For love and money:

Women’s pensions, expenditure and decision-making in retirement

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Age UK would particularly like to thank all the participants in our two focus groups, in Manchester and London, without whose insight this report would not have been possible. We would also like to thank Age UK Trafford and Age UK London for organising.

We would also like to thank the Pensions Advisory Service for providing us with helpful examples of the issues facing many women as they approach and during retirement.

Foreword

For women like me in their fifties and beyond the world is very different in many important respects from the one we grew up in, because so much has changed over our lifetimes. Women's lifestyle choices have greatly expanded – for most if not all of us – something for which I for one am extremely grateful, even if the idea that 'women can have it all' has sadly been largely debunked!

One of the most obvious differences is that many more women are in employment than in earlier years and, as a result, the degree of financial independence women typically now expect has substantially risen. Because more women are working, greater numbers have their own private pension provision too; however, since so many women combine part-time working with time out to bring up children and/or care for older relatives their private pension provision is usually quite modest. For this and other reasons it is always important to remember that for most women, and indeed for many men too, their State Pension will still be their main source of income once they stop working.

What happens though when retirement approaches and actually arrives? How do women fare financially once they reach this new stage in life? If they live with a husband or partner, who does what in terms of paying general living costs and other expenses, and how is this division of expenditure negotiated? How are different sources of income used by retired women, including their State Pension? And crucially, what particular challenges do women encounter when it comes to financial matters in retirement, and what can we do to help them overcome them?

These are the kinds of questions that this report asks and seeks to answer – against a context, of course, in which pension policy has also undergone enormous changes, especially in recent years with the changes to the State Pension and with the 'freedom and choice' reforms to private pensions. Encouraged by organisations including Age UK, policymakers have recognised the transformation in how many women live their lives and have acted to flex pension policy; for example, the recent State Pension reforms help women who take time out to care to sustain their entitlement to a full pension. However, have these adaptations gone far enough to prevent women from being unfairly disadvantaged in some situations? And has the public's understanding kept up with all the changes to pensions and their implications for their own financial fortunes later in life and, if they haven't, what needs to happen to help everyone get up to speed?

The focus of this report is therefore highly relevant to many millions of us, and it would be hard to exaggerate how much impact the issues it investigates potentially has on the quality of life people – women especially - experience once retired. I'm delighted that Age UK is contributing to such an important area of policy and practice where despite the flurry of reforms in recent years there is still clearly more to do.

Caroline Abrahams, Charity Director, Age UK

Summary – findings and recommendations

"I had a letter and discussed with husband. I want to take the money and let's have a good holiday and he said no I don't think we should do that, let's wait and see. If it were up to me, I would have the holiday. It was a good amount for a really good holiday. But I go by his final decision. When it comes to money I can be a bit more reckless and he can be more cautious. It's just how I am with him."

Focus group participant, 62

Main findings

Household decision-making: In our survey of people aged 55-70 and living with a partner, **70 per cent of women and 66 per cent of men told us that they pool at least some of their income**. This makes sense for households on a restricted income and is a good platform for joint decision-making. Conversely, 25 per cent of women and 28 per cent of men keep all their money separate.

Among couples aged 55-70, most of whom are retired, **household decision-making is largely collaborative**. The overwhelming majority of people (96 and 97 per cent of women and men respectively) consult their partner before taking a previously undiscussed decision.

However, **even where couples say they take joint decisions, this does not mean that women are operating on an equal footing.** Although many of our focus group participants were very happy with their household arrangements, collaboration or pooling income does not necessarily mean that:

- Both partners have equal weight in the decision-making process
- The household has sufficient income to make choices that please both partners
- Men are giving full consideration to their partner's contribution

Rather, our research suggests **that it is being the 'breadwinner' that can lead one partner to take control**. This is only indirectly related to gender i.e. it is having the greater income rather than being male per se that is important.

Even when people say they pool their income, we found that **many women in our focus groups told us that they retained their private pension savings for their personal use**. From our discussions with older women, it is clear that **individual private pension saving is very important for women's economic independence, and for retaining a sense of personal identity**. Yet in practice, many women (and indeed men) do not earn enough for complete financial independence.

Some degree of income pooling and collaboration is therefore a necessity for many households.

There is **strong evidence of gender-stereotypes when looking at decision-making by purchase category,** reflecting gendered roles within the household. For example, 58 per cent of women say they take decisions about grocery shopping, compared to just 13 per cent of men. Men are more likely to take decisions about ongoing commitments and major financial products. The full results are shown in Table 2.3.

Given that many older women would struggle financially if they were completely reliant on their own resources, **the mostly collaborative approach to household finances is to be welcomed and, through giving access to their partner's (often higher) pension, can improve help improve financial outcomes for women in later life**. However, it does not mean that everything in the garden is rosy. While no tension may ever arise between household need and individual financial security, and she can enjoy a form of domestic risk-pooling that cushions the impact of retirement if her pension savings alone are too small, this is a precarious arrangement. If there is a negative shock such as divorce, it is the female partner who bears the higher financial risk.

While being conscious of the need to plan for an independent future, **many women in our focus groups were caught between concern for their own long-term financial security, immediate household need and wariness of rapidly evolving priorities.**

Expenditure: among all households, analysis of the Living Costs and Food Survey finds that **spending on different product categories was largely in line with gender stereotypes**. Over 60 per cent of spending on food, children and gifts was done by women; for holidays, recreation and motoring, it was done by men. Utility bills, rent/mortgage and alcohol were largely shared.

Of the 25 and 28 per cent of women and men respectively who **do not pool any income, men are more likely to spend their own money on the household**, even on 'essentials' like groceries, which in other households would typically be purchased by women. This is likely to be because they have the larger private income, hence are the 'breadwinner'. However, **women in households that do not pool income were more likely to spend money on supporting the children and grandchildren**, which risks disproportionately high spending of their own money on helping family, with possible long-term consequences for their income.

The State Pension: this remains a vital source of income for the majority of households, particularly those in the lower-mid income brackets. The new State Pension for people reaching State Pension age from April 2016 onwards will improve pension entitlement for some women. However, broadly speaking, it is based on an individual's contribution record and, unlike the old system, **does not have provisions for people to claim based on their spouse or civil partner's contributions**. This may cause particular difficulties for women approaching State

Pension age who have not build up their own full contribution record, and had expected to be able to claim on their husband's record in the event of bereavement.

Priorities for using private pension income: both **men and women generally use or intend to use their pension income for general living costs** – 58 per cent of women and 62 per cent of men viewed this as their top priority. 'Enjoying myself / treat the household' was the next most common priority (13 and 19 per cent of women and men respectively). In addition to these, when asked about their top three priorities, over half of survey participants reported 'save for nothing in particular' and over a third that their pension is a 'safety net'. Interestingly, reasons like 'health or care-related costs' and 'paying off debt/mortgage' were considered low priorities.

There are **very few gender differences** concerning the expected use of pension income.

Some issues emerging from the freedom and choice reforms are likely to place women at particular risk. For example, women are likely to live longer but have a smaller pension to use, which makes spending at the appropriate rate even more important. Other issues include the risk of paying too much tax on pension withdrawals, and losing the right to a spouse's pension if your partner transfers their pension from a defined benefit (DB) scheme (where this is offered automatically), to a defined contribution (DC) scheme which does not. On the plus side, if one partner dies any money in their drawdown account can be passed on – under the previous regime, annuitised money would usually have been lost.

Divorce: divorce rates for 60+ women are low compared to the overall rate, but **across their lifetime many women have been divorced**. Of women born in 1955, nearly a third had been divorced by age 60. This raises a number of significant issues for pensions:

- Pensions are rarely included in divorce settlements, leaving women potentially poorer in their retirements. Research by Scottish Widows found that 71 per cent of couples do not discuss pensions at all.
- There is no automatic right to know your partner's pension value at divorce.
- Scottish Widows also found that 16 per cent of women actually lost access to a pension when they got divorced. This echoed our focus groups, where we encountered two women who, when married, had paid into a joint account, which in turn was used to pay into a Self-Invested Personal Pension (SIPP) in their husband's name. On divorce, pensions had not been considered, their husband had taken the SIPP and they had lost everything they paid in.
- Women are likely to be the losers when pensions are not considered, and many people we spoke to identified this as a problem.

This is important because it compromises those now aged between 57 and 62 – all of whom may potentially be accessing their private pensions imminently, or have already recently done so under

the ‘freedom and choice’ reforms. It is vital that **sufficient advice or guidance is provided to minimise the risk of poor decisions being taken**, and reinforces calls for a proper opt-out system of default guidance.

Bereavement: **women typically outlive their partner, which brings further challenges**. When bereaved, this might not only mean adjusting to a lower income, but also taking charge of some household spending decisions that they previously may have had limited involvement with, for example making major financial decisions.

Our survey suggested that **three quarters of men thought that their DC pension offered a benefit to their spouse following their death**. This is potentially a serious misconception, as any such benefit is not paid automatically, and if the finding is correct, many women could find they have less money once bereaved.

Recommendations

- It should become **compulsory to at least consider pensions as part of the divorce process**, through introducing a strong ‘nudge’ to include them in the settlement. For example, both parties could be compelled to sign a declaration that they are aware of their pension and have considered dividing their pensions, even if they do not proceed.

- People accessing their DC pension (or transferring out of a DB scheme) need a **greater understanding of death benefits**. We were alarmed by the seeming assumption among men with a DC pension that their survivor would get a pension, and believe greater clarity is needed about what happens to death benefits. This should be promoted through Pension Wise and in other communications.

- **Better budgeting tools should be introduced and promoted to help minimise the long-term impact of gendered spending**. If women spend too much of their own pension on groceries or the children, this can lead to a reduction in their own financial security, particularly if they are bereaved later on.

- Individual pension saving is important for women’s financial independence and their identity in retirement. **We believe the threshold for automatic enrolment (AE) eligibility should be lowered to match the National Insurance Primary Threshold**, currently £8,424 a year, and that multiple jobs should be included. These reforms would bring more women into pension saving. The Government should introduce these reforms as soon as possible.

- Women are more likely than men to take on caring responsibilities, which has an impact on pension saving. The Government needs to bridge this gap, and we believe that **a Carers’**

Credit for private pension saving, similar to that already in place for State Pensions, should be introduced as soon as possible.

- There is growing evidence that many people are struggling with at-retirement product decisions. We believe it is more important than ever to **develop suitable guided product pathways** that can help women (and men) derive a decent income throughout their retirement. Similarly, ensuring the reach of pensions guidance should be extended by a system of **defaulting savers, on an opt-out basis, into Pension Wise.** We uncovered further evidence that women are less likely than men to seek financial advice, making this all the more important.

- As the DWP and FCA acknowledge, there has been little innovation in the retirement income product market for savers with low and mid-value pensions. This is more likely to affect women, who usually have smaller pension pots. We believe **The FCA and the Government need to take bold action to spur innovation, including allowing NEST (the Government-backed workplace pension scheme) to offer income drawdown products to the wider marketplace.**

- The State Pension remains the main source of income for many retired households. We are concerned that the loss of derived rights may impact on many women once they are bereaved. **The Government should contact people individually to inform them of changes that will affect their future State Pension entitlement.**

- Many women have found it very hard to cope with the recent increase in women's State Pension age (SPA) from 60 to 66, and as SPA continues to rise, this will have a particularly significant effect on people who cannot continue to work because of caring or long-term unemployment. Some people should have **early access to State Pensions**, including people within three years of the State Pension age who are claiming Employment and Support Allowance (ESA), are carers, or are long-term unemployed. These groups face particularly high barriers to getting back into work.

- With a rising State Pension age, most people still have many years to work and prepare for retirement. The Government has already committed to rolling out some form of Mid Life Review, and we believe that **the Mid Life Review should include pensions and retirement planning alongside guidance/advice aimed at helping people keep working, and tailor part of this session to issues particularly affecting women.**

- Data to measure the impact of the pension flexibilities is currently inadequate. **The Office for National Statistics should develop a suitable and sustainable framework for evaluating the effect of pension freedoms.** This should look at individuals' total savings across pension types (and possibly other sources of wealth and income as well), and how they access and use their pension wealth over time.

01 Introduction

There have been a considerable number of research and policy reports looking into women's experience of saving into a pension, and particularly the gendered savings gap that affects women. There are a host of issues compromising women's ability to save adequately for retirement, from the gender pay gap in the workplace to the likelihood of leaving work or reducing hours because of motherhood or caring responsibilities.

In this report, we are moving beyond saving and into retirement. We examine spending and decision-making processes among women living in couple households, and among those who had been expecting to do so in their later life before divorce or bereavement waylaid their plans. We were particularly interested in the dynamics of how women's pension income was viewed, and whether they were particularly disadvantaged by having lower savings than men (which is often the case).

We look at decision-making processes and actual expenditure (who pays for what) separately, as this helps get under the skin of how couple-households really operate.

Household decision-making

In 2015 the Government introduced a new policy of 'pensions freedom and choice' which removed any requirement for pension savings to be turned into an income. This has opened up new possibilities for using pension wealth. However while people save individually, if they live in a household then financial decisions about how they use those savings are often more complex.

We try to uncover how decisions are made under such circumstances, and generally we find that a significant majority of older households pool their income and take spending decisions jointly. This suggests that in terms of day-to-day living, the impact of having a smaller pension fund is moderated. Even though responsibility for spending is sometimes quite gendered, for example women are more likely to buy the groceries, where all decisions are taken on a collaborative basis this seems less problematic – particularly as by-and-large men's and women's spending priorities are the same.

However, while this may be fine in a 'model' household, even where decisions appear to be taken jointly one partner can be left worse off in the longer-term, for example if they disproportionately use their own money for buying groceries or spending on the children – which is typically the case for many women. So it's not simply a case of 'all's good and well'.

There are of course also a significant minority of older households where money is not pooled, and while this may be no cause for concern if both partners are financially secure, more investigation is needed to shed light on what it means in practice, particularly for households where one partner has very few financial resources of their own.

The impact of divorce and bereavement

For many women the real problems emerge once the household breaks-up, through divorce or bereavement. This can leave women particularly at risk – often they have planned a jointly-financed retirement, and there can be a significant shock when this does not materialise. For

example, we encountered two women in our focus groups who, instead of saving into their own pension, had paid into their husband's Self-Invested Personal Pension (SIPP) via a joint account, and had lost the lot when they got divorced. Automatic enrolment into individual workplace pensions may encourage future generations to build up their own pension pots, but there is still a significant risk that women will be the 'loser' when divorce occurs. More needs to be done to ensure pensions are divided fairly on divorce.

This report explores the range of experiences and later-life factors that women may have to balance when deciding what their private pension savings are used for, especially when those savings are limited. And it considers what this means for pensions policy at a time when the UK is in the middle of a major shift in pensions culture: away from a world of defined benefit (DB) pensions providing income certainty on a household basis but little flexibility, to one of individualised defined contribution (DC) 'pension pots', which provide flexibility but very little security.

Improving pension outcomes

By exploring these issues, Age UK hopes to encourage debate about how well the DC pension system meets the needs of women at retirement; what can be done to help improve planning and budgeting throughout later life; and identify areas for new thought and research. We also believe that, as the new 'freedom and choice' reforms bed in, looking at the potential impact on women in particular will be extremely important for policy-makers. This is not just because we are concerned about the 'gender pensions gap'; but also because looking at how the pensions system meets the needs of women who tend to have lower savings, we may also learn more about how the system could work better for everybody, regardless of gender, on a low income.

Women and the small pension problem

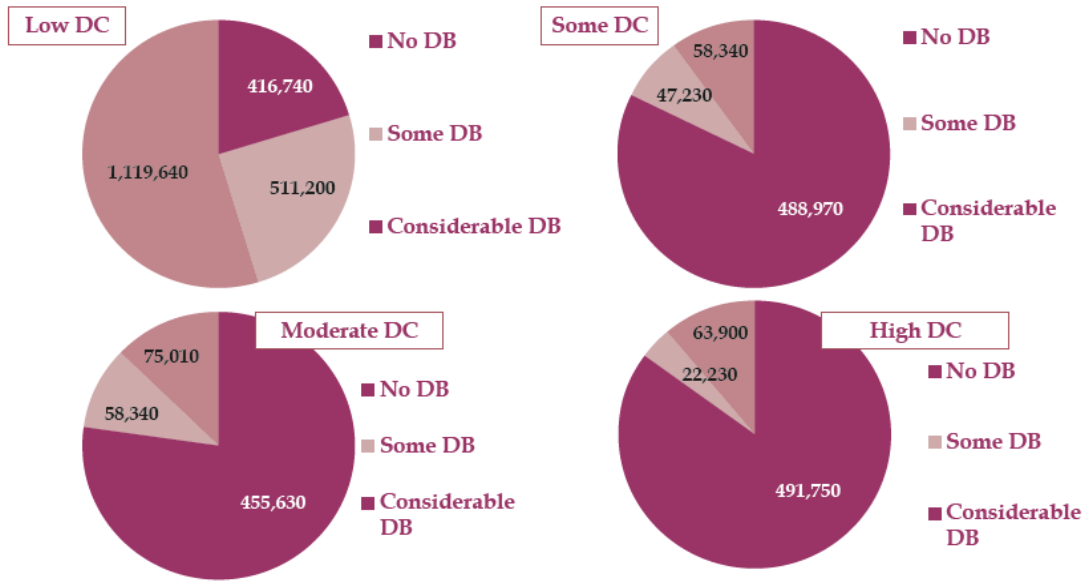
It has been well-documented that women have lower levels of pension savings than men, for various reasons including the gender pay gap and historically lower levels of participation. The consultancy firm Mercer estimated that the 'gender pensions gap' stands at about 40 per cent. [1]

Among people coming up to retirement (the current 50 to State Pension age (SPA) cohort), there is still a reasonable 'protection' against the potential negative outcomes associated with DC saving. The Pensions Policy Institute have calculated that the majority of people with 'some DC' and 'moderate DC', who perhaps are most at risk of harm from poor choices, also have a considerable amount of DB saving. The chart below from the Pensions Policy Institute shows this breakdown[2] (note it is for both men and women, figures are not available for women alone).

For a detailed look at women's pension saving and future income adequacy, please see the Pensions Policy Institute's report 'The underpensioned 2016', available on its website.[3]

Those with high levels of DC savings are less likely to have DB entitlement

Groups divided by 25th percentiles of DC savings and shaded by level of DB entitlement (people aged 50 to SPa in 2018 at their individual SPa's)



Today's full State Pension of around £8,500 per year is unlikely to be enough for the type of retirement most people hope for. As DB schemes decline[4] and automatic enrolment nudges many more into DC saving, the amount people are saving in their DC pot[5] – and how they ultimately decide to use it – will become an increasingly large determinant of the standard of living they get to enjoy in later life.[6]

For today's women retiring with DC savings, the median amount is just £10,000 compared with a male saver's pot of £22,000 at the same age.[7] Research by the Pensions Policy Institute shows that around 2.7 million women are currently excluded from auto-enrolment into DC schemes because they earn under the £10,000 threshold.[8]

The inequality contributes to unequal retirement outcomes: among pensioners, women's risk of poverty in retirement is greater than men's - and 17 per cent of retired women are living in poverty compared to 14 per cent of men[9]. In addition, as women vastly outnumber men in older groups age there are many women more living in poverty than men –1.1 million compared to 0.7 million. Going forward, although we know that the new flat-rate State Pension is likely to help reduce the numbers of women in poverty and automatic enrolment will mean more women reach retirement with private pension savings, the gender poverty gap is likely to take many years to narrow.

Furthermore, women typically retire younger than men – at an average age of 63.6 compared to 65.1, meaning there is less time to save and that their pension has to last longer.[10]

Given the risk of even higher numbers of women reaching retirement with inadequate DC savings in future, it is important to understand as much as possible, not just about why women are saving

less in the first place, but also about how they make use of the savings they have once they get to 55.

Household versus individual retirement

Most retirements in the UK are joint: around 73 per cent of women aged 55-64, are living in a married or cohabiting couple[11] and there is a strong tendency within UK couples to retire together or not far apart. The Institute for Fiscal Studies found that the rise in women's SPA from 60 to 61 caused a 5.4 per cent increase in female employment rates and a 4.2 per cent rise in their husbands', higher than one would expect if decisions were taken independently.[12] This suggests men's and women's financial decisions in or near retirement are more likely to be taken jointly.[13]

For a woman in a relationship where retirement resources are shared, no tension may ever arise between household need and individual financial security – she can enjoy a form of domestic risk-pooling that cushions the impact of retirement if her pension savings alone are too small. But this is a precarious arrangement. Women can expect to outlive a male partner of a similar age by around three years, and longer for the many with older partners,[14] while increasing numbers of unmarried cohabiting couples, and single-sex and transgender relationships have thrown into doubt some of the old certainties about who gets a pension from whose earnings.

Ageing alone

- **3.64 million people aged 65+ live alone – which is 32% of all people aged 65+ in the UK (Office for National Statistics).**
- **Nearly 70% of these are women.**
- **Around 20% of women born in the 1960s have no children, and the number of all people aged 65-74 without children will almost double before the end of this decade.**
- **The Institute of Public Policy Research estimates that by 2030 there will be 2 million people over 65 without adult children, up from 1.2 million in 2012.**

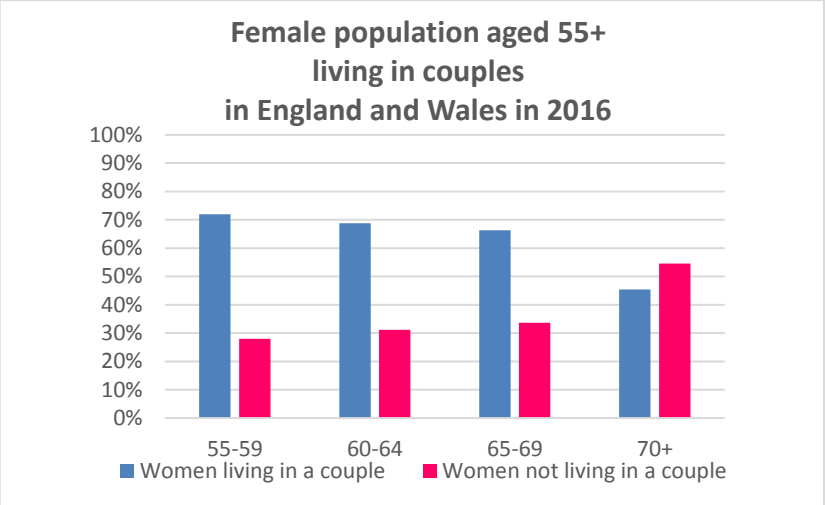


***Figure1**: Office for National Statistics, Population estimates by marital status and living arrangements 2002 to 2014 (released July 2015)*

Mirroring these social trends, pension provision in the UK has also been individualised, through DC saving without automatic death benefits. The State Pension is based on individual National Insurance contributions and credits, and workplace pensions on individual earnings. And pension savings policy is based on inertia with an emphasis on outcomes for individuals and individualised retirement planning: there is little left of household financial strategies.[15]

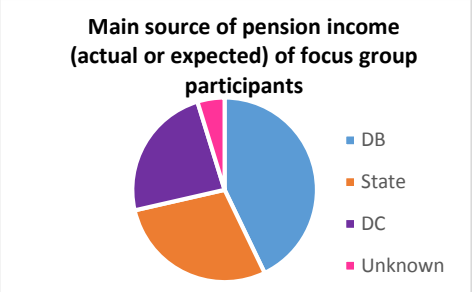
Yet it seems that public understanding is lagging behind this shift. As part of our research for this report, we surveyed 1,010 people aged 55-70 and living with a partner (see Section 2), including about their perceptions of DC saving. The findings have given us cause for concern – **75 per cent of men with a DC pension believed it included a financial benefit for their partner or dependents in event of their death**. 68 per cent of women thought similar. This suggests many people think their spouse will automatically get an income later on, when in reality DC pensions do not automatically provide for this. To be clear, this survey does not mean all of the 75 per cent misunderstand – some may have already chosen an option that does provide for their spouse, or may be confusing their DC and DB pensions – but it suggests that in future **many bereaved women could be living on less income than they previously expected. We recommend further investigation by the Government and relevant authorities**.

So how does this apparent conflict between the household reality of most UK retirements and the individual emphasis of the private pension system play out for women, when it comes to deciding how to use them?

Methodology

In this report, we examine what is known about how women's pension pots are treated in the context of a household retirement, with a particular focus on DC pensions. We have drawn from existing research, analysis of household spending data from the Living Costs and Food Survey, and focus-group discussions with women aged 55-70 to pull together a picture of the factors within married or cohabiting households that determine women's later-life economic behaviour, and influence their withdrawal decisions.

We conducted **focus groups** with 22 women from different household backgrounds, comprising:



- 5 women who had already retired but not yet used any of their DC savings;
- 7 women who had already retired and used some or all of their DC savings;
- 7 women who were still in paid work, or were looking for paid work, and not yet used any of their DC savings; and
- 3 women who were still in paid work and had already used some or all of their DC savings.

Participants were from Greater Manchester and London, and all had (or have used) DC pension savings, and some also have (or have used) additional personal pension provision through a DB scheme or schemes. Two participants had also taken out personal pension schemes.

The Pensions Advisory Service (TPAS) also kindly provided us with several examples of the issues faced by women, some of which are included throughout this report.

They are colour coded as follows:

Quotes from Age UK focus groups

Individual's stories, drawn from in-depth interviews with

Quotes provided from the Pensions Advisory Service (TPAS)

We also commissioned ComRes to undertake a survey of UK adults aged 55-70 who were living with their partner, with the aim of understanding more about retired couples' attitudes to spending and managing their income with 1,010 people participating. The results of this polling are mainly included in Section 2 ("Household realities"). We asked people a range of questions including:

- whether they pool their income or keep it separate
- which partner purchases which items, and how decision-making processes work
- what their individual spending priorities are for their retirement income

For background, we also asked people what was the estimated value of their defined contribution (DC) pots at age 55 (Chart 1.1). Interestingly, the most common answer was that people did not know – which applied to women more than men (34 and 28 per cent respectively), and indicates some degree of disengagement with pension saving. Among those women who did know, about half said they had under £40,000, compared to approximately one third of men.

Chart 1.1 – estimated value of pension pot(s) at age 55 of those with at least one DC pension

Chart 2.2 shows the proportion of people in the survey, by self-reported income band. It should be noted this is household income, so does not imply that women have higher incomes than men. It makes no distinction between earnings from work and pension income, and is included for guidance as to the household circumstances of the respondents.

Chart 2.2 – total household income of survey participants

02 Household realities

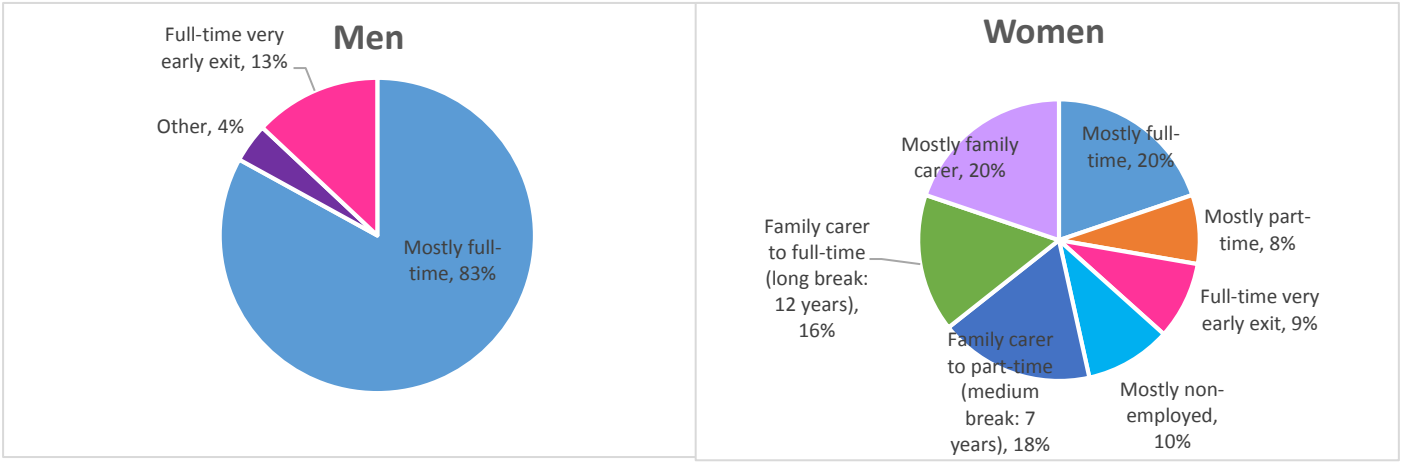
"Women's pensions aren't good for a lot of reasons, women are generally in lower paid work, part time work, they take breaks for caring. I've got three different pensions, and all of them are small pots cos you're having to move all the time…I personally feel like that's disadvantaging me cos I've got bits of things that aren't going to add up to what I would have had if I'd have been a man working right through."

Focus group participant, 57

Although we know a lot about how these differences in life course influence male and female pension savings behaviour, less is known about how a woman's later-life economic identity might be rooted in the household, and how that carries over into her pension spending decisions. How does the household influence a woman's later-life economic activity? What are the gendered roles and responsibilities she undertakes, and how do they influence her financial priorities after age 55?

Recent analysis of the working histories of men and women now fully retired shows the extent to which female economic identity is rooted in the household – 54 per cent of women had a working life dominated by caring responsibilities, while only 20 per cent had a mostly full-time working pattern. This is to be contrasted with 83% of men working mostly full-time throughout their working lives.[16]

Figure 2a, Labour market histories at age 55 or over, of men and women born 1920-49



Source: The Wellbeing, Health, Retirement and the Lifecourse Cross-Research Council Consortium, Project Report, 2017

The next few sections look at decision-making and expenditure. Section 2.1 explains the Age UK polling and the headline figures of income pooling; Section 2.2. focussed on decision-making processes; and Section 2.3. on who spends money on what.

2.1 Organising household finances

This section looks in more detail at decision-making processes and the organisation of household finances.

Income pooling

The majority of respondents to our survey – 70 per cent of women and 66 per cent of men – said they pool some or all of their income. Only 25 per cent of women and 28 per cent of men keep all their money in separate bank accounts (Table 2.1).

Table 2.1 – proportion of women/men pooling income

	Net pool income	Pool all income	Pool some income	Keep income separate	Either partner has no income
Women	**70%**	50%	20%	25%	5%
Men	**66%**	49%	17%	28%	6%

This reinforces academic studies that have shown a trend over time towards greater income pooling (and both partners contributing to costs when pooling does not occur.)[17] [18]

However, these pooling results cannot be taken at face value. Most women in our groups – even where they also claimed they pooled all their income – maintained their own bank account, which they regarded as being "mine", and used for personal enjoyment. Often, it was their DC pension pot that they saw as serving this purpose. This emphasises the importance for women of individual private pension saving for retaining economic and social independence in retirement.

> **"I've worked 40 years, with one or two breaks, and my private pension is nothing. Absolutely nothing. I feel like a second-class citizen."**
>
> ***Focus group participant, 63***

Collaboration

Through our focus groups we found that many couples organise their finances on a collaborative basis. Our polling also highlighted this consultative nature – responding to the question 'if you want to use your combined income for something not previously discussed, do you consult with them [your partner] first?', 96 per cent of women and 97 per cent of men 'always' or 'sometimes' consulted.

Interestingly, men stated they were more likely to 'always' consult (Table 2.2).

Table 2.2 – how often do you consult with your partner before taking a previously undiscussed decision?

	Net consult (always or sometimes)	Always	Sometimes	Never
Women	**96%**	53%	43%	2%
Men	**97%**	75%	22%	1%

Combining the survey with our focus groups, we can draw several inferences about the decision-making process in couple households. Pooling income leads to discussions within households about how spending takes place (most often for larger or longer-term purchases), often combined with delegated responsibility for taking decisions about different items (see section 'Spending decisions by category' below).

The approach demonstrated in the quote below was typical among focus group participants:

"I had a letter and discussed with husband. I want to take the money and let's have a good holiday and he said no I don't think we should do that, let's wait and see. If it were up to me, I would have the holiday. It was a good amount for a really good holiday. But I go by his final decision. When it comes to money I can be a bit more reckless and he can be more cautious. It's just how I am with him."

Focus group participant, 62

Behind the survey's headline figures of high levels of income pooling and collaboration, there are a myriad of different experiences. While the 'model' household of an equal partnership does exist, and the majority of our focus group participants stated they were very happy with their arrangements, there is often more to collaborative decision-making than meets the eye.

For example, it does not necessarily mean equal weight for each partner in the process – for example, the participant in the quote below viewed her financial relationship as broadly collaborative, but relied on her partner for all the day-to-day money management:

"We discuss decisions but I just leave it up to him. I'm a bit lazy like that, I'll just say yeah whatever you think because I trust him, it's works for me and he's very good. Apart from, I buy my own clothing, family gifts he leaves that to me, that's personal spending. I have my own money so it's up to me. He'd rather leave that to me. Other than that, he sees to everything. I just rely on him too much really. He makes sure all the bills are paid and I just leave it to him."

Focus group participant, 62

Furthermore, many couples are taking decisions jointly but with a low income. This means that hard choices have to be made, and where a higher proportion of household income is spent on groceries – where women typically do the shopping. There is a risk this can leave the female partner disproportionately worse off, especially if they also use some of their private resources to 'top up' household budgets.

Decision-making by product category

We asked people who pooled some or all of their income who usually makes spending decisions. Women are more likely to consider they make joint decisions, although there are clear gender differences in different categories.

Table 2.3 – summary – who usually makes spending decisions? By product category

	Women			Men		
	Me	Partner	Joint	Me	Partner	Joint
Groceries	58%	1%	40%	13%	26%	61%
Large financial commitments	16%	4%	80%	40%	1%	59%
Utility bills	30%	6%	63%	51%	4%	45%
Special one-off purchases	14%	2%	84%	11%	3%	85%
Major financial products	17%	5%	71%	34%	1%	61%

Spending decisions on groceries

In keeping with lots of other research, we found that women are more likely to make decisions on the grocery shopping than men. 58 per cent state it is they who does this, compared to 13 per cent of men. Men are more likely to think it is a joint decision (61 per cent), but only 40 per cent of women agree the decision is jointly made.

Large financial commitments e.g. insurance, internet or television

This is a male dominated area, with 40 per cent stating they usually take the decision alone,

compared to 16 per cent of women. The majority of couples, however, take a joint decision (80 per cent of women and 59 of men).

Utility bills
Again, as with other contract-based services, men are more likely than women to take the decisions by themselves (51 compared to 30 per cent).

Special purchases e.g. holidays, appliances, home improvements
These larger one-off purchases are made jointly. 85 per cent of men and 84 per cent of women agree they usually make a joint decision.

Major financial products
These are mostly purchased through joint decision-making (71 per cent of women and 61 per cent of men believe so). However, where not done jointly women are only half as likely to take the decision (17 vs. 34 per cent). Combined with findings that male decision-making tends to dominate in large financial commitments and utility bills, this suggests that these may be areas that women may find more difficult after bereavement or divorce – although a surviving partner of any gender is likely to need a period of adjustment to dealing with financial decisions that were previously taken by their partner.

This breakdown suggests that there is a significant amount of gender-stereotyped decision-making within households. This may or may not be problematic depending on the nature of the relationship and the long-term consequences, for example one partner not feeling able to make their voice heard on financial decisions on a particular issue.

Being the breadwinner

The focus groups also gave a sense that being the main breadwinner leads to that individual being the primary decision maker. This is not necessarily gender-based (at least in retirement), but suggests that when earning a salary the higher earner will typically take the decisions, which (owing to the gender pay gap) will typically be the male partner. This changing relationship was referred to by women in our focus groups – once fully retired, especially where incomes are pooled, there is greater equality. This anecdotal evidence is also supported by academic research.[19]

There were several women in the group who exemplified the ‘breadwinner in control’ theory, for example:

"My husband retired last year, up until then, I left it all up to him. He keeps all the records. But the minute I knew he was retiring, I'm the one who's done a budget, and that's the budget we're gonna stick to. It's interesting that's the way it's shifted. Mainly because together we had enough money that I didn't have to think about what I did so I left it to him – he managed it and it was all fine. But now I don't feel like that – I feel like "hang on a minute I need to reel myself in", and I've got more control of it now. Because I'm going to be the main breadwinner."

Focus group participant, 57

And following a divorce, two participants expressed similar views – they are now in control:

"When I was married, regarding big financial decisions I completely trusted him, and he made a lot of the decisions. I was aware it was going on but he'd do what he wanted to do. But now it's gone completely the other way – going from being completely reliant on someone to having to make your own decisions and I'm very cautious about what I do."

Focus group participant, 64

"[My first husband] always stressed he earned a lot more than me. He seemed to think that gave him the right and I let him do that, but in my second marriage, my husband and I are very organised and we discuss everything. Not a penny will go out of that account that I don't know about. I've learnt."

Focus group participant, 59

Changing circumstances impact on decision-making

Some people are forced to take decisions alone, for example by **ill-health:**

"I had two pensions and at the age of 55 I was a part-time carer and knew I was going into full time caring, so for that my made my decisions. So I drew down on the both pensions [before 2015]. I have to make all the decisions, I've got no choice. He's had MS since the age of 39 and he's 61 now so he's got worse and worse and worse so I have to do it all. It's a pressure. You're blessed if you have someone who's able to join in and make the decisions with you."

Focus group participant, 61

One focus group participant found that her husband's **redundancy** forced a change. With tighter budgets came different responsibilities – he started doing the grocery shopping while she felt compelled to carry on working, feeling like she was unable to retire.

"My husband was made redundant. That had a big effect on us. From being able to just spend what I wanted, I didn't appreciate it at the time – I do now – we're eight years on now, but we had to really tighten our belt. It's quite amazing what we can get for our money on a week's shop….He does the shopping, he goes by a list and he doesn't go off that list. It was forced retirement for him. We rely on my money so I'll be working til I'm about 70 – I want to anyway, it gets me out and I'd much rather be earning."

Focus group participant, 62

2.3 Who does the spending in retired couples?

How this plays out in practice, in the form of which partner is actually doing the spending, is also important. This section looks at who spends the money, and uses a combination of the ComRes survey and our own analysis of the Office for National Statistics' Food and Living Costs Survey.

We find that spending is often quite gender-based – for example, women spend their own money more frequently on their children than do men, and are largely responsible for purchasing the household basics. This may not be particularly problematic – if it is 'delegated responsibility' out of a pooled income then it could still be considered part of the collaborative decision-making process. However, even 'pooling' households are unlikely to be problem-free – women often keep some savings (often a pension pot) for private use, and if income is restricted there is a strong possibility that these savings can be spent on groceries and (grand)children, leaving them worse off in the longer-term. Also, joint expenditure does not mean an equal balance of power, and the breadwinner theory discussed in Section 2.3 is likely to be important; and not least, many households have lower incomes, and spending money on a tight budget can potentially place more emphasis on groceries and other items where women are the main purchasers.

Crucially, no amount of collaborative decision-making or expenditure improves the decisions that people make with their pension under freedom and choice – this is a separate matter.

What do women (and men) actually spend their money on?

As we've seen, most pension money is designated for non-specific 'general income' purposes. In addition to the ComRes survey, we carried out some analysis of the Living Costs and Food Survey, looking at the proportion of expenditure made by women aged 55+ in couple households.

They often share spending with their partner on costs relating the house, such as rent/mortgage, maintenance and utility bills. They are overwhelmingly responsible for spending on food, clothing (for themselves and their partner) and medical costs; while also taking spending responsibility for the day-to-day needs of children under 15 and grandchildren (for instance, clothing, baby food, school trips and nursery fees) and on gifts to others outside the household - including giving money to family members. Men in these households, by contrast, spend on high-cost and irregular items like cars, holidays and entertainment.[20]

These figures suggest that a significant amount of spending reflects gender stereotypes. However, whether this creates a problem for women depends on how household decisions are made and whether income is pooled. The data here do not answer any of these questions.

Who pays for what and who decides is not always relative to how much income each partner contributes,[21] and couples' perceptions about what spending is joint and what spending is a personal choice is likely to vary among households.

More in-depth research is therefore needed into how older couples allocate their income to costs, but also into how couples perceive the boundaries between household and individual spending.[22]

Table 2.4 – proportion of expenditure in couple households aged 55+ made by women

Average % of household spend by women aged 55+ in UK couple households

Source: Living Costs and Food Survey 2014

Women's clothes	**91%**
Children e.g. clothing, toys, school and nursery fees, child care, baby equipment	**76%**
Food	**72%**
Gifts e.g. gifts and money given to people outside the household, including family	**66%**
Health e.g. medicines, prescriptions, glasses, dental	**64%**
Home maintenance e.g. household appliances, cleaners, gardeners, gas repairs etc.	**62%**
Alcohol, tobacco, gambling	**54%**
Utility bills	**52%**
Housing-related costs e.g. rent, council tax, mortgage payments, home insurance	**48%**
Savings e.g. ISAs, cash, insurance, clubs	**45%**
Men's clothes	**44%**
Holidays	**38%**
Recreation e.g. sports, gardening, live entertainment, hobbies etc.	**38%**
Motoring e.g. vehicles, parts, servicing, parking	**30%**

Claire's story: balancing the now and then

Claire, 58, is still working. Her wages are the main source of income for her and her daughter Elizabeth, 20, who goes to university nearby. Claire will start receiving a State Pension age at 66, and she expects to have to use that money to cover the bare essentials.

After divorcing some years ago, Claire is still dealing with financial commitments from a business shared with her ex-husband, and she wants to keep supporting her adult daughter through her studies. "I've ended up on my own, starting again from scratch…Not having that additional person to act as another pension pot means it's just your pot funding utilities and day-to-day- living, in addition to still sorting things out that have crept up on me."

These demands mean Claire is struggling to see how she can stretch her private pension, which she hasn't yet touched, to cover today's financial realities and those she knows are in her future. She is wary from her experience of divorce that she cannot predict what is around the corner and feels caught between now and then. "There's a lot in the mix…You need to make sure you're making the right decisions based on what you still have to contribute to now and in the future, and hopefully getting the balance right."

Spending among 'non-pooling' households

It is also important to remember the other side of the coin - what people spend their non-pooled money on.

25 per cent of women and 28 per cent of men in the survey stated they did not pool any income, and about half only pooled some. To find out more, we asked a question specifically about how non-pooled money is used in relation to general household costs.

Most people say they both pay the same amount towards household costs (Table 2.5). This includes 27 per cent of women (34 per cent of men) who pay roughly the same each month, and 37 and 23 per cent who both pay but on an ad hoc basis. This means, in total, 64 per cent of women and 57 per cent of men in these households consider they jointly pay for household costs (NB this does not mean they *evenly* contribute).

Perhaps more revealingly, however, is the finding that one quarter of women say their partner pays for almost everything – probably because they have been out of the labour market for long periods due to childcare and caring responsibilities and hence have been unable to save for retirement. This is of concern, and suggests that this quarter of women may have little financial security of their own and may be excluded from day-to-day decision-making. If so, this group warrants further investigation.

Table 2.5 – which partner in a non-pooling household pays for general household costs, respondents with separate incomes

	My partner pays for all/most	I pay for all/most	We both pay the same each month	We both pay on an ad hoc basis
Women	25%	11%	27%	37%
Men	1%	42%	34%	23%

There is also a disparity between the 42 per cent of men who believe they pay all/most household costs, and the 25 per cent of women who state their partner does. The difference between these two figures suggests a mismatch in how men and women view household decision-making. This needs further investigation.

We also asked the non-poolers in the survey about how frequently they spend their own money on certain categories. Table 2.6 shows frequency of expenditure on household essentials and household extras from someone's own resources.

Table 2.6 – frequency of spending on household essentials and extras in non-pooling households, by gender

	Household essentials (e.g. food/bills/car costs)		Household extras (e.g. treats/holidays/going out)	
Scale 1-5 (rarely to frequently)	**Women**	**Men**	**Women**	**Men**
1	25%	10%	13%	9
2	12%	6%	9%	7%
3	22%	18%	27%	20%
4	13%	21%	20%	27%
5	14%	29%	15%	21%
Net frequently	**27%**	**50%**	**25%**	**48%**
Net rarely	**37%**	**16%**	**22%**	**16%**

In households where there is no pooling, we can see that men are more likely to spend money across both categories. This could be because they have most or all of the private pension income, so are effectively still the 'breadwinners' within the household.

Helping the children

Women in non-pooling households were likely to spend money on their children and grandchildren more frequently than men. Table 2.7 shows how people self-report frequency of spending, on a scale of one (rarely) to five (often). There is a marked difference for spending on children in particular, although the gap is narrower for grandchildren.

Table 2.7 – frequency of spending on children and grandchildren in non-pooling households, by gender

	Children		Grandchildren	
Scale 1-5 (rarely to frequently)	Women	Men	Women	Men
1	8%	15%	5%	9%
2	6%	13%	4%	8%
3	20%	23%	11%	14%
4	15%	12%	13%	15%
5	21%	11%	20%	13%
Net frequently	**36%**	**23%**	**33%**	**28%**
Net rarely	**14%**	**28%**	**9%**	**17%**

Grandchild care is a growing feature of women's economic activity in later life: between 2009 and 2015, the number of grandparents providing childcare increased by 51 per cent[23] [24] and there is particular demand on younger grandmothers, aged 50 to 64, whose own children may be looking for help as they struggle to balance childcare with working more. Grandfathers are also increasingly involved.[25] Around 63 per cent of all grandmothers provide at least six hours childcare a week,[26] and grandmothers are more likely to leave work earlier than women who have no grandchildren.[27]

"When my daughter's children were young, I used to look after them, and I had my mum. I used to call it 'the Old and the Young Days'."

Focus group participant, 62

"A lot of women looking after grandchildren, and also have an elderly parent, and they keep working full time which is very difficult when you're caring."

Focus group participant, 67

Age UK analysis, published in our report 'Walking the tightrope: the challenges of combining work and care in later life' found that as little as five hours caring a week has a significant impact on someone's ability to stay in work, with ten or more hours having a markedly detrimental effect.

It was borne out in our focus groups, where one participant, aged 60, found herself looking after her mother and her new grandchildren simultaneously. She had to give up work to tend to her family, and was forced to use her pension pot to tide her over – and pre-pension freedoms, this meant locking herself in to a small annuity income over many years.

Aside from actually losing earnings to fulfil direct caring roles, these older female carers are also likely to be incurring less visible costs, by paying associated expenses directly from their own pocket. This can include incidental costs like transport for visits, food, gifts, newspapers and. In the case of caring grandparents, for example, around 17 per cent are dipping into personal savings to cover associated costs, while for grandparents the average spend per child is estimated at £650 per year.[28]

With many 50+ women providing care and a rising State Pension age, the effect on earnings, savings and pensions needs to be measured more effectively, and the Government needs to take action to ensure that women are not made worse off in their retirement. For example, credits should be paid into a private pension for everyone in receipt of Carer's Allowance, similar to the Carer's Credit that already exists for the State Pension.

2.4 What about the pension? The purpose of pensions and how they are used

As well as general expenditure, we wanted to find out as much as we could about how retired women view their pension saving. For example, are they earmarked for particular purposes, do they get pooled in the same way as general income?

Spending priorities with pensions

Our ComRes survey asked 'which of the following do you currently or expect to mainly spend your private pension income on?' Table 2.7 and Table 2.8 below show the top reason and top three reasons respectively. They show that there are only limited differences between the genders, with the majority prioritising 'general living costs' over more specific purposes. This chimes with the findings noted earlier on income pooling, where people stated they were consulting on decisions (Table 2.1).

Table 2.7 – top spending priority for private pension

	Overall (%)	Women (%)	Men (%)
General income for living costs	60	58	62
Enjoy myself / treat the household e.g. a holiday, home improvements	17	13	19
Save, for nothing in particular	9	12	6
Safety net in case of financial shock	4	4	4
Reduce or pay off debt	2	4	1
Reduce or pay off a mortgage	2	2	2
Health or care-related costs (own or someone else's)	1	1	1
Give to friends or family including as an inheritance	1	1	1
Other	1	1	-

Table 2.8 – top three spending priorities for private pension

	Overall (%)	Women (%)	Men (%)
General income for living costs	84	80	87
Enjoy myself / treat the household e.g. a holiday, home improvements	71	74	69
Save, for nothing in particular	55	54	55
Safety net in case of financial shock	36	35	38
Health or care-related costs (own or someone else's)	14	16	12
Give to friends or family including as an inheritance	14	14	13
Reduce or pay off debt	8	7	8
Reduce or pay off a mortgage	6	6	6
Other	1	1	2

The main, albeit slight, difference is that women are less likely to use their pension as general income. This might be because having a smaller income means the household is less likely to see it as being the go-to fund for, say, a trip to the shops. It is worth noting that this sample includes both retired and non-retired people, so combines existing spenders and people who have a 'future preference'.

There is a stereotype that men are more likely to spend money on 'fun' items. This is borne out when considering the top priority – men are more likely to see spending on enjoyment or treats as a top priority for their pension (19 vs. 13 per cent). However, when stated as a top-three priority, women are more likely to say this (74 vs. 69 per cent).

Across all named spending priorities, the values are quite even by gender. Most people consider their pension is primarily for day-to-day living expenses, which makes getting a sense of how this plays out in practice particularly important for women.

2.6 Blurred lines – pension ownership and spending

As the Living Costs and Food Survey data shows, older women tend to spend *ad hoc* on day-to-day costs in order to meet the daily needs of household and family. This is contrast to more fixed male spending on larger, less frequent and more marginal items like holidays, cars, and entertainment.

Of course, where money is pooled this is unlikely to be a problem. However, where paid for out of out of one partner's pension, then it can be particularly detrimental to women who are less likely to have substantial savings. It could lead to an unduly high proportion of outgoings being placed on the woman. This will have implications for her long-term financial security.

It also raises a further question about 'ownership' of money. Our focus group participants felt 'my' pension was 'mine' to make decisions about, yet many still paid into a joint household fund and the survey suggests many decisions are taken jointly, or at least with 'delegated responsibility', and paid for from a joint account.[29] And in any case, this might be an active and deliberate choice, meaning gender-based stereotypes about who-buys-what might need to be broken down before we can truly understand the impact all this has on household finances in retirement.

The overall importance of individual pension income for women in couples

While we know that women on average have lower pensions than men, our findings suggest that most women in couples pool income with their partner, and often spending decisions are made jointly. As explored in the section below, the biggest financial problems are likely to occur for women who lose their partner. However, there are also other reasons why it is important that women have their own retirement income. For example,

- While we found that most couples pool income, not all did. There may be good reasons for this – for example, partners may have similar resources, or one partner may be unable to manage their own money. However, there may also be low income women who are facing hardship because they cannot access their partner's income. Further research is needed to explore this issue further.
- Even if resources are pooled, it was clear from our focus groups that many women place great importance in having their own individual income and the independence and ability to contribute financially to the household this provides.
- Thirdly, unless one partner has a very high income, even when the woman's pension is relatively low it can still make a significant impact to the couple's overall living standard.

03 Later life, after losing a partner

"You don't expect that when you're younger, that you'll have to rely on yourself later."

Focus group participant, 62

The pooling of resources in a household retirement strategy can diminish the impact of the pension gap for some women, but that protection only exists while the household and its central relationship remains stable. Should the partnership disintegrate, whether by death or divorce, women with inadequate pension savings of their own may find themselves suddenly exposed and often with little time or ability to recover financially. Death benefits attaching to DB and DC schemes mean that a widowed spouse can expect to receive a proportion of their partner's workplace pension, but in divorce, or for non-married partners, that is far from a certainty.

3.1 Divorce

Perhaps the most significant unplanned event that can affect women achieving a decent retirement income is divorce. Among the over 60s, divorce is relatively uncommon, with only 0.16 per cent of married 60+ women divorcing in 2016, compared to the all-age average of 0.89 per cent. While divorce among the over 60s has risen slightly in recent decades from a low base, it is still low compared to other age groups. The most common age for divorce for women is in their 30s (1.39 per cent of married women)[30].

"I've ended up on my own, starting again from scratch. I'm starting what you do in your early 20s again."

Focus group participant, 54

Research (conducted prior to auto-enrolment) has shown that men are more than women likely to recover their financial position within 10 years of divorce or separation. Women are more likely than men to have persistent problem debt (18 per cent of divorced women compared with 12 per cent of divorced men, and 23 per cent of separated women compared with 16 per cent of separated men).[31] This leaves little time for basic financial recovery before retirement, let alone for building an adequate pension.

"I wish I'd had more info when I took my personal pension out. Also I was married to a teacher at the time who had a very good pension but we've been divorced now for 10 years. My life changed. I really wish I'd put more money into my pension rather than relying that I would be able to rely on my then husband. I should have looked after myself. To people now – don't worry about what's going to happen to you – concentrate on your own pension rather than relying on someone else's. You don't expect that when you're younger, that you'll have to rely on yourself later."

Focus group participant, 64

However, there is a strong cohort effect on divorce rates, with differences depending on when someone was born. Figure 3.1 below shows how cumulative divorce rates (ie total women divorced by that age) have changed over time for different birth cohorts (1940, 1945 etc.). It is evident that overall divorce rates increased for those born until 1960, probably as a result of social and legal changes in the post-war period, before beginning to decline for those born in 1965.

The chart shows, for example, for about 24 per cent of women born in 1955 had experienced a divorce by age 40; about 27 per cent by age 45; just over 30 per cent by age 50; and around 32 per cent by ages 60 and 65.

Figure 3.1 – Female cumulative divorce rates at five-year intervals (from ages 40-65) by birth cohort, among general population

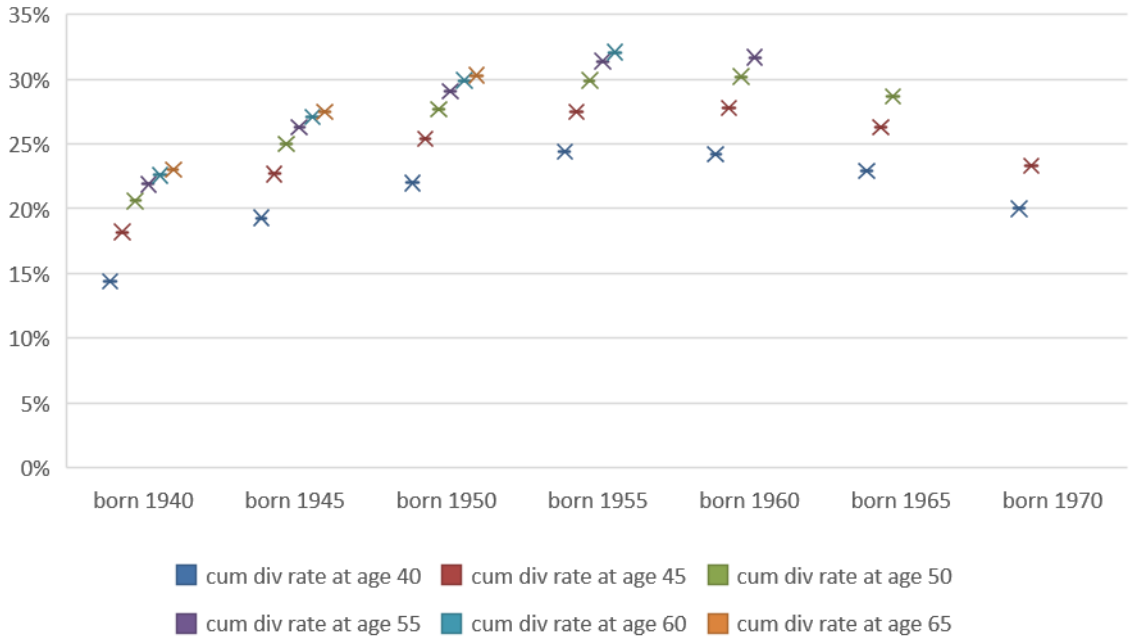
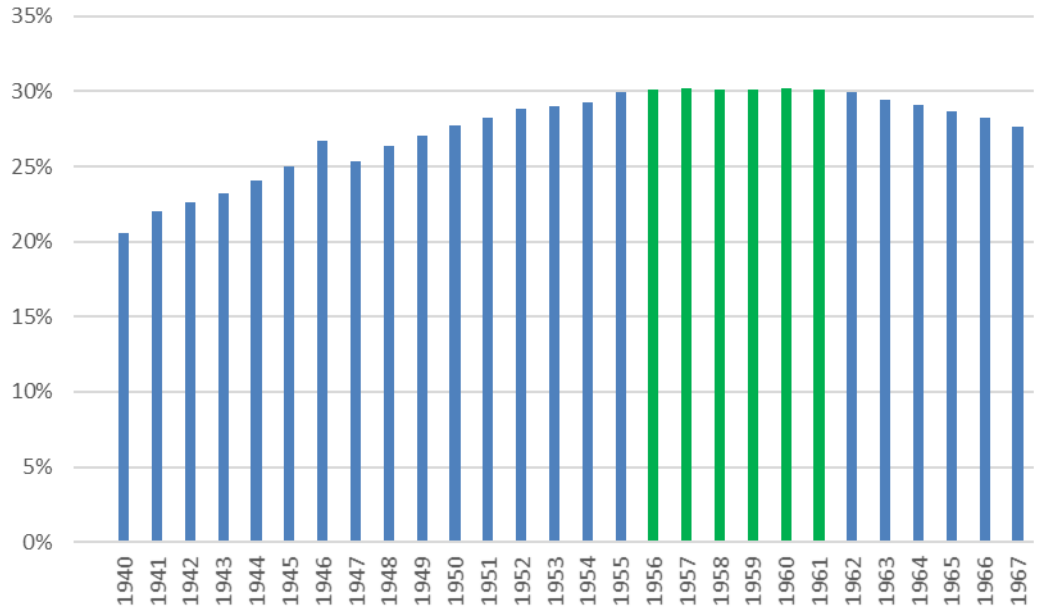


Figure 3.2 shows what proportion of women in different birth cohorts have got divorced by age 50, and gives a more detailed way of comparing cohorts. The columns marked in green are those with the highest divorce rates, where the number reached 30 per cent. We have dubbed this group, which includes women born between 1956 and 1961, 'peak divorce'.

This is important because it compromises those now aged between 57 and 62 – all of whom may potentially be accessing their private pensions imminently, or have already recently done so under the 'freedom and choice' reforms. This has implications for pensions service delivery – it is vital that sufficient advice or guidance is provided to minimise the risk of poor decisions being taken, and reinforces calls for a proper opt-out system of default guidance.

Figure 3.2 – Female cumulative divorce rates at age 50 by birth cohort (among general population)



It is particularly problematic that a lifetime of part-time and lower paid working, due to childcare and caring responsibilities (see Figure 2a), leads to reduced pension saving and ultimately – potentially – reduced income. This example from the Pensions Advisory Service highlights the harm it can do, and then the impact when a divorce occurs:

"I was married to my husband for 23 years. We are now divorced and have been for almost seven years. As a result of not working for almost nine years to raise children and then only returning to work on a part time basis, I myself have a pretty worthless workplace pension. Unfortunately when we were divorced neither party consulted with any legal bodies and we resolved the property issue between ourselves. However nothing was said regarding pensions. I am now wondering what my rights are if any?"

Divorcee aged 57, from ***the Pensions Advisory Service***

Unfairness in divorce settlements and separation agreements

> You don't have the automatic right to know the value of your ex-spouse's or partner's pension, and vice versa, but you can each decide to tell each other or go through your solicitor to get an understanding of any assets affected.
>
> (The Pensions Advisory Service)

In theory, a divorce settlement or separation agreement should ensure that, if married, the female partner is left with something. However women suffer unfairness in the divorce process due to lack of access to legal representation, partners frequently excluding their pensions from settlement, and widely inaccurate perceptions about the real value of pensions.[32]

It is not a requirement of divorce to include pension assets in a separation agreement, nor is it an automatic right for the partner to know their value unless couples undertake financial proceedings through a court. However, when lawyers are involved in drawing up the settlement then it is more likely they will be considered. However, almost 47 per cent of couples divorcing or separating between 1996 and 2011 sought no legal advice about their situation. It is even less likely that this group are factoring in the split of their pension assets privately.[33]

Scottish Widows reports that 71 per cent of divorcing couples do not discuss pensions as part of the settlement, and that only 11 per cent of divorce settlements include a pension sharing arrangement[34] (see table below for legal options for dividing a pension).

Divorcing couples often fail to disclose pensions as an asset so they are left out of settlement entirely, and where they are included, a combination of the huge complexity in valuing them[35] and misconception by both parties of their long-term value compared with immediately realisable assets like the family home, means they are often disregarded or dealt with summarily. Moreover, as the partner with the lesser assets, this is usually to the detriment of the woman. [36] [37]

"I was employed by a company for 25 years, and I wasn't really thinking about pensions… I wasn't paying into any pensions. But my husband at the time took out a separate pension, paid out of a joint account but it was in his name and when we got divorced, he got that. Now I've gone completely the other way and I'm very cautious. I was told at the time this is not worth pursuing based on the value of all the pensions and to be honest I didn't have the expertise…and it would have cost me a fortune, so I was just like, I'll leave it."

Focus group participant, 65

We also encountered two women in our focus groups, Claire (see her story in Section 2.4) and Hannah (see her story in this section, below), who had paid into their husband's SIPP (Self-Invested Personal Pension) via a joint account – which had not then been factored into their divorce, resulting in them losing their money:

We are concerned that this problem of women effectively paying into their husband's pension (which seems fine while happily married) and then losing it on divorce may be a common but hidden problem.

Policymakers must ensure this does not continue to happen. Automatic enrolment is a positive step as it prioritises individual saving, but many women have earnings below the thresholds and so are not saving.[38]

While it is not practical nor always desirable for compulsion to consider pensions in divorce settlements, Age UK believes that a 'nudge' should be introduced into the divorce process that encourages people to include them. For example, both partners could sign a declaration that they have considered whether to value and divide private pensions, and acted accordingly. As few people even consider their pensions at present – almost always to the detriment of the female partner – it is imperative that something changes to push people down this route.

Scottish Widows published findings from research that showed clearly that women are disproportionately affected by pension loss in the divorce process:[39]

- 48 per cent of women have no idea what happens to pensions when couples get divorced
- 22 per cent say they would discuss pensions as part of a divorce
- 27 per cent who discussed pensions during a divorce had no pension pot of their own
- 24 per cent had a pension pot smaller than their husband's
- 16 per cent lost access to a pension when they split from a partner
- 10 per cent who lost pension access in a divorce intend to rely completely on the State Pension.

Pensions in court

The situation is not much better if the divorce makes it to court. Orders designed to split future pension income fairly between the parties (sharing, attachment or earmarking orders) must be made by the court. In such proceedings, pensions may still not be disclosed and even where they are, few cases result in an order being made.[40] [41] Recent analysis by the Nuffield Foundation revealed as many as 80 per cent of cases involved a relevant pension, but only 14 per cent resulted in a pension order[42]. Women on lower incomes are unlikely to be able to afford to this kind of formalised pension split, however. Today, only a quarter of divorce hearings involve legal representation on both sides, due in large part to legal aid and other procedural reforms since 2013[43]

"I was told at the time it wasn't worth pursuing based on the value of all the pensions and to be honest I didn't have the expertise and it would have cost me a fortune [to pursue], so I decided to leave it."

Focus group participant, 62

which are disproportionately prejudicial to women (who make up 70% of Family Court legal aid clients in England and Wales[44]). This discourages many from seeking formal resolution at all, sending them back to the option of an informal arrangement, in which a claim to a share of an ex-partner's pension stands little chance of being dealt with fairly.

What can happen to a pension?

Option	What is it?
Pension sharing	You get a percentage share of any one (or more) of your ex-partner's pensions. This is either transferred into a pension in your name or you can join your ex-partner's pension scheme. If the pension is transferred to you and you don't already have your own pension, you'll have to set one up.
Pensions offsetting	The value of any pensions is offset against other assets. For example, you might get a bigger share of the family home in return for your ex-partner keeping their pension.
Deferred pension sharing (not available in Scotland)	This is used if your ex-partner's pension is being shared. They have already retired and are receiving their pension, but you haven't retired and are too young to be paid a pension. You both make an agreement to share the pension at a later date. This can be more complicated to arrange than an ordinary pension sharing order, so legal costs can be higher.
Deferred lump sum (not available in Scotland)	You get a lump sum payment from your ex-partner's pension when they retire.
Pensions attachment order (called 'pensions earmarking' in Scotland)	You get some of your ex-partner's pension when it starts being paid to them. You can get some of the pension income, the lump sum or both. But you can't get pension payments before your ex-partner has started taking their pension.

Source: Money Advice Service,

Hannah's story: looking after yourself

"I never, ever thought I was going to get divorced. You don't think these things are going to happen to you."

During their years together, Hannah had been willing to let her husband manage their finances. But during the divorce, Hannah realised she had been paying into a pension in her husband's name from their joint account. On divorcing, Hannah saw none of the benefit of the contributions she had made. "I was married to a teacher who had a very good pension, but we've been divorced now for 10 years. He's ended up with a fantastic pension and I haven't… I really wish I'd put more money into my pension rather than relying on the fact that I'd be able to [share with] my husband. I should have looked after myself."

Since the divorce, Hannah has had to give up work in order to care for her mother, who lost her leg, and look after her grandchildren at the same time. To get herself through this difficult period, Hannah felt she had no choice but to spend her small private pension. She took 25% as tax-free cash, and, because the pension freedoms were not yet available at this time, had to buy an annuity with the rest. "The annuity was nothing, but mum really needed me. It was an awful time. To people now: concentrate on your own pension rather than relying on someone else's. You don't expect that when you're younger, that you'll have to rely on yourself later."

Other issues arising from divorce

1. Legal representation

It can also be difficult finding a solicitor or other representative to help, as demonstrated by this case from the Pensions Advisory Service.

I was awarded 50 per cent share of my ex husband's private pension with Scottish Life at our divorce in November 2009. Before the decree absolute was received by Scottish life my ex husband had £11k put into an income release fund. That changed the amount of the pension sharing plan, so I now need a new one. I have e-mailed the court but they can not help me. I have phoned 3 solicitors in my local area but they say they do not deal with pension sharing orders I am 55 years old and would like to try and sort this out as I have not much funds set aside and would like to claim my half of the pension. I would be grateful for your advice.

Age 55, case from The Pensions Advisory Service

2. Impact on means-tested benefits

> My in-laws are divorced, my father-in-law has now retired and in the divorce settlement my mother-in-law gets 30 per cent of his private pensions. When the papers were drawn up you could only take an annuity but as the pensions rules have changed, father-in-law would like to leave his share in the pot. The Problem, although mother-in-law is in agreement, she is in receipt of housing and council tax benefits. I know any money she gets will be deducted from her benefits but if she receives a lump sum, a) can she buy an annuity and b) if she can, will it be classed as "deliberately deprived the state of cash".
>
> Case from The Pensions Advisory Service

The rise of cohabiting couples

In the 10 years from 2006 to 2016, the number of cohabiting couples in the UK has more than doubled from 1.5 million to 3.3 million households,[45] and in England and Wales, the rate at which over 65s prefer to live unmarried with new partners trebled between 2002 and 2015.[46] A common-law partner carries no legal status in law, meaning that parties attempting to divide their assets have only very minimal legal protections (and what protections there are will vary according to whether you live in England and Wales, Northern Ireland or Scotland). This means there is no legal mechanism for recognising non-financial contributions made during the course of the relationship, and it is usually only where a partner can prove shared legal ownership of an asset that she will be automatically entitled to a share. However, it is common for couples to contribute equally to what they both perceive of as a joint asset, but which is held in only one person's name: not a problem when the relationship is intact, but potentially a big hurdle for the non-legal owner if the parties split up.[47]

And there is widespread misconception about protections for co-habiting partners who split: research has suggested 37 per cent of people mistakenly believe in a concept of 'common law marriage' that affords cohabiting couples the same legal protections as marriage.[48] [49] This means a significant proportion of the growing numbers of women in long-term-cohabiting unmarried relationships could be sleepwalking towards a separation from which they will be left with drastically less than they have assumed. Although a recent decision means Scottish courts will seek to address financial imbalance in a dissolving cohabiting relationship, there has not yet been an equivalent advance in English case law. There is also continuing legislative reluctance to act on the Law Commission's 2007 recommendations for greater cohabitation rights.[50] Age UK believes that with increasing numbers of older cohabitors, action to level the playing field between this group and married people is important.

In the meantime, Age UK would like to see greater public education about cohabiting couples' rights, including encouraging people to draw up a cohabitation agreement, so that couples can better protect their financial interests in the event of relationship breakdown.

3.2 Bereavement

In contrast with divorce, women whose partners die can be reasonably sure of receiving at least something from their partner's workplace pension - if their partner had one and if there is something left. But what they receive is likely to be considerably less than the household was getting before, and under the new State Pension, many bereaved women have lost any entitlement they might have expected to a State Pension based on their partner's contributions.

"The biggest effect is if you lose your spouse, especially if they've got a pension that's topping you up. You don't get what they're getting - it's normally half and then you lose their State Pension."

Focus group participant, 58

Defined Benefit and Defined Contribution death benefits

In the case of private pensions, the rules applying to DB schemes should ensure they pass on to a surviving married or civil partner in some form. Under DB, that usually equates to around half of what scheme member would have received. A spouse is likely to receive at least 50 per cent (although length of marriage and/or an age difference - usually 10 years or more - can reduce this).[51] Under DC arrangements, there is no automatic right, but the pension flexibilities give a greater chance than previously of the surviving partner receiving something. Anything left in a drawdown account would be passed on; previously a spouse would only have received something if their partner had bought a joint-life annuity, a single-life annuity would have disappeared on the holder's death.

Payment of a pension income or lump sum death benefit from a DB scheme to a surviving married or civil partner is usually automatic. Under DC, the decision as to who receives what is left over if someone dies before crystallisation lies with the scheme administrator or trustees, who must satisfy themselves of the eligibility criteria in the Finance Act 2004. However, married and civil partners can reasonably expect to receive what is left of a DC pension, because of a legislative assumption in their favour.[52]

The situation is quite different for cohabiting partners wishing to inherit a DB or DC pension, however. Even if a scheme member had nominated them as the recipient before they died, the trustees or administrator will still have to satisfy themselves of proof of dependence. While that is assumed of married or civil partners, a cohabiting partner has to satisfy the scheme they were financially or otherwise dependent on the deceased – a process that has the potential to cause significant uncertainty and stress to a bereaved partner.

The situation has recently improved in relation to public sector DB schemes, with the Supreme Court in *Brewster v Northern Ireland* in 2017 establishing that surviving partners of cohabiting relationships should receive automatic death benefits. Whether similar change will be sparked by a private sector DB case, and even DC, is yet to be seen, but the rise of cohabiting relationships in the UK adds urgency.

Lorraine's story: a future suddenly alone

Lorraine and Phil had planned to spend their early retirement travelling the UK on their narrow boat. They each had a private pension pot and planned to take the 25% tax-free cash from each to finance their trip. Before they could realise this dream, Phil became suddenly ill and died, leaving Lorraine alone at 59.

Not only dealing with the emotional impact of this loss, Lorraine found herself staring at what she describes as a "financial black hole."

"All our plans were completely out the window – the partnership was gone. His income was gone…I'd all those decisions to make…I didn't feel I could make [them] myself. It's just too big."

Lorraine had never wanted to work past 60, but State Pension age rises mean she won't receive her state entitlement until she is 66, and she received bereavement entitlement for just 12 months after Phil's death. Lorraine did give up work a few months after losing Phil, but lump sum payments from his pension did not last long, and Lorraine knew she had to face up to her new financial reality. "I'm having to use savings or sell my house to live. It's very bleak."

However, sometime later, Lorraine had a turn of luck. On sorting through Phil's papers, she discovered he had two workplace pensions she was unaware of. These will provide her with a decent income through her retirement, and Lorraine knows she has been lucky. "I did think about holding on to my own pension for me – maybe I would have done. We didn't really talk about what would happen if one of us dies. You mention it in jest, but you don't really think of it as real."

DB to DC transfers and loss of spousal death benefits

Figures released by the FCA to the Financial Times under a Freedom of Information Request show show that the value of DB to DC transfers has rocketed, rising from £7.9bn in 2016 to £20.8bn in 2017. This represented a rise from 61,000 to 92,000 transfers made each year.[53]

People transferring out of a DB pension scheme may not be fully aware that they are giving up potential automatic provision for a surviving partner, and that they may need to take active steps to manage their DC wealth. Although a DB transfer value may appear attractively high as a lump sum, it jeopardises how much income a spouse will receive once the scheme member has died, and in a worse case could lead to zero income.

Our polling suggested that people are unaware that their DC pension does not automatically provide benefits for their spouse. Overall, 72 per cent of people – 68 per cent of women and 75 per cent of men – believe their DC pension will provide a benefit for someone else on their death. While for some people this may be the case, and our polling could include people who have

already purchased a joint-life annuity, are intending to do so, or are confusing their DB and DC provision, there seems to be a widespread over-optimism.

People transferring out of a DB scheme, as well as those accessing their DC pension for the first time, need a greater understanding of death benefits, and this should be promoted through Pension Wise and in communications with pension schemes.

Loss of rights to a husband's State Pension contribution record on bereavement

Women's exposure to risk in the event of bereavement has been exacerbated by a significant shift in State Pension entitlement, since the fundamental reforms in 2016. (While the changes also apply to men and civil partners, married women are most likely to be affected).

Under the old State Pension (which people reaching State Pension Age before 6 April 2016 still receive), older women without enough National Insurance (NI) contributions of their own may still qualify for a State Pension on the basis of their husband's entitlement. A married woman born before 6 April 1953 may have her own entitlement boosted by her deceased husband's contributions, or she may inherit a proportion of his state earnings related pension. This does not apply, however, to women who were in cohabiting relationships, so it is important these women know they will not inherit pension rights from their partner, even if they were reached State Pension age before 5 April 2016.

Women who are bereaved under the new system without full NI contributions of their own may be worse off. In general, the new State Pension depends entirely on her own contributions, if she reached State Pension age on or after 5 April 2016. This change means that, as part of a couple, a woman may have planned her retirement income in the expectation that she would receive the full basic pension if widowed, and it may now be too late to change these plans.

Although there are transitional arrangements in place that may assist some women (for example some protection for those who paid the 'married woman's stamp'), Age UK has argued strongly for better transitional protection. We are very concerned that awareness of this change may be low, so that too many older women will receive unexpectedly large cuts in income when they are bereaved. It is estimated by DWP that around 40,000 women will lose out from this reform.[i]

Age UK wants to see much greater information about this major change, to be combined with personal notification of changes in State Pension age. While it may be too late to introduce greater transitional protection, efforts to improve awareness of this new system would mean those coming up to retirement are on notice and given the maximum opportunity to save more.

Similarly, non-working women in households ineligible for Child Benefit may lose State Pension rights unless they separately apply for credits, due to the recent reforms. This is creating problems for future cohorts who may not receive the State Pension they are expecting.

4 Balancing present and future

"It's hard when you don't know all the whys and wherefores…It's that crystal ball moment, but you don't know what's going to happen, do you? At least I'm better drawing it now than leaving it and snuffing it."

Focus group participant, 57

The individual experiences shared with Age UK by the women in our focus groups showed that many were conscious of the need to plan for an independent future, but were caught between concern for their own long-term financial security, immediate household need and wariness of rapidly evolving priorities.

4.1 Managing the moving parts

Whether they had accessed their pension savings yet or not, women described a sense of uncertainty about their lives in the short to medium term, and they were putting off making a decision about how to use their pots. Instead of a longer-term retirement strategy, most were concerned with retaining financial flexibility amid competing and unpredictable demands, while household and family circumstances seemed to be in a constant stage of change.

Contributing factors were wide-ranging and multiple for all participants, who were each experiencing a combination of pulls on their income: a husband's loss of earnings through ill health or redundancy, their own reduced employment, changing financial needs of adult children, the growing care needs of ageing parents and grandchildren, uncertain health diagnoses of their own, uncertainty about pension value and distrust about further State Pension age rises.

State Pension age rises

"When I started work at 16 I imagined that I'd be retired at 60, but with all the State Pension changes I've not been left with much. How do we know they won't change it again?"

The State Pension age for women is rising from 60 to 66 between 2010 and 2020. These rises mean people are having to wait longer to receive their State Pension, and find ways to bridge an income gap they hadn't expected.

Since the rises began, employment rates for women in their 60s have also gone up significantly. However, staying in work only partially makes up the lost years of government support, and according to the Institute for Fiscal Studies household incomes for women in this category have fallen 12%, so that they are overall £32 a week worse off on average. Many people born in the 1950s now expect to have to work into their 60s, with 25% of women in that cohort expecting to have to work until they are 66.

And for those forced into retirement by ill health, caring or unemployment, a longer wait for the State Pension means even greater detriment: since the rises began, the poverty rate for all women aged 60-62, in the intervening period until they reach State Pension age, has gone up sharply – by 6.4%. Newly-accessible private pension pots may represent a realistic means of bridging this short-term gap for many but only put off the problem of inadequate retirement savings.

A short-term contingency

Some participants saw their pots and household income as too small to be worth making longer-term plans with and were resigned to having to use them up in the short term. This chimes with research for the Financial Conduct Authority among male and female small-pot holders, who also reported a desire to keep their retirement plans fluid until the last minute, so they could stay responsive to changing needs and make the most of their meagre resources.[54]

This chimes with recent research carried out by Age UK into financial resilience in later life. It highlighted the real challenges to planning ahead and the tension between living in the moment and making 'sensible' decisions. The project found that while experts and policy makers could isolate the financial aspects of decisions relatively easily, people living in retirement took a much more holistic view, factoring in many aspects of their lives when making decisions.[55]

Pauline's story: waiting for the dust to settle

Eight years ago, Pauline's husband was made redundant unexpectedly, at the age of 57. He has only a small pension, and his redundancy has had a big financial impact on them both: John hasn't been able to return to work, while Pauline, 65, is still working. "We're both on State Pensions now, but we rely on my money so I'll be working 'til I'm about 70. I thought we'd retire at the normal retirement age and have enough savings but over the years those savings have dwindled. I've just got to work longer…This is not how I thought I'd be paying for retirement."

Pauline has a private pension of her own but is reluctant to start using it. The experience of John's redundancy, and his developing health complications, mean she wants to doesn't want to use her pot just yet in case anything else unexpected happens, and while she still has the ability to work. "Initially I thought I would work until I want to stop, then put something back into the community where I want. But now I've got this job and I just have one day off that I need. It gets me out and I feel I'd much rather be earning."

4.2 Accessing advice

In our focus groups, many people like the idea of taking financial advice or guidance. The majority of participants had not heard of Pension Wise, but once the service was described thought they would use it, even though they would prefer full regulated advice. Others wanted guidance provided by Age UK or similar organisations.

It is possible that women are less likely to access advice – some participants felt their husband would "understand it better". Others disagreed and recognised the value of doing it themselves. This possible gender imbalance should be explored in more detail.[56]

Some common themes arose, including a lack of understanding and distrust of advice. However, the latter in particular was countered by a general recognition of the need for assistance when making choices about products or withdrawals from a pension.

These could be of concern for women in some situations, for example if her husband dies then she might find herself dealing with financial matters with which she has no experience and perhaps less likely to take advice than her husband would be if the situation were reversed.

"I feel embarrassed not understanding the options. I use websites to avoid face to face, with advisers I just wouldn't understand the options they're telling me."

Focus group participant, 54

"It's my decision re my private pension. And I'd get advice. Back the first time [when getting it was a bad time when I took the advice."

Focus group participant, 59

"Both my sister and I had to admit we relied so much on our father for his advice, and when he goes you're just a rabbit in the headlights. It's such a minefield."

Focus group participant, 63

"You need to keep reviewing this pension instead of just leaving it until you get to that point and then you realise it's worth nothing. If you'd have reviewed as you were going on – well, I wouldn't be where I am now. Need realistic idea of what you're going to get."

Focus group participant, 64 (a)

"There's a couple of things I want to do, but I don't know if I can do them. I went to see a financial adviser and he said can you do this, you can you do that, but there's a lot in the mix, but I still don't know. I feel pulled in a lot of directions, it's a transitional phase."

Focus group participant, 64 (b)

5 The impact of 'freedom and choice'

> **"At least I'm not forced down the road of 'you must buy an annuity'. I feel as if I can make – with help – a decision that's going to be the best decision for me."**
>
> ***Focus group participant, 58***

The pension flexibilities introduced in 2015, sometimes known as pensions 'freedom and choice', have impacted on how women access and use their pension provision. This section looks more closely at this. However, one flaw of the reforms is that they have not been monitored in sufficient detail to allow researchers to bore right down to the detail. For example, the FCA only reports data on a 'per pot' basis, which does not help us understand how individuals interact with all their pension pots, nor does it highlight who is using their savings in any given way – including by gender. **We recommend that the FCA collects and reports on data showing total saving of individuals (where possible), and by demographic/personal characteristics (in all cases).**

The freedom and choice flexibilities raise several questions, many of which are unanswered:

Greater flexibility to respond to changing circumstances

Greater choice about how to take DC pension income undoubtedly benefits many. Now that the effective obligation to buy an annuity has been removed, men and women can flex and adapt their income with continually changing circumstances beyond age 55. In our focus groups, the women who had accessed their DC pots before the reforms came into effect deeply regretted their circumstances having forced them into an annuity income. What they had needed at the time, for example cash to see them through their own health crisis or to support others, meant accessing their pot, which involved either taking cash through trivial commutation or turning their savings into a negligible income over a long period. Freedom and choice can give people in difficult situations a greater flexibility.

An interesting research question would be how men would have used their pension savings in similar circumstances.

> **"I had the 25 per cent [tax free lump sum] and with the rest I had to buy an annuity and I think it's based over 20 years or something, so it's a very small figure. For the amount I'm getting, it doesn't even pay my water rates a month…I would have been better getting the whole amount – I could have done more with that money than getting it in little dribs."**
>
> ***Focus group participant, 64***

Greater susceptibility to household need

More flexible and easier access to DC saving brings with it greater exposure to risk of early depletion. Our polling showed that while most retired couples do pool their income, there is still a risk of early depletion of funds, particularly for women. This is partly because women have less to start with, and partly because they may in practice be more likely to spend more money on the day-to-day living costs, which can add up (although this depends upon the balance of spending within a household). This means women's savings may be at greater risk of faster depletion than their partner's.

Bereavement

The early years of pension freedoms have suggested that many people are moving their saving into drawdown products. As drawdown pots are inheritable, many bereaved women will be able to access their husband's pension. Previously under the compulsory annuitisation regime, most people purchased a single life annuity, meaning that if the husband died soon after his purchase, the money would disappear. Therefore, freedom and choice has the potential to benefit people in this situation.

However, freedom and choice also increases the risk that people will spend their savings too fast and run out of money – if this happens women could have a reduced household income throughout the remainder of their later life.

In the meantime, there are no retirement income products on the market which can automatically provide protection for a partner on bereavement beyond joint life annuities. These changes make it even more important that couples communicate clearly about how they plan to use their DC savings, in particularly whether (and how) they intend to use a DC pot to provide for the other partner, so that women especially can plan for their own longer-term financial security.

Divorce

It is also unclear what impact the reforms are having on a woman's ability to claim part of her partner's pension in divorce or separation. Although DC pots can now be more easily valued and shared as a capital asset instead of a long-term income-producing one, it is potentially also easier to spend or transfer that money to avoid its inclusion in a divorce settlement, whether divorce is imminent or because a breakup is anticipated down the line. This is an area where reform may be needed to ensure that divorce law and pension law work together effectively – and where women will certainly need greater access to legal support.

Guidance and advice

The complexity that Freedom and Choice has introduced to retirement planning brings with it a particular challenge to women, given their lower levels of confidence in engaging with financial decision-making, and a lower likelihood of seek advice or guidance.

Risk of excess taxation of lump sum withdrawals

Age UK is concerned that women may be suffering particular detriment from paying too much tax on lump sum withdrawals. HMRC figures show that a total of £1.5 billion in tax was paid on pension withdrawals in 2015/16 - £1.2 billion more than expected. This is for two reasons: firstly, because more money has been taken out of DC savings in cash than was anticipated; secondly, because pension providers rarely provide HMRC with their members' tax codes, which means HMRC applies an emergency code. In doing so, HMRC assumes the member will continue to withdraw from their pension at the same rate each month, with the result that someone taking out a single lump sum payment is significantly overtaxed over the whole year. The onus is on the taxpayer to be aware of this and claim their overpayments back, or wait until HMRC automatically provides the rebate.

This is likely to be affecting women disproportionately because they are less likely than men to be paying any tax, and if they are, they are more likely to be on the basic rate.[57] Age UK wants to see a mechanism in place to help HMRC tax people at the right level, for example by requiring pension schemes to provide the tax to HMRC, or by applying basic rate tax only to taxable cash withdrawals. Also by increasing awareness and making it much easier to reclaim overpayments.

Risk aversion – flexibilities not for everyone

"I assume I'll buy an annuity, I'm not very aware of the freedoms. I'm a glass half-empty kind of person – whatever decision I make will be wrong"

Focus group participant, 57

Not everyone in our focus groups wanted to consider the new pension flexibilities. Some were committed to buying an annuity and did not want to have to make a different decision. Of course, to know about this choice in advance the individual would need a degree of financial capability and awareness – but it goes to show that some people prefer not to be faced with a confusing range of options.

05 Conclusions and policy recommendations

In a typical couple household, decisions generally appear to be taken jointly and collaboratively. This allows women access to their partner's (typically higher) pension income; gives them greater control over household decision-making and expenditure than they might enjoy with their own (typically smaller) pension income; and helps provide a platform for improved retirement outcomes.

However, there is almost certainly more to it than this, and we uncovered evidence suggesting that even in a highly collaborative relationship one partner may take a greater degree of control over some areas of expenditure. Clearly, it is not possible to negotiate over every small item and a 'delegated responsibility' is an important part of any household's financial management. However we are concerned that women are much more likely than men to control some areas of expenditure, particularly for day-to-day costs such as groceries, and so – especially where using their own private savings – are at greater risk of disproportionately spending down their resources.

"I've worked 40 years, with one or two breaks, and my private pension is nothing. Absolutely nothing. I feel like a second-class citizen."

Focus group participant, 63

Overall, we can say that collaboration is a good start but not the whole story, and we can make several policy recommendations that we believe will help improve retirement outcomes for women.

Private pension saving is a hugely important part of women's financial security, and defined contribution schemes will continue to grow in importance. Saving independently and not relying on anyone else is the right message, and auto enrolment helps achieve this. From our focus groups, while there were strong feelings of ownership of 'my money', we did not get a sense that women's pensions were earmarked for any particular purpose at point-of-access – there was still a sense of them typically being used for general day-to-day expenditure. Data about which income streams are allocated to particular costs is not presently available.

Yet realistically, many women (and men) are unable to build up enough in individual savings to assure their financial security. It is household breakdown in or shortly before retirement that can cause the biggest problems for people in this situation. Divorce in particular can have negative consequences, and the current cohort of women in their mid-50s and early 60s – who are among the early users of the new pension flexibilities – are more likely to have been divorced than their predecessors or successors. As this group retires, we believe outcomes should be monitored particularly closely to avoid real hardship occurring.

Promote understanding of death benefits

The message "**your pension savings do not automatically provide benefits to your spouse/dependents on your death**" should be promoted at the time people access their

pension. Our survey suggested a widespread mis-understanding that an income from DC savings is automatically passed on. Although one of the benefits of freedom and choice – or rather, of not annuitising on retirement – is that money in income drawdown products is still inheritable, there appears to be a misunderstanding that pension savings will automatically leave an income, a perception that needs correcting.

Budgeting to stop gendered spending becoming a problem

While there is some gendered spending, with women more likely to buy the 'meat and drink' – figuratively speaking as well as literally – and men leading on purchases in other areas, we have not uncovered any evidence of this being a particular problem in the short-term. However, in the longer-term, once the household has broken down (for whatever reason), it could lead to women having disproportionately less money remaining. Other research by Age UK has found that women are often more likely than men to use budgeting tools and seek out peer-to-peer support. For this reason, **budgeting is an important part of day-to-day living in retirement, and might help smooth over (or at least raise awareness of) typical gender imbalances within household spending.**

Preparing for the relationship to end, through divorce or bereavement

In our focus groups, we encountered several issues that had led people to re-plan their finances. The most common and often most striking was divorce, which can be particularly detrimental to women's pensions. For example, we encountered two women who had paid into a joint account, which in turn had been used to fund a SIPP in their husband's name. When they got divorced these pensions were not considered in the settlement, and their husband kept it – the two women lost all their contributions.

Pensions are not considered in the majority of divorces, and we are concerned this is letting down a large number of women. **We recommend that it becomes compulsory to at least consider pensions as part of the divorce process, for example through introducing a 'pensions' form that nudges both parties to factor them in.**

It also **emphasises the need for women to save into their own pension.** Having a personal source of income or savings is important for women's financial independence and their identity in later life, and many women in our focus groups found this invaluable. Automatic enrolment prioritises individual saving, but women are still more likely to be non-savers – **we recommend that the earnings threshold for auto-enrolment is lowered to the level of the National Insurance Primary Threshold, and the multiple jobs are included in assessing eligibility**.

Ensuring the right products are available – guided pathways

At present, many people move into drawdown at retirement. However, doing so without advice can lead to poor choices, particularly given the uncertainties that many women face, and we believe it is more important than ever to **develop suitable guided product pathways** that can help women derive a decent income throughout their retirement. Looking at 'freedom and choice' through women's eyes would be a good start – further debate on this is needed.

There has also been a lack of innovation in the retirement income product marketplace, particularly for smaller pension savers. **The FCA and the Government need to take bold action to spur innovation, including allowing NEST to offer income drawdown products to the wider marketplace.** This will help drive many people towards better outcomes.

This is particularly important for women because of the typical lower value of DC savings leading to a poorer range of options.

Making advice and guidance the norm

Focus group participants raised the issue of advice being inaccessible. They did not know where to turn once they encountered a change in their circumstances. This is, of course, part of a long-running debate, but for many women it is important that following a bereavement or divorce (or in advance of), they know where to go. At a minimum, **people accessing their DC pension (or making a transfer out of a DB scheme) should be defaulted into Pension Wise, and as many women as possible should use this free service – on an opt-out basis** – before accessing their savings.

Career Review by 50

Age UK has been promoting Career Review at 50 (aka Mid Life MOT). This would involve a discussion, at or by age 50, between individuals and a careers adviser (ie not regulated financial advice), aimed at helping people keep working and planning ahead for a decent retirement. We have recommended that a discussion about pensions is included, alongside careers advice.

Although it has already committed to rolling out a service of some form, t**he Government should include pensions and retirement planning alongside guidance/advice aimed at helping people keep working, and tailor part of this session to issues particularly affecting women.**

Changes to the State Pension

Women need to know when they will get their State Pension, how much it will be and whether there are any steps they can take to increase their entitlement, for example, by making up gaps in their contribution record. This is particularly important for women affected by changes to derived rights.

The Government should contact people individually to inform them of changes that will affect their future State Pension entitlement.

It should also do more to encourage people to ask for a State Pension forecast including looking for opportunities to work with others such as employers, pension providers, and advice and guidance delivery organisations, to ensure the State Pension is seen as an important part of communications about retirement planning.

Carers credits for private pension saving

For people who have stopped work to care for loved ones, the Government should pay a 'credit' into an auto enrolment qualifying account. This would provide additional surety for those who are already relying on a low income.

Early access to the State Pension for certain groups

With a rising State Pension age, the reality is that for some people it will be impossible to keep working until 67 or beyond. We recommend that anyone who is within three years of State Pension age and either 1) claiming Employment and Support Allowance, 2) claiming Carer's Allowance, and 3) has been unemployed for two years or more, should be given early access to their full State Pension.

Improving data

The Office for National Statistics should develop a suitable and sustainable framework for evaluating the pension freedoms. This should look at individuals' total savings across pension types (and possibly other sources of wealth and income as well), and how they access and use their pension wealth over time.

The FCA should also work on improving the data supplied by pension providers. Even though it may not be possible to look at individuals in the round, more can be done to link demographic information with pots, which would make it possible to look more closely at how women are accessing their savings.

Further research

There are still significant gaps in our knowledge about women and pensions. There is further, more detailed work that could be done to investigate the balance of power within retired couples, and dig further into some of the contradictions that we uncovered, such as women retaining a strong sense of ownership over their pensions yet claiming decisions are usually pooled.

Our polling highlighted the basics of decision-making works in retired couple-households – there is certainly scope for academic research looking into more detail in this.

Last but not least, the FCA and the Treasury report data relating to the pension flexibilities on a per pot basis. This does not build a satisfactory picture, and these bodies need to do everything possible to ensure an accurate picture of 'who has what and how to they use it' is established. The Pension Dashboard should be developed as soon as possible as it will be very useful in this respect.

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