Equal pensions for all

Fifteen years after the Equality Act, the LGBTQ+ community still faces lower pension outcomes and financial confidence. As part of Pensions Age's year-long focus on diversity, equity and inclusion (DEI), Alice Guy considers what the pensions industry can do to help close the gap

Summary

- The Scottish Widows 2025 retirement survey highlights lower pension savings and financial confidence among the LGBTQ+ community.
- These lagging pension savings reflect lower average earnings and insecure work.
- Targeted research, inclusive financial guidance and tailored advertising could help reduce these disparities.
- Expanding auto-enrolment could significantly improve outcomes for low earners, including individuals in the LGBTQ+ community.

Despite progress towards improving equality and inclusion in the workplace, retirement savings for many in the LGBTQ+ community remain insufficient.

The Scottish Widows 2025 retirement report reveals that nearly half (49 per cent) of LGBTQ+ individuals are on track to fall below the PLSA minimum retirement living standard, in contrast to 38 per cent of other participants.

Scottish Widows head of pension policy, Pete Glancy, says LGBTQ+ people face a unique set of challenges throughout their financial lives: "While everyone is different, this can range from lower average earnings, either on their own or as a couple, to life milestones that are trickier and more expensive to meet, like starting a family. With these considerations, retirement savings can fall down the priority list."

Lower pension savings

Insufficient pension savings are in part due to the lower and more precarious earnings faced by the LGBTQ+ community, who continue to face barriers in the workplace.

Travers Smith partner, Daniel Gerring, says: "Pensions gaps tend to reflect earnings gaps. And earnings gaps tend to reflect wider attitudes and barriers in our society. There are often intersectional factors too. Tackling LGBTQ+ and broader inclusion and equality in workplaces can only help to improve earnings. Tackling financial inclusion can only help to improve pensions participation."

LGBT Great CEO, Matt Cameron, agrees that lower pension values reflect earnings disparities. "LGBTQ+ people, particularly trans people and people of colour, are statistically more likely to face barriers to employment and progression, leading to lower lifetime earnings and, by extension, pension contributions. Legal recognition of same-sex relationships has only become recent in historical terms, and past inequality in survivor benefits still impacts some couples' retirement security today."

Less financial confidence

Worryingly, Scottish Widows' research also finds that financial confidence is lower on average in the LGBTQ+ community. Over half (55 per cent) of the LGBTQ+ community aren't confident in managing their pensions, while a quarter say that they don't know how to access financial advice, and more than a third – 36 per cent – admit they haven't thought about what retirement would look like.

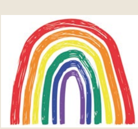
Cameron believes that historic discrimination continues to cast a long shadow. "Due to historical mistrust of financial institutions or feeling excluded from traditional financial advice, LGBTQ+ people may be less likely to engage with long-term financial planning, including pensions. Tailored financial education and guidance for LGBTQ+ people can help close the advice gap and increase confidence in financial planning."

Stadium Wealth, director and financial planner, Matt Campbell, agrees that LGBTQ+ clients often don't identify with what financial planning or pensions have to offer. He describes a recent client who found many financial planning websites off-putting, showing for example a heterosexual couple and articles that didn't resonate with their life.

Potential for improved outcomes

Despite these challenges, significant opportunities exist to improve outcomes for the LGBTQ+ community. Glancy says that the key is for the government, employers, and the industry to work together. "Collective action by the government, UK employers, the financial services industry, and retirement savers themselves is needed to tackle pension inequality and close the existing gaps.

"The LGBTQ+ people we spoke to in our research tended to be younger, early on in their careers, and while the level of preparation is concerning, what they do have is time on their side. And this is crucial when building a retirement pot that will see you through later life. We know the more people engage, the better their retirement outcomes will be, and the earlier, the better."



How can the pensions industry help improve outcomes for the LGBTQ+ community?

Over the past two decades, the pensions industry has made positive strides in supporting the LGBTQ+ community, driven by wider societal progress in rights and awareness.

LGBT Great CEO, Matt Cameron, says: "The equalisation of survivor benefits in public sector schemes and the introduction of same-sex marriage rights have removed some structural inequalities. There is a growing effort to tailor financial wellness programmes to be more inclusive, supported by charities and advocacy groups." He adds that there is a growing awareness of intersectionality. "The industry is beginning to acknowledge the overlapping identities that can compound disadvantage (e.g., race, disability, sexuality), allowing for more nuanced approaches."

Scottish Widows head of pension policy, Pete Glancy, agrees that there are many positive changes in the pensions industry. "The work of groups like O:pen, which connects professionals of all sexualities and gender identities in the pension industry, is fostering a more inclusive and diverse environment, which will bring about real change not just for the industry, but also for pension savers themselves. The Pensions Regulator has also published guidance on improving equality, diversity and inclusion across pension schemes. But undoubtedly, there is more that needs to be done, to make pensions truly inclusive to all and bridge the gaps that exist."

Targeted research

Travers Smith partner, Daniel Gerring, argues that the industry needs more targeted research to understand how to support underrepresented groups.

"The pensions sector has been making much better progress in the DEI space for a few years now. However, there is much work still to do. What steps are the financial and pensions industries doing to reach, and engage with, under-represented groups? What research is being undertaken? Which communication styles and methods are being tested? And, importantly, who is involved in doing this work? If we don't involve people from under-represented groups in designing the solutions, then those solutions are less likely to be effective."

Representation and inclusive marketing

Another potential barrier is the lack of representation when it comes to financial role models, influencers, marketing literature and financial guidance.

Cameron comments: "While we are seeing more LGBTQ+ leaders in finance and pensions speak openly about their identity, they remain under-represented at senior levels. Their visibility is crucial in inspiring younger professionals and signalling that inclusion is a priority.

"The industry should actively celebrate LGBTQ+ achievements, not just through awards, but by embedding stories and voices in wider communications and events throughout the year."

Stadium Wealth, director and financial planner, Matt Campbell, says that it's crucial for providers to be inclusive in their literature, "giving people examples of other people who look like them or are in a similar situation they can identify with". He also suggests advertising directly to the LGBTQ+ community, so they know there is a relevant offering.

Expanding auto-enrolment

With lower average earnings in the LGBTQ+ community, increasing pension contributions by expanding the scope of auto-enrolment could be the most significant factor in improving pension outcomes.

Glancy says: "We have, for a long time, called for an increase in scope of auto-enrolment to include lower income bands, on a voluntary opt-out basis. Almost a quarter (23 per cent) of LGBTQ+ people say they have a low or unreliable income compared to a UK average of 13 per cent, so we know schemes like this would help those most at-risk of poor outcomes in retirement."

Written by Alice Guy, a freelance journalist'