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Money Matters

# The £1.65 trillion gender investment gap

Helping women feel good, investing

There is not a single good reason why women should have less money than men. Despite that, the fact remains that on average women have less than half the levels of savings and investments than men. That gender investment gap is one of the biggest challenges facing our society today.

This AJ Bell Money Matters report is based on an independent survey of 5,000 UK adults conducted for AJ Bell by Opinium between 26 and 30 August 2021. The report is for information only and isn't advice or recommendations – please speak to a financial adviser if you need advice. Do remember that the value of investments can go down as well as up, and you may get back less than originally invested.

# Foreword

**By Baroness Helena Morrissey**

There is not a single good reason why women should have less money than men. Despite that, the fact remains that on average women have less than half the levels of savings and investments than men.

That gender investment gap is one of the biggest challenges facing our society today.

Our research shows that women feel less able to save each month, with lower disposable incomes a primary reason behind that. The gender pay gap is undoubtedly something that needs to be fixed but it's also apparent that many of us do real damage to our financial futures by not investing the savings we do have. It means we don't benefit from the long-term growth of investing, which can make a life-changing difference to our financial wellbeing.

Women face some natural barriers to investing, particularly if we want to take a career break to start a family, but I can vouch from personal experience that this does not need to have a negative long-term impact on either our career or ability to invest.

There is also still a perception that investing isn't for women. Previously the finance industry and investing world was seen as a boys' club, but that is changing. More companies have realised the need to engage with the other 50% of the population and there is more help for first-time investors, regardless of gender, age or experience level.

Many women simply feel like they just don't understand investing and hence are reluctant to take any risk with their money. AJ Bell Money Matters is our way of helping overcome those barriers and closing the gender investment gap. We want more women to feel included, to feel able to access information that's targeted at them and to feel like they can take the step into investing – because it's a step, not a leap.

This report lays out the problems women face and some solutions. We've launched AJ Bell Money Matters to provide easy to understand information on investing, to give you figures that make you think, to profile inspiring women who are already investing, but also profile women who have the same questions and concerns as you.

There is already a range of articles on our website as well as a dedicated podcast and Instagram feed. We will also be publishing a regular newsletter and hosting webinars and live events, and it's all free!

I hope you feel able to get involved and start investing - because your money matters.

Helena

**Find out more at ajbellmoneymatters.co.uk**

# The gender investment gap – I’ve got 1.65 trillion problems and investing is one

## Women are poorer than men. Whether that's based on how much they are paid, how much they have saved, how large their pensions are or how much their investment accounts have in them. The gender savings gap in the UK is a £1.65 trillion problem. Written out that's 1,650,000,000,000 – a lot of zeros.

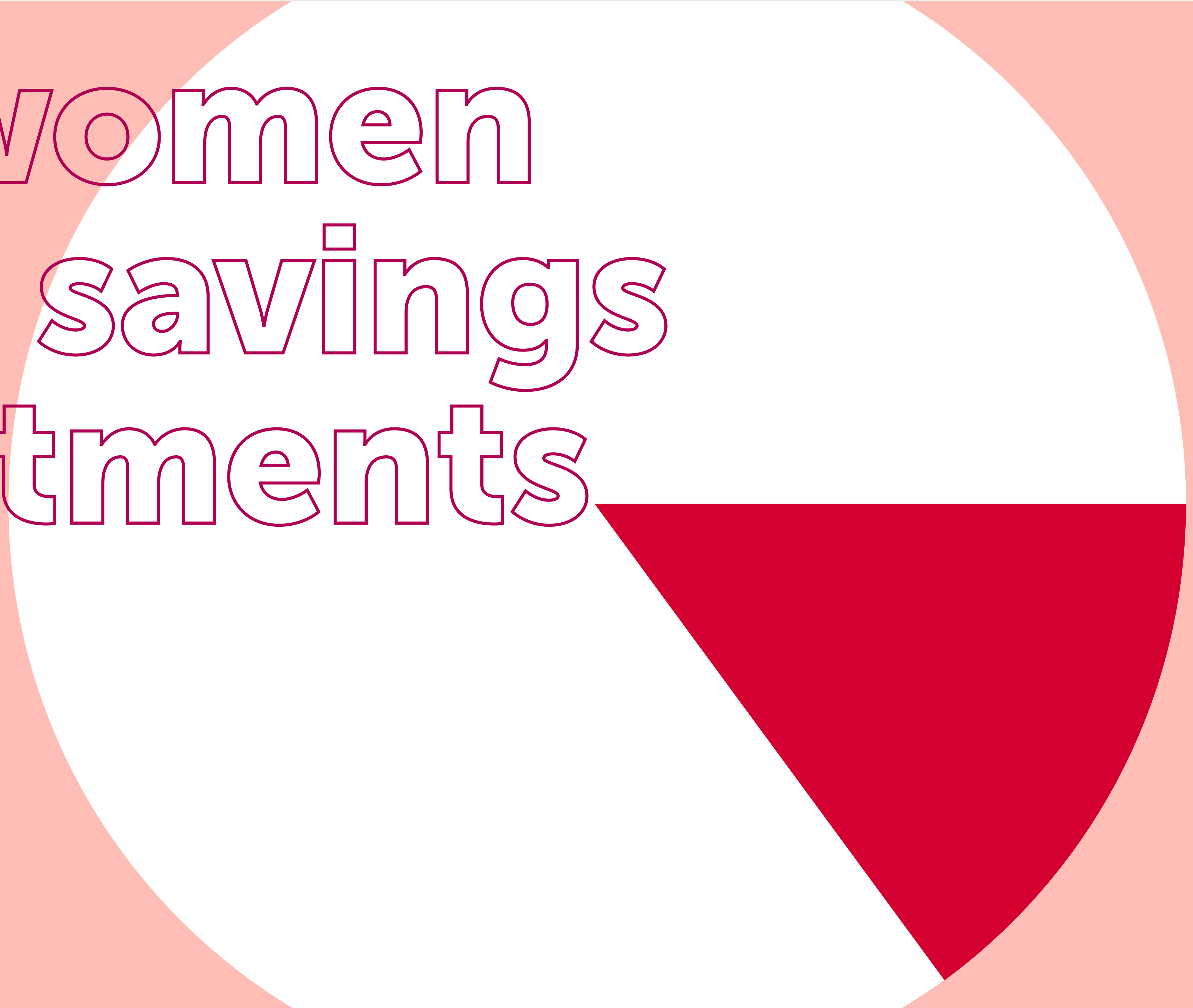
So why is that? It's not a lack of willingness. Women are as likely to have a savings account as men, with 65% of women having a cash account compared to 66% of men. But they are much less likely to have an investment account, or to be saving money into their pensions.

And the biggest difference isn't whether they've opened an account, it's how much they've saved. Women have less than half the amount saved than men. On average women save £180 a month, while men put away a far higher £306 a month. That difference will quickly add up – even over a year that's £1,512 more the average man is saving. Once you extend that over a longer period and include interest, even just at 1%, you end up with almost £16,000 extra in the man's account after 10 years or more than £33,000 over 20 years.

Average amount saved per month

**£180** for women | **£306** for men

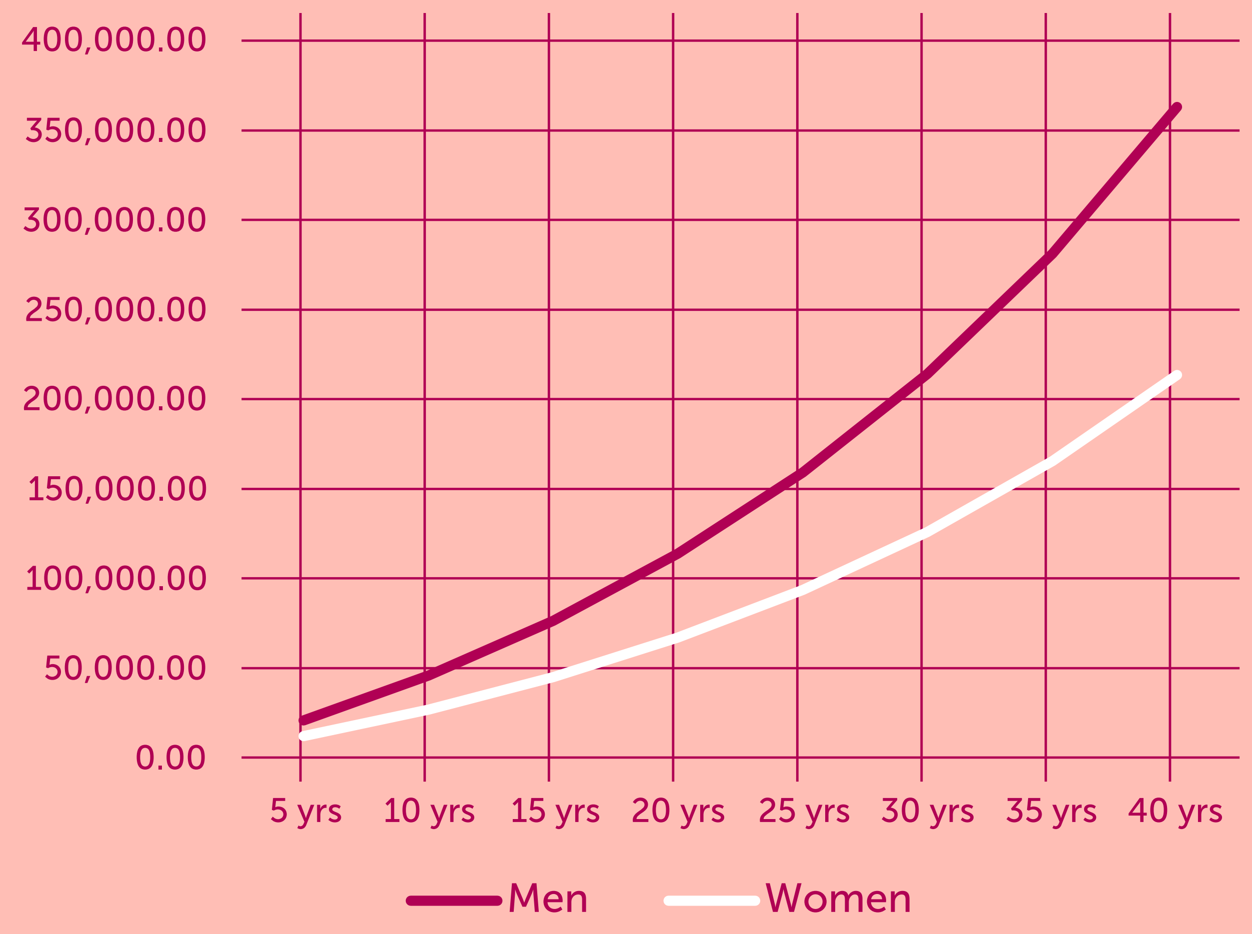
**15%** of women have no savings or investments



This gap clearly translates to women and men's total assets. When we look at someone's total savings and investments, so their cash savings, pensions, investment accounts and any other assets (but not their house) the average woman has £49,000. This seems like a decent amount until we look at men's average total: £114,000. That's a £65,000 difference, which when you extrapolate it across the UK amounts to £1.65 trillion. Even if we strip out the cash part of that and just look at pensions and investments, it's still a £50,000 gender gap – or £1.26 trillion across the UK.

Pensions is a chunky part of that, men are much more likely to have big pensions – partly due to having higher earnings across their careers. The average man has almost £55,000 in their pension, compared to £19,000 for women – a £36,000 gap.

## How the contribution gap grows

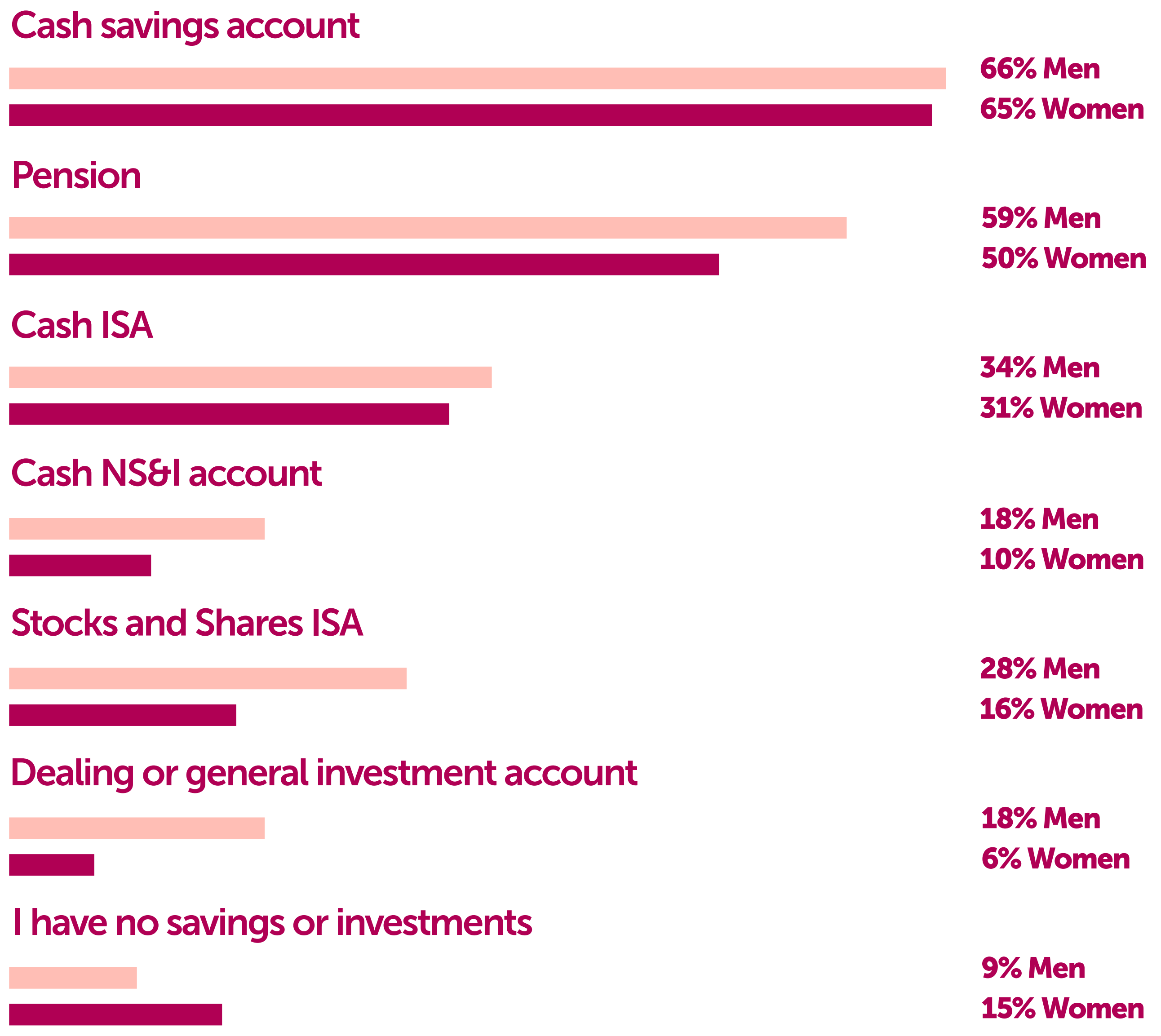



Notes: Compares how the average monthly contributions from men and women grows over the years, assuming contributions remain the same and a 4% annual return.

## Current levels of long term savings


**The gender investment gap on average is £65,000 per individual and £1.65 trillion across the UK**

## Proportion of adults that have each account



# Women aren't oblivious, they know this is a problem

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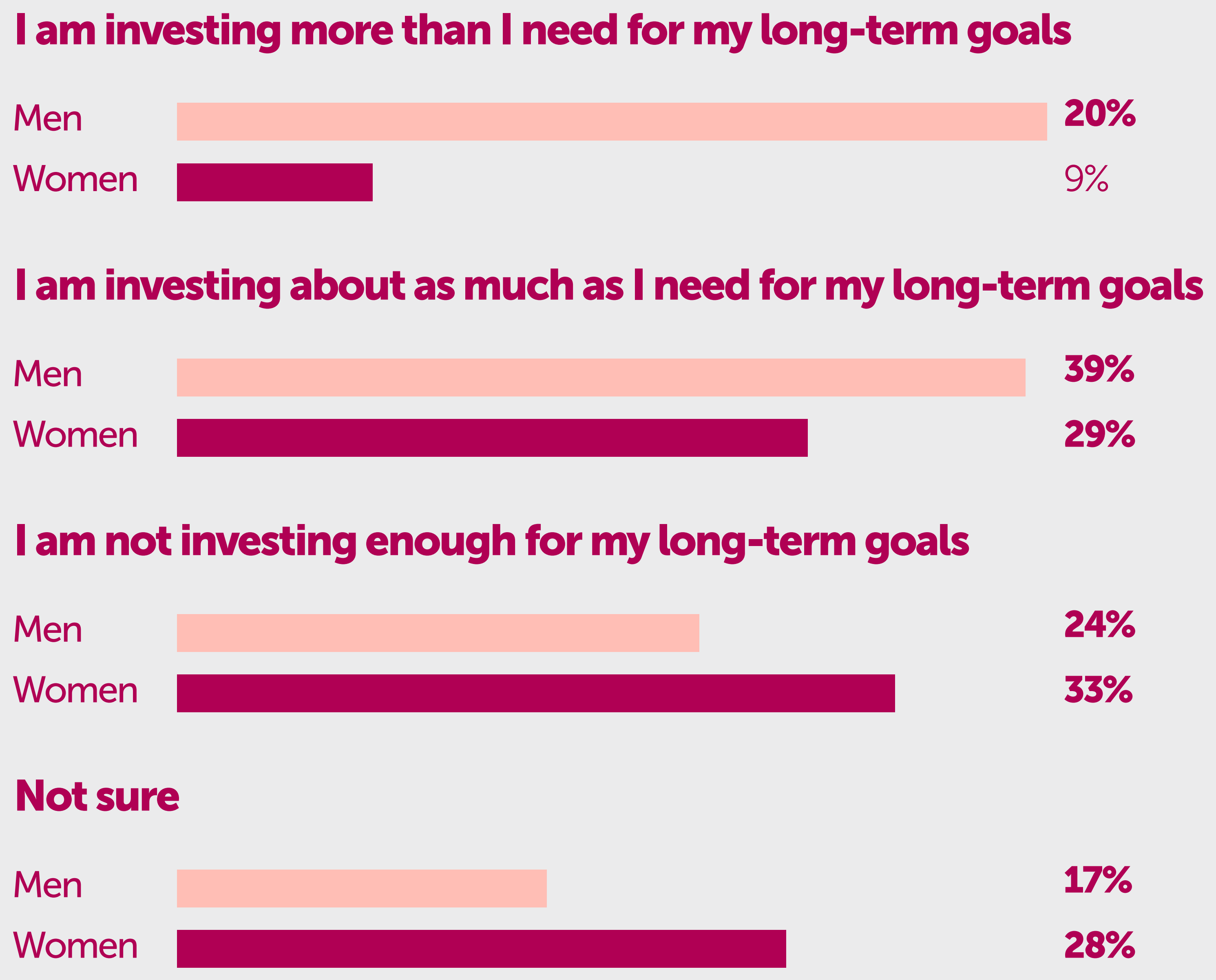
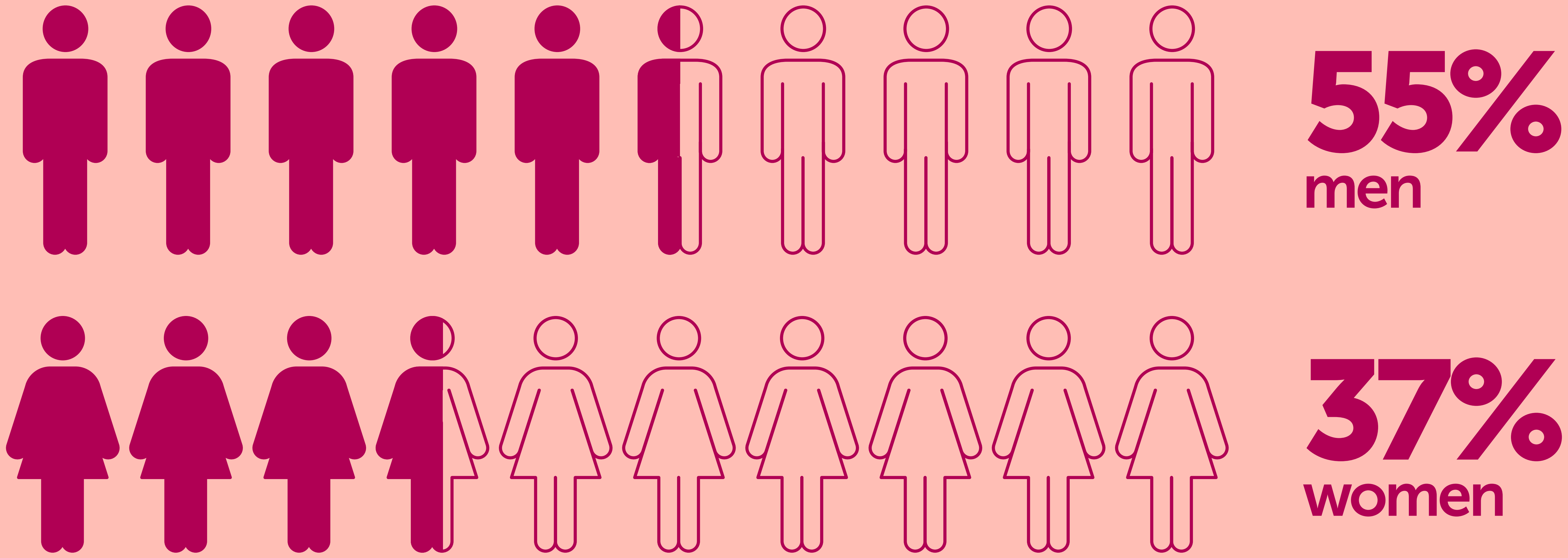
# Women aren't oblivious to the problem, they know they aren't saving enough and it worries them.

A third of women think they aren't saving enough for their future (compared to a quarter of men). And while a fifth of men are so confident about their investing levels that they think they are saving more than they need for the future, less than one in ten women feel the same. As a result, only just over a third of women (37%) are confident that their long-term investments will meet their goals, compared to over half of men (55%).

## Which of the following best describes how you feel about your current investment levels?




## Number of people that are confident their long-term investments will meet their goals



This gets worse when we look at how women are planning to fund their retirement. We found 62% of women aren't saving for retirement at the moment, and only a quarter of women think they are on track to have what they need to live on in retirement (this compares to half of men).

Unsurprisingly, considering what we've seen so far, 44% of woman say their partner has a bigger pension than them. And a fifth of women say their retirement plan is to live on their partner's pension, but when we consider that 76% of women over the age of 60 are either single, widowed or divorced when they die[1], that might not seem like the most reliable plan.

These figures are more concerning when we consider that women will live longer than men, and so actually need more money in their pensions, not less.

**62% of women are currently not saving for retirement**

**Only 27% of women think their current pension provision is on track for what they need - compared to 48% of men**

[1] Figures from the Pensions Policy Institute.

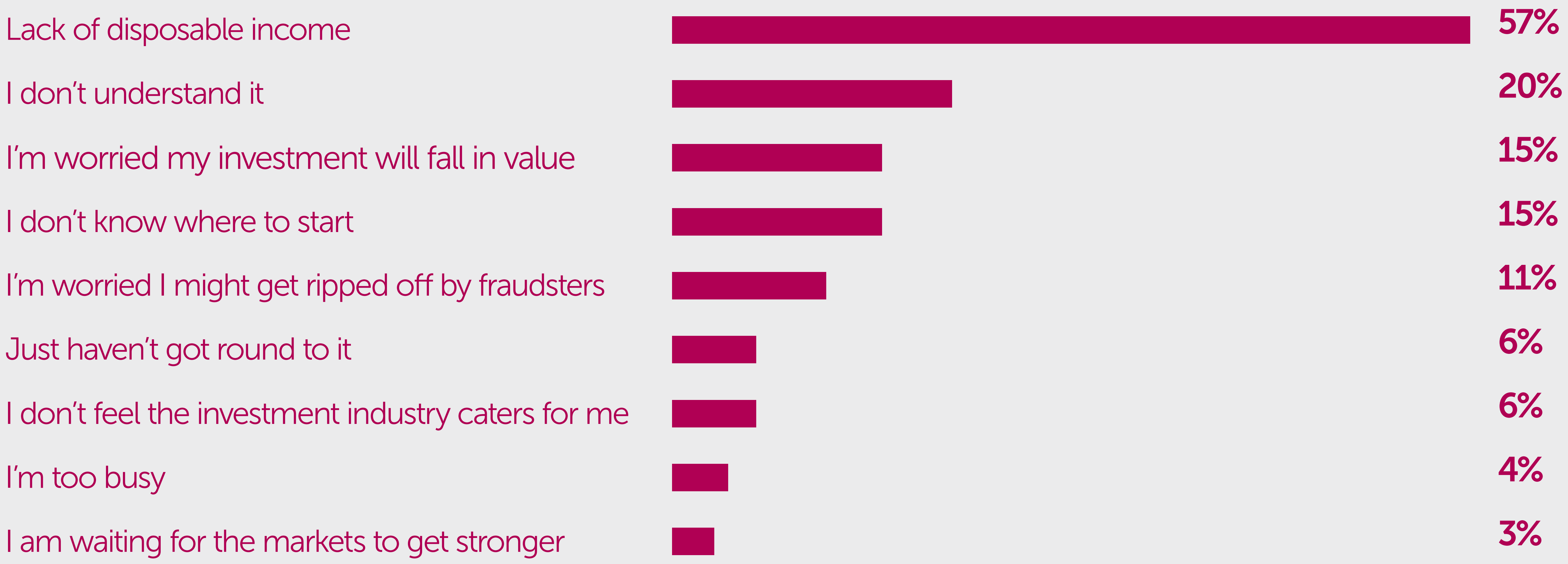
# What are the barriers to women investing more?

# So why are women so much less likely to invest and save for the future? The gender pay gap has a lot to answer for. Women are often paid less, whether that's due to discrimination, being pushed into lower-paid work or being more likely to work part-time, to fit around family responsibilities.

The biggest reason women aren't saving more is simply lack of money – 57% of women said they don't have enough spare money each month to save or invest it. When we consider that women often foot the bill for childcare and other family costs, while also having a lower income, it's not surprising they feel stretched already.

Women are also more likely to have taken a career break, and while men tend to use career breaks for travelling, to study or to recover from ill-health, meaning they are shorter, women take them to start a family and so they are off work for longer. Two-fifths of women say their career break negatively impacted their long-term financial prospects, compared to a quarter of men.

## What are the main barriers preventing you investing?




**Only 19% of women would choose to invest a surprise lump sum**

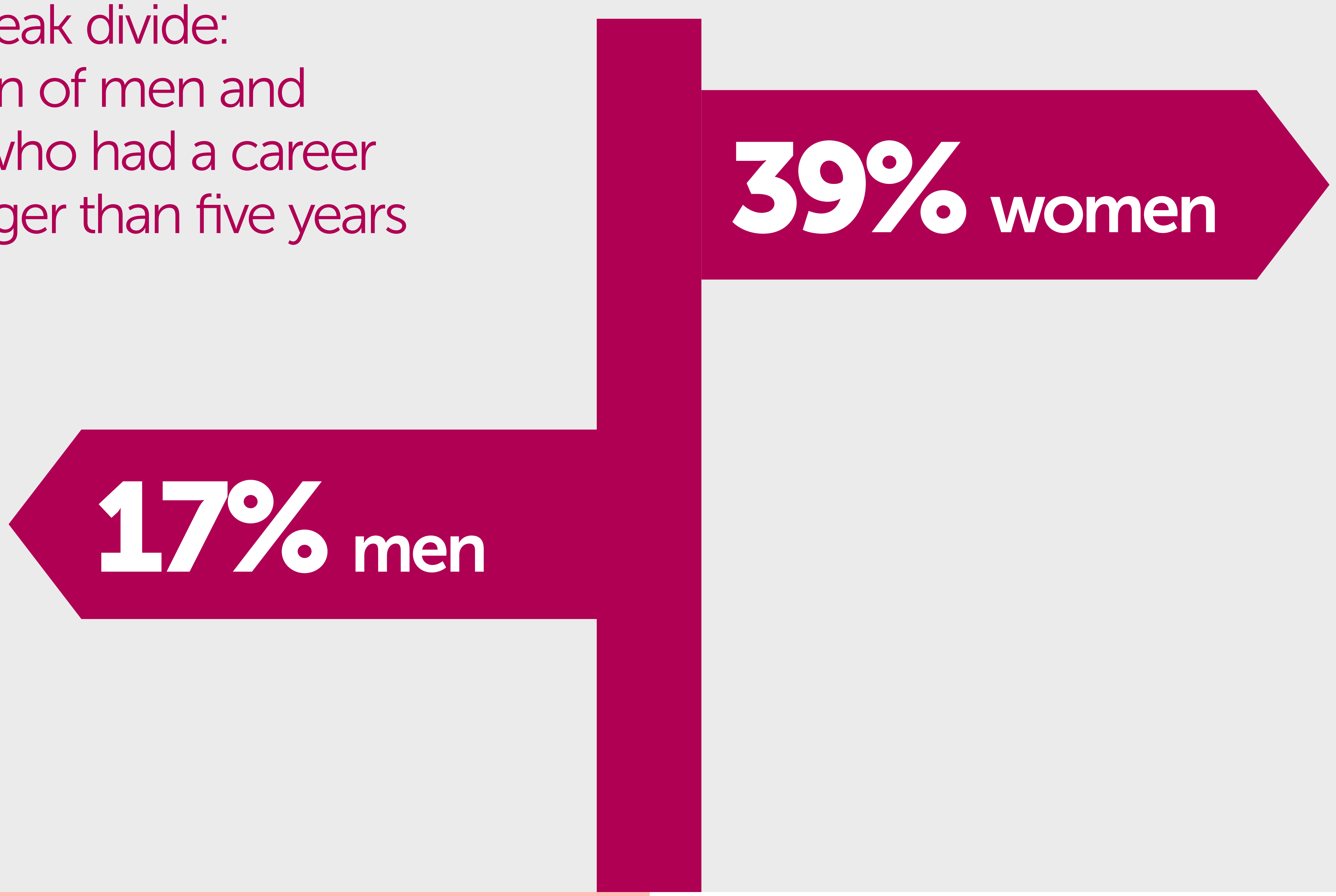
But it's not just a lack of money. Even if they were handed a windfall of money, most women wouldn't invest it. Just a fifth of women handed a surprise lump sum of money would invest it (compared to 29% of men). Instead, the majority would use it to pay off debt or pay down their mortgage or would chose to save it in cash.

This tendency to keep money in cash or pay off debt before investing is a big reason for the wealth gap between the sexes. But it stems from a lack of understanding of investing, with a fifth of women saying they don't understand investing, while 15% say they don't know where to start.

This lack of knowledge extends to understanding the lingo and never-ending acronyms that often go hand-in-hand with investing. Consistently when questioned about their understanding of key terms or investment types women are less confident than men in explaining them. This isn't just the case for those who chose not to invest – 57% of women say they don't know what type of investments they actually own (compared to a lower but still shocking 38% for men).

But if there's one data point that sums up the gender divide in investing it's this: 71% of women would rather not take risks but have less rewards in future. With investing there's always an element of risk, and it's clear to see why women are shying away from that – preferring to know their money won't fall in value.

Career break divide: Proportion of men and women who had a career break longer than five years




**41% of women who have taken a career break say it has negatively impacted their long-term financial prospects**

**71%**

of women would rather not take risks but have less rewards in future

Men are simply willing to take more risk. Our data shows 28% of men would rather take bigger risks for bigger potential rewards, compared to just one in 10 women. And if we drill down into what that means in actual numbers, women taking investment risk say they would be comfortable with an average loss of 3.9% a year in the pursuit of longer-term returns, compared to 6.6% from men. In fact, almost half of women said they wouldn’t be comfortable with any losses. This means that they will pick ‘safer’ assets that will lead to lower returns.

Part of the reason for this is that women are focused on a shorter time horizon for investing. Just over two-fifths of women are focused on investing for less than five years, compared to 29% of men. On average, the time horizon men were looking at is 10.6 years, compared to 8.8 years. And this tallies with the previous results, if you’re only looking ahead for the next five years you’d be much more wary about investment losses, compared to someone who is looking 10 years or more in the future.

**48% of women wouldn’t be comfortable with any investment losses**

Investing time horizon

**Women**
**8.8 years**

**Men**
**10.6 years**

# The Money Matters manual for closing the gender investment gap

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## Get started

There's an adage that the best time to plant a tree was 20 years ago, and the second best time is today. It's easy to put off boring life admin at the best of times and this can be particularly true of investing, especially if don't think you understand it.

But like many things, investing is not as complicated as you might think once you get started, do some research and break it down into smaller tasks. Even if you're not ready to invest yet, you can try to learn the key terms, read more articles on investing, chat to friends who are into investing, or listen to some podcasts – there are even books out there on DIY investing!

If you gradually learn more, you'll feel much more informed when you're ready to get started. And remember, there's no secret formula that no one has told you about!

## Make a plan

A good place to start is not with the actual investing itself, but with what you want to achieve to suit your life goals. It is impossible to invest effectively if you don't have a clear idea of what you are trying to achieve.

That might be saving for a house deposit, retiring comfortably or travelling around the world. Whatever it is, knowing what you are aiming for will help define how long you need to invest for, how much risk you are willing to take on and what sorts of products to use.

Once you have clarity on why you are investing, making investment decisions becomes a lot easier.

## Assess how much cash you need

The investment gap exists, in part, because women tend to prefer to stay in cash rather than invest. But are you being unnecessarily cautious?

Think about what you need cash for and when you plan to spend it, and then work out if you have excess cash that you could invest. Generally, if you need the money in the next five years or you want it as an emergency pot, it's wise to stick to cash, but otherwise you could take on more risk. With cash rates so poor, there's never been a better time to invest.

## Understand the tool kit at your disposal

If you start researching more about investing, you will quickly realise that – although there is a lot of jargon involved – there are only really a few key products you need to understand to get started.

Pensions and ISAs are the two main accounts that you can use to save tax-efficiently – pensions for retirement and ISAs for the shorter term. Within these accounts, you can choose to buy company shares directly or you can invest in a fund, which gives you access to a portfolio of shares. Yes, there are lots of other products and complicated investments out there, but ISAs and pensions are a good place to start. They can be opened online in a matter of minutes via an investment platform.

And if you don't want to choose your own investments to begin with, most platforms offer ready-made portfolios to get you started.

## Get risk in perspective

It's clear from research that women tend to be more risk-averse than men, at least when it comes to investing. Having a clear understanding of your time horizon and investment strategy can help here. No one wants to put money into the stock market and see it drop by 10% if they need the money next year. But if you don't need the money for 10 or 20 years, a 10% drop in year one is nothing to worry about.

That's because history shows that the stock market normally bounces back and in fact that 10% drop is an opportunity to invest more and benefit from the rebound.

Investing small amounts regularly is a good way to smooth out any short-term ups and downs. There are also funds out there that give you a ready-made portfolio designed to fit different risk levels from the very cautious to the more adventurous. Risk doesn't have to be all or nothing.

# The Money Matters manual for closing the gender investment gap

## Beat the career-break drag

If you take a career break, or know you'll take one in the future, then plan for it financially. Your pension is the biggie: if you know you'll be off for the long term in the future, increase your pension contributions ahead of time so you bolster your pot.

If you can afford to, don't cut your pension contributions during maternity leave – your partner probably won't be, so why should you? If you return to work only part-time, increase your percentage contribution to your pension, as you'll be contributing less in monetary terms.

Already had your career break? Don't panic, you can still boost your pot now – it's better to start now than wait another five years.

## Talk to your partner about childcare costs

Many women feel the need to take on the burden of childcare costs alone, or feel they need to manage as before on their lower, part-time salary. Don't assume that; start a conversation with your partner.

It doesn't mean you have to combine your finances entirely as a couple or feel like you're getting a handout from your partner, but you could each contribute a percentage of your income to household costs (including childcare) to reflect your lower salary.

It might be awkward, but think of your financial future. Even if it only frees up an extra £50 a month, if you invest that it could be worth £3,400 in five years, or £7,500 in a decade.*

## Look at your pension

If you've moved jobs a lot, you'll probably have lots of small pension pots and might not even know where they all are. Look at your paperwork, hunt them all down and see what kind of pot you've got.

You might be pleasantly surprised, but if it's looking depressingly small, then put a plan in place to boost it. If a 30-year-old basic-rate taxpayer adds an extra £50 a month to her pension, she will boost the pot by almost £57,500 by the time she reaches 65. Even if you start at 40, you'll have almost £32,500 extra by the age of 65.*

## Maximise free money

No one wants to turn down free cash, but lots of people do. The first thing to do is to check whether your employer matches your pension contributions and, if so, up to what level – then make sure you're maximising it.

If you've got kids, make sure you're claiming child benefit and free Government childcare hours, as this can boost your disposable income and leave you with more to save. If you're already saving for a house or for retirement, have a look at the Lifetime ISA because it offers a free bonus from the Government of up to £1,000 a year.

## Consider taking some financial advice

You don't have to do all this on your own. There are plenty of places to turn to for help, such as the Government's Money Helper service, friends and family, investment platforms and the mainstream media.

Equally, if you don't have the time or inclination to do it yourself, go and see a professional financial adviser. They can help you define your objectives and manage an investment strategy for you that is aligned to those objectives. Obviously there will be a fee involved, but you will agree this up front and can decide whether it's worth it.

Make sure the adviser is regulated by the Financial Conduct Authority (the industry watchdog). Remember that it's your money they're investing, so it's important that you remain the decision-maker, even if the adviser is recommending what to do.

*Assumes 4% investment growth after inflation and 1% in charges

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For more information,
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**ajbellmoneymatters.co.uk**

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