Pensions

Gender pension gap: how women can boost their retirement pot

Women on average retire with less than half the income of men. We talk to three women keen to buck the trend and give six top tips

Harriet Meyer
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▲ Sandra Wrench doubled her state pension by deferring take-up for seven-and-a-half years. Photograph: David Levene/The Guardian

Women are still facing retirement with substantially less saved in their pensions than men. Low pay is a major contributing factor to the gender pension gap as women often take part-time positions or become self-employed to manage family

On average, women earn about 16% less than men, according to the latest figures from the Office for National Statistics.

Time taken out of work to raise a family can also result in broken national insurance records, and years without putting any money into savings at all.

This week, the insurer Legal & General published research showing that women have lower pension pot sizes in every age bracket, with the situation "significantly deteriorating" as they approach retirement.

The research, based on data from 4 million L&G pension scheme members, found that the typical gender pension gap is 17% at the beginning of women's careers and increases to 56% at retirement compared with men.


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Meanwhile, the average L&G pension pot for a woman at retirement (£10,000) was found to be less than half that of a man (£21,000).

However, some women are bucking the trend. Here, we speak to women at different life stages who are determined to boost their pension savings in the run-up to, and into, retirement.

Sandra Wrench, 70 – delaying the state pension

Sandra Wrench, from Bedford, doubled her state pension by delaying taking it for seven and a half years, and also paying for some additional pension.

Since May, she has received about £16,000 a year in state pension, in addition to the £11,000 final salary pension she receives from employment.

"This is more than I earned in total when I was working," says Wrench, who worked for the Department for Work and Pensions, with 18 years spent in the state pension department.

> **When she turned 60, Sandra partly retired, reducing her working week to 17 hours**

"So I knew about the benefits of delaying, and paying for state pension top-ups while this scheme was around," she says.

When she turned 60, Sandra partly retired, reducing her working week to 17 hours. "This way, I could keep going for longer," she says.

As Sandra reached the state pension age before 6 April 2016, she was able to increase her entitlement by 1% for every five weeks she postponed starting to take it, under the old system.

"I also used inheritance to pay voluntary class 3A contributions for an extra £25 a week additional pension but this scheme was only available for a few years," she adds. "It was to give those who received the old, smaller state pension the opportunity to increase the amount they received."

By combining delaying her state pension payment with the additional amount, she doubled its value from about £151 a week to £310 a week.

"Women shouldn't leave checking their state pension until the last minute," she stresses. "It's easier to correct any errors sooner rather than later, and there are still ways to increase the amount you get."

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Sandra Wrench, 70 – delaying the state pension

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▲ Kathy Honeyball from Sheffield.

Kathy is doing whatever she can to boost her pension, with dreams of retiring early.

"I'd like to start phasing my retirement in three years or so," says Kathy, who works as a client relationship manager for an insurer. "Then I'd want to spend more time helping with the grandchildren or doing something different such as volunteering."

Kathy, who expects to receive her state pension at 67, has £587,000 saved in defined contribution pensions, also known as money purchase plans. This consists of about £367,000 in the company pension with her current employer, and a couple of other, smaller pots from previous employment.

"I started to take a look at my own pension around the time when auto-enrolment was introduced [in 2012] and the state pension age started to increase," she says, adding that she increased the amount she was paying into her company pension to about 15% of salary, with her current employer contributing a little bit less.

"I think it's important to be in control of your future," she says. "I've got a partner but we're not married and I've always been financially independent."

By using an online retirement calculator, Kathy has worked out that her pension savings could provide an income of about £24,000 a year from the age of 60, depending on the investment growth.

Jess Keplinger, 38 – getting a head start

Jessica Keplinger from north-west London.

Jess knows that taking time out of work to raise her son will have seriously effects on her pension pot.

"But I'm lucky, because I learned the value of saving from my parents, and I've built up some retirement savings," she says.

She was working in events management but since having her son, who is almost three, she has struggled to find a job that was sufficiently flexible to cope with nursery pickups.

> **Jess has about £100,000 in a self-invested personal pension with Interactive Investor**

"It's a situation so many mums find themselves in," says Jess, from West Hampstead in north-west London. "I'm not able to pay into a pension at the moment but I'm working hard juggling a lot at home."

Her husband works in finance, and as the lower earner, she took a career break to raise their son. She is now retraining as a self-employed naturopathic health coach.

Jess has about £100,000 in a self-invested personal pension (Sipp) with Interactive Investor, after consolidating four pensions from previous employment.

"My dad set up a Sipp and Isa for me when I was little, so I had a head start, too," she says.

"I don't know why women aren't told at school about the value of a pension. They often bear the brunt of a massive savings gap in their 30s."

Jess manages her pension herself, investing in a range of shares and funds within her Sipp.

"If I went back into full-time employment, I'd see a pension as one of the biggest benefits," she adds. "When I can, I'll start paying in again."