot more on the short term because you don't have that safety net of a dual-income household.

"I already have a house deposit from when I was able to save more when I was co-habiting. But I think you need that dual income to get a mortgage. Even people I know who are higher earners than me, they haven't bought until they've had a partner. I think, overall, the world isn't designed for you as a single person. The expectation is that you will end in a couple, moving towards that family structure, so I think I'd like attitudes to change."



Menopause

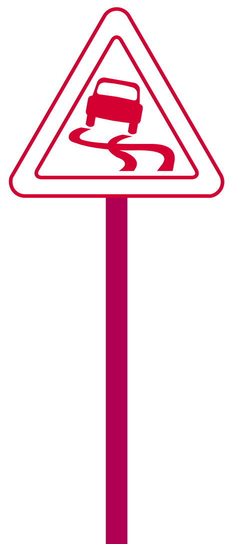
We know from our previous research that many women find menopause a financially tricky time – with their symptoms often impacting their work and finances as well as their health. On the psychological side of things, a fifth of women said it had impacted their confidence at work, while 12% said their performance had suffered. But it's had real financial implications too: 1 in 20 women who have gone through the menopause stopped working as a result and 1 in 25 reduced their hours. Others have had to use up holiday days, sick days or take unpaid leave.

There is a real role for employers here in helping to support more women through the process. More companies now have menopause policies, to provide flexibility for those struggling to keep working at the same pace, but these are often still lacking or not well publicised to staff.

A fifth of women said it had impacted their confidence at work, while 12% said their performance had suffered.

How to fix it:

- ✓ Research what your employer offers in support before assuming you have to take holiday or unpaid leave.
- ✓ Overcome your fears and have a frank conversation with your manager (or someone else senior you feel comfortable talking to) – they may be more sympathetic than you expect.
- ✓ If you have to cut your hours or change jobs don't assume it's a permanent move – you can go back later on when you're feeling more able.



Caring in later life

The eye-watering cost of childcare isn't just impacting mothers who are taking career breaks, but also women later in life, as increasingly grandparents provide free childcare to enable their children to return to work.

As expected, this disproportionately falls to women. At the same time, the so-called "sandwich" period of your life sees many women caring for elderly parents at the same time as providing free childcare for grandchildren.

Almost half of women said their career and finances had been impacted by caring responsibilities later in life. For example, 15% of women gave up work, 18% cut their hours, 7% took a lower-paid job and 14% said it costs them money to do the caring.

How to fix it:

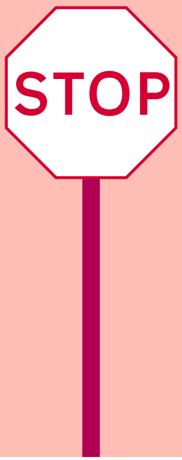
- ✓ Think about the financial implications of helping before automatically offering to look after grandkids.
- ✓ Make sure you're splitting the costs of caring for parents with other siblings.
- ✓ Discuss with children reimbursing you for costs of caring for grandchildren – it will still be cheaper for the parents than nursery.
- ✓ Make sure you're claiming any National Insurance credits you're entitled to in order to boost your state pension.

Retirement

We've already established that women are likely to have smaller pension pots than men – but we also delved into how this impacts retirement plans. More than a third of men have taken a career break or early retirement just because they could afford to, but the figure is much lower for women. In comparison 30% of women had taken a career break or retired early for caring responsibilities.

When it came to returning to work, women were more likely to have to return to work because they needed the money, while men were most likely to return because they wanted a new challenge or a sense of purpose – not because they had run out of cash.

This lays bare how lower pension savings means women have fewer choices in later life.



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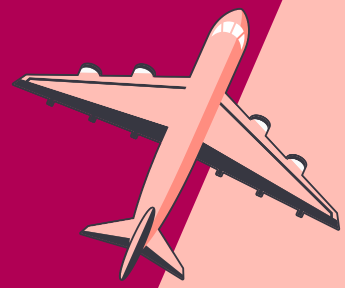
How to fix it:

- ✓ Think about the long-term implications of making cuts to pension contributions – and avoid it if you can.
- ✓ Stuff that pension pot when you get windfalls of cash – from bonuses, inheritance etc.
- ✓ Map out whether your pension is on track to sufficiently provide for you in retirement.

Your mini guide to financial fitness:



1. **Get a plan in place**: Saving or investing without a plan is going to be much harder – much like heading off on a journey with no map. Work out what your priorities are, what you are saving for and what your finances look like now – it will make getting started much easier.

2. **Get started:** Work out which areas of your financial life you need to tackle first and tick them off as you go. It's easy to put off boring life admin tasks, but having a list and working through it breaks it down into smaller, achievable tasks.

3. **Do you have too much cash?** We're a nation of cash lovers and often women are guilty of sitting on too much cash when they could invest it in an ISA or pension. Work out what money you need for your emergency pot, for the next five years and the money you don't want to take any risk with, and think about investing the rest.

4. **Do some research:** If you think that you don't know enough about investing, or ISAs, or pensions, then get reading. There are so many guides for first-time investors or jargon busters to help you get to grips with the basics. If you don't learn it now, when will you?

5. **Get to know your pension:** Whatever your age it's never a bad idea to engage with your pension. That could be working out whether you're on track for retirement, increasing your contributions, getting more involved in how it's invested or consolidating your pensions into one self-invested personal pension (SIPP). For some people it might be getting started with pension saving for the first time – but take those steps to boost your retirement pot.

6. **Get your hands on free money:** There's lots of help and bonuses out there you can claim that will boost your wealth. That could be Government support in the shape of child benefit, free childcare hours or pension credits. Or it could be from your employer, like maximising the pension contribution matching on offer or taking advantage of other financial benefits, like private medical. Also look out for accounts that have perks too: with a pension you can claim pension tax relief, or the Lifetime ISA offers a juicy Government bonus of up to £1,000 per year.

7. **Have some frank conversations:** Some of overcoming financial hurdles involves tricky conversations. That might be with your partner, around how you're splitting costs or childcare responsibilities. Or it might be with your employer, asking for a pay rise or different working patterns that suit your lifestyle and finances. These might be uncomfortable to have, but think about the boost it could give to your financial future.

8. **Consider getting advice:** For many people it might be better to call in the experts. For some people that will mean speaking to an organisation like Citizens Advice, to check they are getting all the support they could be, while for others it will mean outsourcing their finances to a financial adviser. An adviser will come at a cost, but for time-poor people with enough assets it could well pay off in the long-term – just make sure they are regulated by the Financial Conduct Authority.

Financial Wobbly Bits

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Money Matters

by AJBell

Helping women feel good, investing