

# When two gaps collide: How the ‘trust gap’ affects the ‘ethnicity pensions gap’

📌 **At 54 per cent, the ethnicity pensions gap in 2023 is stark.**

**To what extent is a lack of trust in the investment industry stopping pensions from reaching their full potential?**

In recent years, efforts to identify and eliminate structural privilege have recognised the importance of equity as well as equal opportunity in education, state provision and at work. Yet ethnicity and ethnic background remain key fault lines for inequality in 2023.

In the world of pensions, we know that disadvantage extends beyond the workplace and into retirement. Legal & General’s most recent survey confirms that today, minority ethnicities in Britain (including non-British nationals) are still substantially under-pensioned versus

their (white) British counterparts. At £52,333, the average minority ethnic person’s workplace pension pot is less than half the size of the average white British person’s £114,941. The median minority ethnic pot of £13,000 is less than a third the size of a white British person’s £44,000<sup>1</sup>, and worryingly, nearly seven in 10 of minority respondents have no pension pot at all.

Things are changing, although not fast enough. Along with other investors, we at Legal & General advocate for fair opportunities and outcomes for people

of all ethnic backgrounds through our engagement with companies, including on the issues of a fair living wage, pension contributions, financial wellbeing training, equity ownership, and representation on boards.

At the same time, much has been made of the investment industry’s ‘trust gap’. Countless resources have been dedicated to helping consumers feel safe entrusting banks and financial providers with their money – but is it working? We discuss the extent to which a lack of trust contributes to the ethnicity pension savings gap in our research findings.

## Mind the gap

Underpinning the numerical ethnicity pensions disparity we found a lack of trust and even fear about workplace pensions. Over a quarter (26 per cent) of ethnic minority respondents did ‘not want to take a risk with (their) money’ versus just 7 per cent of white British respondents. Some worry that there will be no way to access their money in the future, or that the retirement age will rise too far:

*“I associate pensions with not getting your money. It scares me. I think of it as something you potentially pay into but where you don’t get your money back at the end... I think they’ll keep putting the age up... You might be dead by then.”*

- **Caribbean, female**

These concerns are compounded by the lack of pensions knowhow that we found across all our UK groups. Nearly one in five (18 per cent) ethnic minority respondents say that a lack of knowledge about pensions is the reason they aren’t invested in one. Pensions are frequently associated with risk rather



## Methodology:

We partnered with Humankind to conduct a 20-minute online survey among 2,018 nationally representative UK adults with quotas set on age, gender, location and ethnicity. We then boosted our sample with 2000 additional minority ethnic respondents:

- Fieldwork was conducted between November 2022 and December 2022
- In accordance with data from the Office of National Statistics, participants came from the following most prevalent backgrounds in the UK: Indian, Pakistani, Bangladeshi, Chinese, Other Asian background, Arab, Caribbean, African, Other Black background, Polish, White British, White and Black Caribbean, White and Black African, White and Indian, White and Pakistani, White and Bangladeshi, White and Chinese, White and other Asian background, Other mixed ethnicity or multiple ethnicity background, Other ethnic background

Our qualitative data rounds out some of the common experiences of groups within this survey. Zeroing in on some of the key areas we identified in the quantitative research, such as affordability, trust and pensions knowledge, researchers conducted six 90-minute focus groups with 30–50-year-olds from the following ethnic groups: Black Africans, Black Caribbeans, Polish, Chinese, South Asian females, South Asian males.

than the potential for security, with some respondents expressing fears that their employer will keep the money:

*“It’s not knowing if employers actually put the money away properly. What happens if your employer shuts down the company? That worries me.”*

- **Chinese, female**

For some, such fears are based upon misgivings about either the British establishment or the state in their country of origin. For Tomasz, 48, who opted out of his workplace scheme:

*“There are several moments in history that show such systems cannot be trusted. Like in America in 2008 when people lost their pension money overnight in the financial crash. And I was raised in communist Poland where the state could just seize your money without warning. So, I have a deep distrust for the state and for organisations that manage your money.”*

Drilling down into different groups’ levels of institutional trust reveals a chequered picture. While we found a lack of trust in pension structures, this does not necessarily equate to a general apprehension about financial institutions and government advice. Our quantitative study revealed minority ethnic respondents in aggregate are more likely to trust the government, community, and religious centres for financial advice than white British people, and equally likely to trust banks and financial service providers.

Minority ethnicities are also more likely to trust the media (37 per cent versus 32 per cent) and social media (35 per cent versus 26 per cent) for financial advice. The flip side of this is that minority ethnicities are more likely than white British people to shy away

from pensions due to media exposure: nearly one-third (31 per cent) versus one in five, which has played a part in fuelling misconceptions:

*“I think pensions were a good idea around 10 years ago. However, with so many scandals and pension pots being stolen or mishandled, it is difficult to feel truly positive for the future.”*

- **Black African, female**

### What can the pensions industry and government do?

Making positive stories about pensions more prominent in everyday media may be an important way to increase pensions engagement, as well as providing easier access to pensions advice through trusted sources of information.

What is more, since nearly half (48 per cent) of our minority ethnic respondents say they take financial advice from friends and family, we found that almost as important as what is said, is who is saying it. Many people from minority backgrounds said their children were encouraging them to learn more about pensions, and when it comes to formal advice:

*“It’s better coming from someone we can empathise with more, a trusted face in the community.”*

- **Indian, male**

It may be that setting up informal partnerships with official sources of information may increase conversations about financial health.

These partnerships can be delivered via community groups or by using the media and social media that participants engage with every day. However, advice could also be given in a more dedicated, professional setting: nearly three in 10 (27 per cent) of those from minority

ethnic backgrounds take financial advice from their bank.

### Taking action today for a brighter tomorrow

There is a significant ethnicity pensions gap – 54 per cent, to be exact. The gap exists as much in people’s minds as it does in numerical terms, in comfort with the structure of pensions and perceptions of the relevance of pensions to life post-retirement.

Employers, the government should take heart that while there does appear to be a lack of trust and misconceptions around pension vehicles, there does not appear to be an overall lack of trust in the investment industry and in government advice. With so many people taking advice from family, younger generations are increasingly aware of the benefits of this savings vehicle.

However, waiting years for a generational shift is not an option. Better communication, more relevant, informative partnerships, positive media messaging, and formal and informal advice will help explode misconceptions and ensure the challenges minority ethnicities face in building their retirement pots are tackled sooner rather than later. It’s up to all of us to turn that promise into the reality of a better retirement future for everyone.

**For more information on the ethnicity pensions gap, please visit:**  
**[lgim.com/retirementsolutions](https://lgim.com/retirementsolutions)**



In association with

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<sup>1</sup> This optional question had the following sample size: White British – 404, ethnic minority – 303.

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