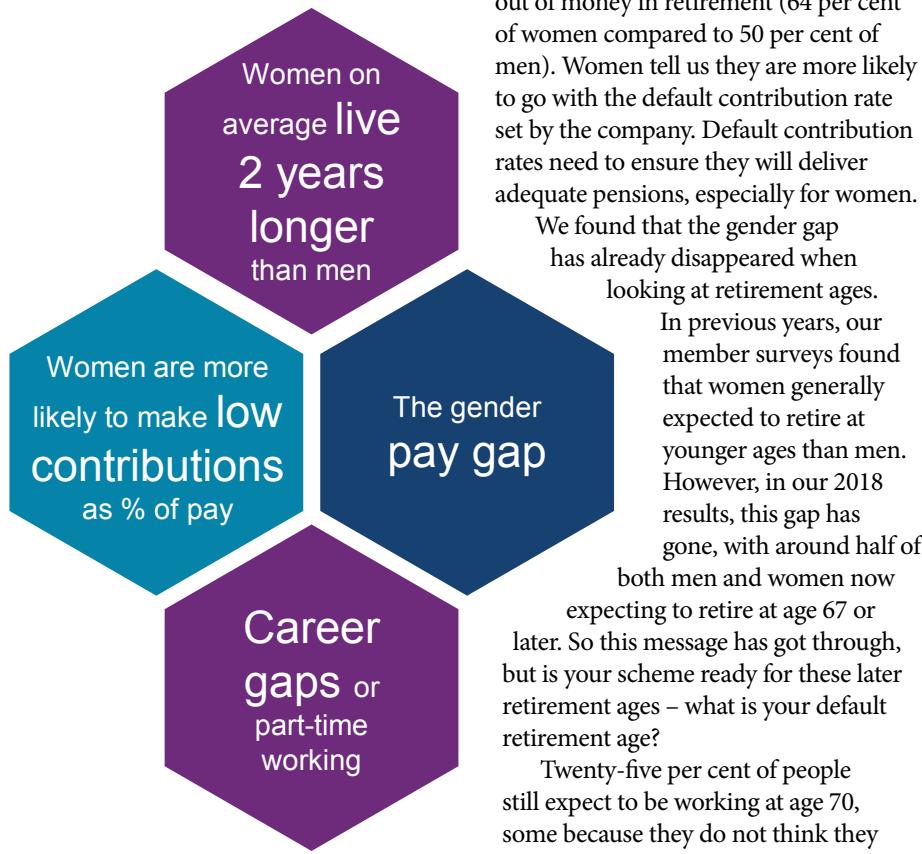


Mind the gap!

✓ **Aon's Sophia Singleton explores the differences between men's and women's retirement plans and in particular how DC schemes can ensure their support structures are appropriate for all**

Companies are required to publish information on their pay gap between men and women and most are taking steps to address inequalities. But what about the gender pensions gap? Women on average live two years longer than men, so need a 10 per cent higher pot to get the same amount per year. Women tend to have more time away from work for families – leading to pension membership gaps or more part-time

Gender pensions gap - the problem



working during their career and in the run up to retirement.

This means that women should be saving more than men to achieve comparable outcomes at retirement. But Aon's 2018 *DC and Financial Wellbeing Member Survey* found the opposite, with four in 10 women saving less than 5 per cent of their earnings for retirement compared to three in 10 men.

Addressing the gender pensions gap

Our research showed that women are more likely to be worried about running out of money in retirement (64 per cent of women compared to 50 per cent of men). Women tell us they are more likely to go with the default contribution rate set by the company. Default contribution rates need to ensure they will deliver adequate pensions, especially for women.

We found that the gender gap has already disappeared when looking at retirement ages.

In previous years, our member surveys found that women generally expected to retire at younger ages than men. However, in our 2018 results, this gap has gone, with around half of

both men and women now expecting to retire at age 67 or later. So this message has got through, but is your scheme ready for these later retirement ages – what is your default retirement age?

Twenty-five per cent of people still expect to be working at age 70, some because they do not think they can afford to retire. Employers and

trustees need to intervene earlier to help their employees plan for an adequate retirement, but also should expect to need to support those employees at these older ages who are not able to afford to retire.

More women expect to continue working part time before fully retiring, so drawing pension income is going to need to be flexible to accommodate those still receiving a wage, but potentially topping up with their retirement funds. Flexible drawdown or a series of cash withdrawals from uncrystallised funds could be more appropriate than traditional annuities. Individuals are likely to need to make a lot of difficult but important decisions, such as choosing a provider, setting an appropriate level of income to take and deciding how much investment risk they want. The best pension arrangements are reviewing what is offered by the scheme and whether the power of default options can be harnessed for pensions decumulation in the same way as it is in accumulation.

While there are some key differences in the pension saving habits and retirement expectations for men and women, there are also some stark differences when comparing lower and higher earners, or the needs of younger and older workers. To support all members in improving their pension outcomes it is key to understand the variety of your members, and their broad financial wellbeing, to develop effective solutions.

To request a full copy of our *DC Pensions and Financial Wellbeing* research email talktous@aon.com



► **Written by Sophia Singleton, partner and head of DC consulting, Aon**

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