FOREWORD

There are a number of factors that constrain women’s ability to plan effectively for their financial futures. As a result, women are underinvesting in pensions and financial products and under-insuring themselves, relative to men. In other words, there is a gender financial security gap.

Women’s attitudes and priorities when considering their financial futures differ from those of men. A gender pay gap still exists, with women earning less over their working lives. This alone creates a financial security gap. However, there are other factors that lead to women saving less and women also face risks over the course of their lives that are uniquely linked to the female experience. Add in the fact that women live longer than men and it is clear that women are more likely to experience poverty in retirement.

At the beginning of 2017 we sponsored a research report from the Pensions Policy Institute, considering the behavioural factors that can inhibit consumer engagement in pensions. This was an important part of our continuing focus on improving outcomes in retirement. Now, expanding on this work, we are delighted to partner with the Fawcett Society to explore more specifically the issues facing women across pensions and other financial products.

As a firm, Pinsent Masons is committed to diversity and inclusion. We are recognised as industry leaders for our strategy to nurture gender diversity across our business at all levels. We were the first law firm to have signed the Women in Finance Charter – a pledge for gender balance across financial services. And now we are focusing specifically on female consumers, in our belief that gender equality in the area of financial security is of benefit to our clients and to society at large.

We would be delighted if this report instigated not only debate in the industry, but also innovation and development from those who have the ability to positively impact gender inequality through their policy making, product design and promotion of financial capability.

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INTRODUCTION

The Fawcett Society is delighted to join forces with Pinsent Masons to address the fundamental issue of women’s financial independence and equality.

The evidence presented in this report shows very clearly that none of us – neither women nor men - are saving enough for our retirement. Nor are we protecting ourselves adequately against the risks that we will face in life. But women face greater risks throughout their lives and are less well protected, have less wealth and assets, are less likely to engage with financial products and are less confident with the financial decisions they make.

The reality of women’s lives means that the risks they face are both more numerous and may overlay one upon another. For example, risks such as a lower starting salary when they enter work; a wider pay gap after they have their first baby or take time out to care for a relative; unequal split of assets on divorce; childcare costs treated as her cost not as a household spend; and a longer period of time living with multiple health conditions in later life.

But women are also more likely to be in work and earning more than they were ten years ago and a growing proportion are now earning above average incomes. This report explores how the finance sector, with the exception of some examples of good practice, is missing a trick by not seeing the chance this presents. We suggest a way forward which would be a win for women, for gender equality and for the finance industry. The challenge to financial services providers is, will you seize the opportunity?

Sam Smethers
Chief Executive, Fawcett Society
EXECUTIVE SUMMARY

There is a ‘gender financial security gap’ in pensions, insurance, and investment products in the UK. That gap means that the inequalities women experience during their working years are perpetuated and exacerbated in later life, and women’s financial independence is put on the line. That means the gender financial security gap is a social justice issue, and one which financial providers can also benefit from tackling.

In 2016, Fawcett’s Closing the Pension Gap: Understanding Women’s Attitudes to Pension Saving, sought to understand the pensions decisions made by women aged 25-39. Now, this report on the gender financial security gap expands our understanding of the issue by looking at how gender impacts on both pensions and a wider group of financial products.

Women face a number of risks over the course of their lives that differ from those faced by men.

Women live longer than men, have higher care needs, and those care needs are more expensive. At age 65, an average woman can expect to pay a total of £132,000 for her care, compared with £82,000 for a man.

Some of those risks are the result of socially-constructed gender stereotypes:

- Women are responsible for 74% of the time spent on childcare
- They are four times more likely than men to leave their job as a result of being so-called ‘sandwich carers’ – looking after both children and adults.
- Following a divorce women have been found to have a 10% long-term dip in income, while divorced men’s available income increases
- One in five British adults have experienced financial abuse in a relationship, with women disproportionately affected.

Part of the financial security gap is down to inequalities in the jobs market. The mean gender pay gap for full-time work is 13.9%. It has multiple causes: the gap widens significantly after motherhood, is driven by men being overrepresented in more senior roles, and by occupational segregation, and outright discrimination continues to play a part.

Women are 9.4 percentage points less likely to be employed, and the rising numbers of self-employed women are paid much less than self-employed men. 16% of women live in poverty – for them, saving is an unlikely prospect. Despite women doing fewer hours in employment, women still spend more time in total doing paid work and unpaid work in the home than men. That means they are time-poor: an important insight when designing services that meet women’s needs.

But at the same time as these inequalities persist, and need urgent action to tackle them, more wealth is owned by women now than ever before. The gender pay gap has narrowed in the last two decades. A quarter of women working full time earn over £35,000 per year. 2020 is cited as the ‘tipping point’ when women will make the majority of financial decisions in the home: and 20% of women live in households with over £50,000 of financial wealth.

Accumulating pension savings early in working life is the surest way to protect against poverty in retirement for many people. Women are slightly less likely to be contributing to a pension than men. But they are only half as likely to pay in to a personal pension, and only 13% of self employed women are contributing.

The pension gap really opens up when we look at the amounts in pension pots. Women who are currently paying in hold only 70% of the value that men have, with women holding a median £28,000 in their pensions compared with £40,000 held by men. That is despite more women having typically higher value defined benefit pensions.

Research on insurance is lacking, and more needs to be done to understand the gap. The data we do have shows a similar pattern to pensions – women are slightly less likely to have life insurance, with 31% insured compared with 36% of men. But government statistics on higher-value estates suggests that men hold vastly more insurance wealth across all products - £203m compared with £138m for women, or a 32% gap between genders.
Women are not less likely than men to have a savings account, or an ISA – they are no less intent on balancing household finances or saving for the future. But there is a persistent gap in investment choices, with surveys finding that men are more than twice as likely to hold stocks and shares (23% compared with 11% of women). For a privileged few wealthy women wealth management can help make their investments more productive. But 53% do not have financial advisors, and 73% of UK women who do have an advisor feel misunderstood by them.

Research shows that even when men and women of similar incomes are compared there is a gap in savings and pensions investment. Our report explores some of the causes.

There is a gender gap in financial literacy in the UK, with 40% of women compared with 67% of men having high scores on knowledge of 8 key financial concepts. This links to a confidence gap: women on average think that they are less knowledgeable than other people when it comes to investing their money, and more likely to say that investment complexity puts them off. Both financial literacy and confidence vary internationally: these are in no way fixed characteristics.

Hundreds of studies find that women are more risk-averse than men across a range of different areas. Risk aversion can have a negative impact if it results in women putting their money into less productive investments. An approach focussed on highlighting personal goals, rather than sheer financial increases, may encourage women to invest, and aversion fades when measures are taken to reduce the impact of negative stereotypes.

The industry itself has an impact, with women less likely to seek advice or guidance, and many women viewing the financial services world as inaccessible or full of jargon. Experimental evidence suggests that when women do seek independent financial advice, advisers may reinforce rather than challenge the gender gap in risk appetite.

It is clear that women are under-protected in terms of pensions, insurance, and savings and investment products in the current market, and that while the gender pay gap and our unequal labour market is partly to blame, it is not the whole story. We suggest potentially fruitful areas which policy makers and the finance industry could explore to better engage women, drawing on current behavioural economics and gender research.

Strive to understand female consumers: Financial services providers need to do more to answer outstanding questions and to continue to strive to understand their female consumers in all of their diversity.

Build women’s financial capability: Fawcett calls for government, employers, and society to work to encourage more girls to pursue STEM subjects to boost young women’s confidence.

Change the perception of finance as an area of male expertise: women and men are less likely to contribute or feel confident of their knowledge in areas where the opposite gender is perceived to have expertise – we need more women in prominent roles in the industry.

Think about the power of stereotypes: be wary of invoking gender identity when it could unconsciously trigger risk averse, low confidence stereotypes; and create and disseminate new, highly visible role models to shift perceptions to new positive stereotypes.

Change the language used in advertising and promotional literature: even when products are ostensibly presented as gender neutral, the language used around them may in fact be putting women off.

Reframe risk – ‘under-investing is risky’: risk aversion is a significant barrier to women investing in some forms of protection: raise awareness of the risks around inaction.

Reframe risk – inform high-performers: presenting high performing women with information about the strength of their performance has been found to increase their willingness to participate in competitive environments.

Innovate and develop new products: Reflect women’s life courses, structure saving around goals, create products that enable women to co-operate, not compete, and promote simplicity in product design.

Society, government and employers – including the financial industry - must continue to strive to tackle the economic inequalities, like the gender pay gap, that women face. But by building on the ideas presented in this report, financial service providers can begin to tackle the gender financial security gap, tap into an expanding market, and ensure a future where women are more financially secure and independent.
BACKGROUND

The scope of the report

Women face economic disadvantage in our society, and there has rightly been a focus on closing the gender pay gap. But we also see a gender gap in economic security. This gap is related to unequal work and reward from work but also has other causes. There is evidence that even higher income women do not benefit to the same extent as higher income men from savings, investments, insurance and pensions.¹

Fawcett believes that it is vital that we tackle both pay and protection – otherwise, even as we strive to close the gender pay gap, we could leave another source of inequality unaddressed. We want to enable all women to be financially independent, and for some women being protected against economic shocks and eventualities through investing in financial products is part of that.

In 2016, Fawcett published Closing the Pension Gap: Understanding Women’s Attitudes to Pension Saving, which used interviews and focus groups with 40 women aged 25–39 to understand the decisions they make about whether or not to contribute to pensions, and identified proposals to address the pensions gap.² Now, this report seeks to build on that work and expand our understanding of women’s economic security by looking at how gender impacts on a wider group of financial products as well as further exploring pensions.

We find that women are underinvesting in pensions and investment products, and under-insuring themselves, relative to men in the UK. This matters for gender equality. Women face different risks across their lives, and as the evidence in this report shows, often our unequal society leaves them with fewer financial resources with which to ease those risks. When a combination of factors leads to women being under-prepared for later life, the inequalities they experience during working life are perpetuated and exacerbated.

This is a social justice issue for women – but it matters to our economy too. The incomes of women are unequal, but they are increasing – as is women’s control over finances. To the extent that women’s under-investment is because of barriers created by differences in financial literacy, or male-focussed product design, or advertising that doesn’t speak to women, differences in investment mean that providers are missing out on a significant customer market.

This report looks at products in three areas:

- Pensions, including overall pension savings but particularly investment in private pensions;
- Insurance, in particular life insurance and critical illness cover;
- And the related areas of savings, investment products and wealth management.

The risks women face

Women face a number of risks over the course of their lives that differ from those faced by men, and which investment in financial products can, for some women, help to mitigate. At the same time, some of these risks mean that women have fewer financial resources to invest in the first place than men.

Some risks are biological – for instance, women live longer than men. They do not, however, remain healthy for much longer – so while the average woman lives to 83 and the average man lives to 79, her healthy life expectancy is 64 compared with 63 for him.³

In addition to this picture, research finds that older women have higher care needs than older men of the same age, and those care needs are more likely to be unmet. They are more likely to suffer from dementia and rheumatoid arthritis.⁴ These care needs are more expensive – at age 65, an average woman can expect to pay a total of £132,000 for her care, compared with £82,000 for a man.⁵

² Liam Foster et. al. (2016), Closing the Pension Gap: Understanding Women’s Attitudes to Pension Saving, Fawcett Society
⁵ Chartered Insurance Institute (2016), Risk, exposure and resilience to risk in Britain today: Women’s Risks in Life - an interim report
Women are 4 times more likely than men to leave their job as a result of being “sandwich carers” (looking after both children and adults).

Women are responsible for 74% of time spent on childcare.

“Income held by women is more likely to be spent on the family.”

At age 65 an average woman can expect to pay a total of £132,000 for her care compared with £82,000 for a man.
Some of those risks are the result of socially-constructed gender stereotypes that pervade our society. Women are much more likely to have significant caring responsibilities than men. They are responsible for 74% of the time spent on childcare, and Fawcett’s research shows that the majority of tasks associated with caring for children are still undertaken by women. They are far more likely than men to be so-called ‘sandwich carers’ – that is, looking after both children and adults – and are four times more likely than men who are in this position to leave their job as a result. These dual caring roles often occur in later working life – where the pay gap is widest, and women most need to be thinking about their finances in retirement. The impact of these constructed roles leaves women less able to progress at work or invest in financial security.

Fawcett research shows how motherhood impacts on investment decisions. First-time mothers and fathers-to-be were found to be equally likely to be saving. Whilst one year on from the birth of a first child, both new mothers and new fathers are less likely to save, the drop is much more dramatic for women, falling from 46% to 34% for new mothers compared to a drop from 45% to 42% of new fathers – and while fathers’ saving rates recover after a decade, mothers ‘do not.’

Relationship breakdown has also been identified as a greater risk to women in terms of financial wellbeing than it is to men. Following a divorce women have been found to have a 10% long-term dip in income, while divorced men’s available income increases. Fewer divorced women than divorced men, or women overall, feel they are saving well for retirement, or that they will be able to save more in the future.

The UK-wide epidemic of violence against women and girls - 1.3 million women experienced domestic abuse in the year ending March 2016 - impacts and interacts with women’s financial security. Coercive control, including financial control, often accompanies domestic abuse – research by Refuge finds that one in five British adults have experienced financial abuse in a relationship, with women disproportionately affected.

The gender pay gap

One of the principal drivers of economic gender inequality overall, which is key to understanding women’s financial protection, is the fact that in the UK labour market women earn less and are less likely to be employed. Looking at full-time employees, in 2016 the mean gender pay gap was 13.9%. But this headline figure hides the real complexity of the gap. When we include part-time workers (who are lower paid, and of whom women are the large majority), the pay gap increases to 17.3%. The gender pay gap varies with age, with older women experiencing a much larger gap, although this difference has narrowed over time. Black and ethnic minority women experience pay gaps in different ways. Black African women, for example, experience a full-time pay gap of 19.6% with White British men while Chinese women have a reversed -5.6% pay gap, but earn much less than Chinese men.

What causes the gap?

The gender pay gap is caused by multiple factors. The average gap widens significantly after motherhood, primarily due to women missing out on career progression and having time out of the labour market, and this doesn’t seem to have changed amongst the millennial generation. It is exacerbated by a combination of processes and cultures...
FOLLOWING A DIVORCE
WOMEN HAVE A
10%
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AGAINST WOMEN

that mean men are over-represented in more senior roles, with the Chartered Management Institute finding that men make up 58% of senior managers and 68% of directors; and by women being badly under-represented in the best-paid roles at the top – women were just 9.7% of FTSE100 executive directors in 2016.

It is also driven by occupational segregation. Female dominated sectors in our labour market tend to be the lowest paid: the proportion of the women working in core STEM occupations (which tend to be higher paid) was 21% in 2016, while the adult social care workforce (which tends to be low-paid) is 82% female.

Outright discrimination continues to play a part in the gap: women are more likely to be offered a lower starting salary compared to male applicants, and the EHRC estimates that 54,000 mothers a year are forced to leave their jobs through pregnancy discrimination by employers. Fawcett research identifies that amongst people who make recruitment decisions in businesses, those who oppose equality of opportunity for the sexes are over-represented (16% compared to 7% in the overall population) – this small minority of ‘barrier bosses’ may be key to tackling the impact of discrimination.

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20 WISE, (2016), ‘Women in the Stem Workforce 2016’, online resource
21 Juanita Elias et. al., (2016), Ibid.
22 Corrine Moss-Racusin et. al., (2012), ‘Science faculty’s subtle gender biases favour male students’, Proceedings of the National Academy of Sciences, 109(41)
Women have different employment experiences

On top of the pay gap in standard employment, women are less likely than men to be earning – they are 10 percentage points less likely to be economically active, and within that 9.4 percentage points less likely to be employed. There are over 1.2 million women who are economically inactive, but say that they want a job. Self-employed women – who make up over half of the 1 million person increase in self-employed people since 2008 – are paid much less than self-employed men: the self-employment pay gap stood at a substantial 34% in 2013.

This data demonstrates the unequal labour market outcomes for women overall, or for certain groups, which is key to understanding their investment in financial products. But 16% of women live in poverty, slightly more than the proportion of men, and women make up 62% of those paid below the Real Living Wage. For many of these women, the choice to save is scarcely viable at all – this is reflected in the fact that 24% of households have no private pension savings at all.

But greater costs and time pressures

While women earn less than men, they also have higher outgoings and less spare time. As well as the gap in care, women do over twice as much housework as men on average. As a result, research finds that despite women doing fewer hours of paid work, they still on average spend more time doing a combination of paid and unpaid work overall than men. Fawcett’s qualitative research suggests that some women spend more out of their own pockets on costs which can be viewed as gendered, such as childcare.

Fawcett’s research also finds that ‘sexist pricing’ means basic toiletry and clothing items that are targeted at women cost more, even when they are substantially the same as those targeted at men, and government statistics show that household spending on women’s clothes and footwear is 65% higher than men’s. Overall women earn less than men for their paid work, work more than men overall, and pay more for basic goods. They are time-poor (an important insight when designing services that meet women’s needs), as well as having fewer financial resources.

Things are changing, and women represent an expanding market

But at the same time as these inequalities persist and continue to require action to address, more wealth is owned by women now than ever before, and that increase is continuing. The gender pay gap has narrowed in the last two decades, falling from 20.7% in 2007 to 13.9% now. A quarter of women working full time earn over £35,000 per year, suggesting that an increasing number of women have income at the kind of level that could enable them to save, invest, or insure against future risks.

26 ONS, Annual Population Survey, % economically inactive females who want a job, April 2016-March 2017 (data extracted from www.nomisweb.co.uk)
27 Anjum Klair, (2016), ‘Self-employment – who are the new army of workers?’ TUC Touchstone Blog
29 Fran Bennett and Mary Daly, (2014), Poverty through a Gender Lens: Evidence and Policy Review on Gender and Poverty, Department of Social Policy and Intervention, University of Oxford
30 Kayte Lawton and Matthew Pennycook, (2013), Beyond the Bottom Line: The challenges and opportunities of a living wage, IPPR and Resolution Foundation
31 ONS, (2015), Wealth in Britain Wave 4: 2012 to 2014
33 Deborah Lader, Sandra Short, and Jonathan Gershuny, (2005), The Time Use Survey, 2005: How we spend our time, Office for National Statistics
34 Liam Foster et. al., (2016), Ibid
35 Fawcett Society, (2016), Sexist Pricing in Supermarkets: Policy Briefing
36 ONS, (2017), Living Costs and Food Survey: Components of household expenditure, UK: Table A1
37 Mean full-time earnings, gross hourly pay excluding overtime. ONS (2016), ASHE 1997 to 2016 Selected Estimates
38 ONS, (2016), Annual Survey of Hours and Earnings, Table 1: All Employees
Survey data finds that women are increasingly taking household financial decisions, with 2020 cited as the 'tipping point' when women will make the majority of financial decisions in the home. This matters in terms of business decisions, because a fairly similar proportion of men and women live in households with over £50,000 of financial wealth (22% of men compared with 20% of women). At the extreme end of the spectrum, it has been estimated that by that date 53% of wealth millionaires in the UK will be female.

Closing the gender pay gap in our economy is vital, but while Fawcett calls on policymakers and business to achieve that aim, we believe this will not be sufficient to close the gaps in financial security – which are wide. As data in the second part of this report shows, there is a 30% gap in the amount that women hold in pensions they are currently building up compared with men; a 32% gender gap in the insurance wealth held in high value estates; and women are up to half as likely to invest in capital markets as men. These examples show that the gender financial security gap is real, and that financial service providers can support women’s financial inclusion by helping to close it.

This report seeks to improve our understanding of the evidence about the possible further causes of these gaps, and to stimulate ideas about new solutions.

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40 ONS, (2015), Wealth in Great Britain, 2012 to 2014
41 Barclays Wealth, (2007), Volume 2: A Question of Gender, citing CEBR research
DO WOMEN INVEST AND INSURE ENOUGH?

Pensions

Accumulating pension savings early in working life is the surest way to protect against poverty in retirement, which women are at a higher risk of.\(^42\) This is especially true in an environment where public policy has moved responsibility for pension provision away from the state and towards the individual, often in a way that disadvantages women.\(^43\) While we welcome the implementation of auto-enrolment, which has significantly increased the number of women with pension savings, the £10,000 earnings threshold means that many women on low wages or part-time work are still excluded.\(^44\) This section looks at the degree and nature of the gap in pension savings between women and men.

The take-up gap

There are two types of gender gap in the UK pensions market. The first is the gap between the proportion of working age women and men who have a pension of any sort. This is fairly narrow, but still significant. Women are slightly less likely to be contributing to a private pension\(^45\) in the UK – 45% of all working age men and 41% of women contribute at all.\(^46\) Other surveys measuring the gap find it to be wider, at 10 percentage points.\(^47\)

There is practically no participation gap amongst employees, and women are very slightly more likely to participate in employer-sponsored pensions – this picture has been fairly consistent since before the introduction of auto-enrolment in 2011/12.\(^48\) There is however a wide gap in personal pension participation. Only a small proportion of individuals overall – just 5% of working age adults – participate in a personal pension. But women, at 3%, are less than half as likely as men at 7% to have one.

Self-employed women are severely under-investing in pensions – although we know they are comparatively low-paid on average. Just 13% of self-employed working age women have pensions, compared with 19% of self-employed men.\(^49\)

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\(^{42}\) Liam Foster et. al., (2016), Ibid.
\(^{44}\) Pensions Policy Institute, (2015), Who is ineligible for automatic enrolment?, PPI Briefing Note Number 75
\(^{45}\) i.e. not a state pension. This encompasses DB, DC, and personal pensions.
\(^{46}\) Department for Work and Pensions, (2017), Family Resources Survey 2015/16
\(^{48}\) Department for Work and Pensions, (2013), Family Resources Survey 2011/12
\(^{49}\) Department for Work and Pensions (2017), Family Resources Survey 2015/16
Women are only slightly less likely to be contributing to a private pension than men, although they are half as likely to pay in to a personal pension.

There are large gaps in what women save, holding only 70% of the value that men have in pensions they are currently paying into.
The contributions gap

When it comes to the amount that men and women actually contribute to their pensions, however, the gap significantly widens.

Scottish Widows research finds that pension adequacy, as measured by the proportion of people saving either 12% of their income each year or relying on a defined benefit scheme, is lower for women than men. 52% of women compared with 60% for men are paying in enough to give them a good chance of adequate funds in retirement.\(^5^5\) This gap, however, does not take into account the greater likelihood of women having gaps in their employment – and it ‘builds in’ the gender pay gap. While both women and men are saving adequately in greater numbers than ten years ago, the gap between them has not closed at all.

Women in the UK recognise that this gap exists, and are less confident about their retirement incomes than men. National survey data shows that 49% of women are confident they’ll have the hoped for standard of living compared to 60% of men.\(^5^1\)

These gaps in participation and contribution lead to a major gap in the total pension assets that women have. Looking at people currently receiving a pension, there is a gender pension savings gap of 54%,\(^5^6\) with men holding a median £162,400 compared with just £73,900 for women. This gender pensions gap is partly as a result of women’s historic under-representation in the labour market and an even greater pay gap in the past. That gap in pension assets leads to older women getting less of an income in old age than men - EU data shows a 40% gap in pensions income between men and women in the UK.\(^5^3\)

Pensions currently in accumulation give us a better idea of current trends. Looking at all private pensions,\(^5^4\) the gap is 30%, with women holding a median £28,000 in their pensions compared with £40,000 held by men. This gap is less than the gender gap within any of the main pension types (see figure 1), because more women hold occupational defined benefit pensions, which are usually higher value (although women’s defined benefit pensions are still worth less on average than men’s). The gap in pension membership and wealth is broadly comparable among younger men and women – but it opens up from middle age onwards.

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\(^{50}\) Scottish Widows (2016), Ibid

\(^{51}\) ONS (2017), Early indicator estimates from the Wealth and Assets Survey: Attitudes towards saving for retirement, credit commitments, and debt burden, July 2016 to December 2016

\(^{52}\) ONS (2015), Wealth in Britain Wave 4: 2012 to 2014

\(^{53}\) Ilze Burdevica et. al., (2015), Gender gap in pensions in the EU. Research note to the Latvian Presidency, European Institute for Gender Equality

\(^{54}\) i.e. occupational defined benefit, occupational defined contribution, and personal pensions.
Insurance

Insurance products are diverse. For this report we have focussed on those which insure against some of the biggest life risks – death, critical illness, or significant loss of income. The degree to which insurance against these risks matters for gender equality varies. More women having life insurance will, often, not mean more women benefitting from life insurance payouts – but when more women are breadwinners than ever before (including in single parent households), and we know women often prioritise spending that benefits their families,\textsuperscript{55} being under-insured may not meet women’s underlying preferences.

There are some risks that women face for which the financial services market does not offer products. A clear example of this is pre-funded insurance against social care costs, which as shown above are higher for women. The Government-commissioned Dilnot report on funding for adult social care hoped that provision of insurance products in this area would be stimulated by the implementation of its care costs capping proposals,\textsuperscript{56} but those proposals have not yet been adopted.

As benefit cuts and reductions in service provision reduce the extent to which the state offers a decent standard of living to those with ill-health or who are unemployed, the degree to which women are insured against these risks becomes more relevant to their financial security.

The take-up gap

There is a need for the industry to collect and publish more data on the take-up of insurance products by gender, especially given the diversity of product offerings. For this reason, we have focussed on areas where some data is available – life and critical illness cover, and the total value of insurance wealth transferred at death – to give an impression of the gender gap in those areas. But the evidence we do have suggests a similar picture to pensions – a smaller gap in the number of people insured, but a wider gap in the amount of cover that women and men purchased.

Recent research by Scottish Widows finds that in 2017, the level of take-up of life insurance amongst women trails men, with 31% of women insured compared with 36% of men. Critical illness cover has a smaller gap of 1% point, but only 7% of women have this cover at all.\textsuperscript{57}

This gap is narrower than that found in some other survey research – the Association of British Insurers find a 7 percentage point gap in the rate of life insurance cover, with just 38% of women insured. They find that the industry of work has an impact on life insurance rates – people working in manufacturing and construction (which has higher numbers of male employees) have higher rates than those working in health and education (predominantly female sectors). This suggests that perceptions of risk based on job type may be key to driving insurance take-up by gender.\textsuperscript{58}

\textsuperscript{55} Liam Foster et. al., (2016), Ibid
\textsuperscript{56} Commission on Funding of Care and Support, (2011), Fairer Care Funding: The report of the commission on funding of care and support
\textsuperscript{57} Scottish Widows, (2017), forthcoming
\textsuperscript{58} ABI/Money Supermarket survey data, reported at http://www.thisismoney.co.uk/money/news/article-3387027/One-four-UK-breadwinners-not-life-insurance-buy-life-cover.html
The coverage gap

There appears to be a gap in the rate of women holding these key insurance products – but the data we have suggests that the amount of insurance purchased has an even larger gap. The ONS’ Personal Wealth Statistics, which look at the content of higher-value estates when they are transferred upon death and grosses those figures up to the whole population, finds that a similar number of men and women who die with larger amounts of wealth hold some of that wealth in insurance policies (2.4 million men and women).

However, the amount of wealth held in the policies held by men is vastly more - £203m compared with £138m for women, or a 32% gap between genders. While this only represents the investment made by a wealthier cohort of people in the UK, it indicates that amongst this group there is a considerable gender gap.

Available data for insurance is less comprehensive. However, it indicates a similar pattern with women being slightly less likely to purchase insurance, but purchasing much lower levels of protection than men.

There is a 32% gap in the insurance wealth held by women and men with high-value estates on death.
Savings, Investment and Wealth Management

Do women save?

Women are not less likely than men to have a savings account, or an ISA – this aligns with data showing that they are no less intent on balancing household finances or saving for the future.\(^6\) Some evidence also suggests that women are more consistent savers, being less likely to dip into retirement savings in tough times.\(^6\)

However, survey data shows that there is a moderate but persistent gap between women and men in terms of stocks and shares ownership - 12% of men and 10% of women own stocks and shares, with wider gaps amongst older groups (19% for men compared with 14% amongst 55-59 year olds, and 22% for men compared with 18% amongst 65-74 year olds).\(^6\)

HMRC data which breaks down the evenly distributed ISA ownership shows that women are also less likely to hold a stocks and shares ISA than men – 1.06 million men in the UK compared with 872,000 women hold these products.\(^6\) This is a problem for gender equality – it is an accepted fact that equities outperform cash savings,\(^6\) and this is borne out by the higher value of men’s ISA holdings overall, which have 12% higher market values than women’s. This gap in value is persistent over different age groups.

Widening the analysis beyond ISAs, other survey data finds even wider gaps in investment. The OECD finds that men have a 10 percentage point higher likelihood of holding an investment product than women in the UK – a finding which is true across the EU.\(^6\) Other survey data suggests that while UK women are slightly more likely to hold a savings account, men are more than twice as likely to hold stocks and shares (23% compared with 11%).\(^6\) A similarly wide participation gap in capital markets was found in YouGov survey data, identifying that 17% of women have ever invested in this way compared with 31% of men.\(^6\)

Wealth management

For wealthy women, though they are a minority of women as a whole, wealth management services represent a route to greater financial resilience through expert advice enabling more productive investments – in addition, there is a gender equality argument for more women holding greater wealth, and insights from this more rarefied world may have lessons for other areas of finance.

Data from the Centre for Talent Innovation shows that amongst wealthy women in four countries including the UK,\(^6\) 53% do not have financial advisors, and 73% of UK women who do have an advisor feel misunderstood by them.\(^6\) Within a US context, EY find that women investors are more likely to consider switching to a different wealth manager.\(^6\) While hard data on the investment gap is difficult to come by, the evidence suggests that women are being under-served by wealth management services.

\(^{60}\) OECD Financial Literacy and Education/Russia Trust Fund, (2013), Ibid.
\(^{63}\) HMRC, (2017), Number of individuals subscribing to an Individual Savings Account (ISA) by age and gender, 2014-2015, National Statistics publication
\(^{64}\) Barclay's Bank, (2014), Barclay's Equity Gilt Study
\(^{65}\) OECD, (2013), Ibid
\(^{68}\) Those with an equivalent to $100,000 in annual income or $500,000 in investable assets
\(^{69}\) Sylvia Ann Hewlett, Andrea Turner Moffitt, and Melinda Marshall, (2014), Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth, Centre for Talent Innovation
\(^{70}\) EY, (2017), Women and wealth: The case for a customized approach
Women are as likely to save as men but they save less, and in ways that may mean they are not maximising their wealth.

There is a gender gap and a confidence gap in financial literacy in the UK.

50% women are less likely to say they understand stocks & shares compared with men 75%.

60% for women compared to 75% for men.
WHAT ARE THE REASONS FOR THE FINANCIAL DECISIONS WOMEN MAKE?

As outlined above, the different economic risks that women face as a result of gender stereotypes in society, and how society responds to biological differences, mean that overall women have fewer resources to invest. But research also shows that even when men and women of similar incomes are compared a gap in savings (and debt) levels remains. We explore some of the reasons below.

**Different spending priorities**

Fawcett qualitative research finds that for many women, their own financial security needs “end up bottom of the pile”, below costs associated with children or taking time out of work to care.\(^{71}\) This reflects evidence that income held by women is more likely to be spent on the family than income held by men.\(^{72}\)

**Financial Literacy, Capability, and Confidence**

There is clear evidence of a gender gap in financial literacy in the UK. OECD data finds a wide gap, with 40% of women compared with 67% of men having high scores on knowledge of 8 key financial concepts.\(^{73}\) This gender gap was consistent when controlled for in regression analysis, and younger women, unemployed women, and lower-income women are likely to have lower financial literacy.

While that data does not find a link between literacy and self-reported positive financial behaviours, other OECD research finds a consistent positive link between financial literacy and actual financial behaviour and financial status.\(^{74}\)

This gap in financial literacy persists across other surveys. Women are less likely to say that they understand stocks and shares (50% compared with 75% of men), or pensions (six in ten compared with three quarters of men).\(^{75}\) It is evidenced as large and persistent in the US and other nations too, across both basic and sophisticated questions, and research suggests that it is not solely down to relationship status, education, or interest in financial matters.\(^{76}\)

Other researchers prefer to look at financial capability, a different approach that is based on statistical analysis of survey answers to create four separate ‘domains’ of capability in financial issues: ‘managing money’, ‘planning ahead’, ‘choosing products’, and ‘staying informed’. The Financial Services Authority found that gender differences were in the domains of ‘staying informed’ and ‘choosing products’ – which are focussed on interaction with the financial services sector - but not in ‘managing money’ or ‘planning ahead’.\(^{77}\) The domains where they find a gap in financial capability suggest that this difference is about approaches and beliefs about the finance world that are rooted in gender stereotypes, not about women being ‘bad with money’ in relation to forward planning or household financial management.

Connected to this is the lower levels of confidence in financial decision-making reported by women. Women are more likely to answer ‘don’t know’ than men to financial literacy questions.\(^{78}\) Women are more likely to think that they are less knowledgeable than other people when it comes to investing their money,\(^{79}\) and more likely to say

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\(^{71}\) Liam Foster et. al., (2016), Ibid.


\(^{74}\) OECD Financial Literacy and Education/Russia Trust Fund, (2013), Ibid.

\(^{75}\) Ratesetter, (2016), Press release ‘The investment glass ceiling? Less than half of women own an investment product’


\(^{77}\) Adele Atkinson et. al., (2006), *Levels of Financial Capability in the UK: Results of a baseline survey*, Financial Services Authority

\(^{78}\) OECD, (2013), Ibid, the gap is greater than the usual ‘don’t know’ gap in survey data

\(^{79}\) BritainThinks, (2016), *Playing it Safe: Women and Investing*, key takeaways presentation
that investment complexity puts them off. Younger women report much lower confidence in making financial decisions (24% of 18-24 year old women say they are confident in this, compared with 41% of young men). Fawcett’s research finds that this lack of confidence combined with lower financial literacy can result in women feeling stressed and ‘shutting down’ to decisions around pension savings. Interviewees said that this effect not only affected their ability to make informed decisions, but also impeded their sense of ownership of those decisions. The fact that both literacy and confidence vary internationally demonstrates that these are in no way fixed characteristics, however.

Women are more likely to say security is key to their investment.

“They’re also less likely to say growth, returns or profit are key motivators.”

Women are less likely than men to consult independent professional information or advice, or compare products.

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81 Tina Harrison, Caroline Marchant, and Jake Ansell, (2016), Young Adults’ Financial Capability, University of Edinburgh/Money Advice Service
82 Liam Foster et. al., (2016), Ibid
Risk Aversion and Goals

Hundreds of studies, including reviews of the literature and large-scale surveys, find that women are more risk-averse than men across a range of different areas, in lab settings and in the field. These usually characterise risk on the basis of whether individuals are willing to make a choice that could result in greater losses for the prospect of larger gains, or both. Meta-analysis suggests that a key part of this is due to male overconfidence in uncertain situations (women are overconfident too, but less so), and the international variations in risk aversion suggest that the gender difference is a result of social conditioning, not a biological fact.

This aversion to risk does not necessarily mean that women are less effective investors. Numerous studies looking at women who do invest in the stock market find that they have a significant edge over men – research looking at the New York Stock Exchange from 1991-1997 found a gap of 1 percentage point per annum on investments in women’s favour; one looking at Finnish investors found women had a significant advantage; and industry data from DIY investment platforms found that women outperform men slightly by 0.2 percentage points. In the first and last of these cases the improved performance was attributed to lower overconfidence – women trade less frequently and hold stocks for longer (as they are less likely to assume they can second guess the market).

But outside the world of active investing, the data on women’s underinvestment in capital markets and in equities, as opposed to cash, suggests that risk aversion can have a negative impact if it results in women putting their money into less productive investments. BritainThinks’ survey data suggests that women’s motivations behind investment are indeed less geared towards risk. They find that women are more likely to say that security is key to their investment decisions (62% compared with 55% of men), and less likely to cite growth, returns, or profit as their key motivators – which, qualitatively, they say they view as risky, and short-termist.

This suggests that an approach focussed on highlighting personal goals, rather than sheer financial increases, may bear fruit in terms of encouraging women to invest. This is backed up by data on high-income US women from EY, which finds that achieving personal goals is the leading objective when investing for 40% of women, compared with 31% of men.

The evidence that women are more averse to competition and to risk across different domains also finds that aversion fades when what is termed ‘stereotype threat’ is reduced. Stereotype threat is the idea that reminding a person of pre-existing stereotypes about a person’s characteristics, in this case their gender, even when it is subtle, can provoke them to behave stereotypically. This suggests a theoretical basis for the possibility that women using female financial advisors may be less inclined to behave in a risk-averse way.

87 Openfolio data, reported at http://money.cnn.com/2017/03/08/investing/women-better-investors-than-men/index.html
88 BritainThinks, (2016), ibid
89 EY, (2017), ibid
Market Structures and Issues

As Fawcett’s research states, ‘The obvious response to the challenge of low knowledge and confidence is to look to available advice and guidance’. But survey data suggests women are less likely to do so, with men more likely to consult independent professional information or advice, and more likely to compare products. Fawcett’s qualitative research, along with that conducted by others, confirms that many women view the financial services world as inaccessible and full of patronising jargon. In other studies, young women are more likely to discuss household finances with family and friends, suggesting that the gender gap is in engagement with financial services, not in the act of seeking information.

Experimental evidence from the US and elsewhere suggests that when women do seek independent financial advice, they may not get the service they seek. US academics conducted a field test, sending 284 auditors into interviews with financial advisers. They found that the advisers, assuming women are risk-averse, were less likely to recommend higher-risk actively managed funds (rather than index funds) to women clients – reinforcing rather than challenging the gender gap in risk appetite. In addition, women were more likely to experience a poor client relationship, in that advisers were 40% more likely to be unwilling to part with specific advice without the potential client having transferred over their funds, when the client was a woman.

This finding is backed up by evidence showing that as a result of overconfidence male Swedish financial advisers systematically rate their customers’ trust and satisfaction in them higher, and that US financial advisers view female investors, relative to men, as having less control over their investments. There is evidence of gender bias in behaviour towards women as customers, in these studies towards the higher end of the market.

Looking at the degree to which women therefore engage with the financial services market, data on gender and switching between providers is mixed. The Direct Marketing Association finds that 50% of women compared with 37% of men have never switched from their current bank provider; but the EY data cited above shows that women say they are more willing to switch wealth managers. There appear to be differences by income range, and product type.

More research is needed on how other aspects of the industry impact on the gender financial security gap. The structure of financial products themselves may not be meeting the risks that women face, as suggested by the lack of progress on insurance for social care costs, but more needs to be done to understand the degree to which this is the case across the industry. The gradual shift amongst insurers offering critical illness cover to provide partial payments for women with an early-stage breast cancer diagnosis is an example of a change in the product offering to better cover risks women face.

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90 Liam Foster et. al., (2016), Ibid.
91 OECD Financial Literacy and Education/Russia Trust Fund, (2013), Ibid.
92 Britain Thinks, (2016), Ibid.
93 Tina Harrison, Caroline Marchant, and Jake Ansell, (2016), Ibid.
96 Direct Marketing Association (2016), Talking the Consumer’s Language: Financial Services
HOW IS THE INDUSTRY APPROACHING THE GENDER GAP?

Workforce diversity has been the focus of the finance industry’s efforts on gender over the last decade, and it remains a major issue. While more women than men start out their careers in financial services, just 23% of board representatives and 14% of executive committee members are women.\(^{98}\) The Women in Finance Charter led by the Treasury now has 141 firms signed up to concrete requirements on setting targets and being transparent about progress. Individual providers have outlined their own ambitions in this area, such as Lloyds Banking Group’s target of women filling 40% of senior manager roles by 2020.\(^{99}\)

The gender diversity of senior roles in the financial services industry, as well as being important in its own right, is key in closing the gender financial security gap. Getting more women into those roles can help challenge the perception that finance is a man’s world, and enables the sector to better understand its consumers. When it comes to responding to women’s needs and concerns, an industry with low levels of representation will necessarily have to run to keep up.

Perhaps recognising this, financial services providers have taken a number of different approaches to engaging women. In this section we present a few examples under four broad categories. This is not a comprehensive assessment of the industry, but gives a flavour of the approaches employed. We have not found any such approaches whose effectiveness has been publicly evaluated, and Fawcett has not analysed their effectiveness – they are presented here as examples of what financial service providers report publicly that they are doing.

Wholesale system change – ‘UBS Unique’\(^{100}\)

Drawing on research which finds that only 2% of wealth managers see women as an audience with specific requirements, yet wealth controlled by women is expected to grow by 7% per annum worldwide, UBS state that they have begun a 5-year programme to transform their wealth management business in order to understand women clients and respond to their needs.

This is branded as a wholesale change programme, encompassing:

- adapting existing products and services so they work for women;
- refocussing their dialogue with clients to focus on more holistic life goals;
- enabling women to choose their advisors;
- simplifying the language that they use;
- retraining workforce and hiring more women;
- improving representation by banning all-male panels and changing stock images around women.

Drawing on evidence that women prefer to invest in ethical causes, they have also begun a programme focussing on ‘Gender Lens Wealth’, which aims to leverage private wealth to support the achievement of the UN’s Sustainable Development Goal 5, ‘Achieve gender equality and empower all women and girls’.

Many of these elements, including the change of the focus of wealth products to goals, enabling choice and simplicity, and focussing on role models, are in line with the research evidence. Lessons from this approach, if applied beyond the wealthier clients UBS work with, could have a positive impact on gender equality.

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\(^{98}\) HM Treasury/Virgin Money, (2016), Empowering Productivity: Harnessing the Talents of Women in Financial Services


\(^{100}\) https://foresight.ubs.com/unique/home/
Role modelling – NatWest’s ‘Women in Business’

NatWest’s focus is on supporting women entrepreneurs, including appointing Women in Business Specialists to support women entrepreneurs to access finance and other routes of support, and publishing research on female entrepreneurship. It also sponsors the NatWest Women in Business Awards, and this along with the focus on promoting relatable case studies of women investors suggest that they are focussing on the evidence around the impact that role modelling can have on women’s decision-making.

This approach acknowledges the different experiences that businesswomen may have in accessing finance and support, and the power of role-modelling, but does not appear at this stage to extend to consumer finance.

Targeted information and search

There are a number of organisations which have been established with the aim of improving women’s financial health through targeted information sharing (not financial advice). Most focus on foregrounding images of women, and case studies that are aimed at being more relatable to women.

www.moxiwealth.com provides educational content and a toolkit to help make investment decisions simpler and more accessible. It clearly draws on insight around women being goal-driven when they invest, and aims to de-mystify risk. The site uses an aesthetic that is clearly aimed at women, without ‘pinkifying’, and aims to be both conversational and authoritative.

www.savvywoman.co.uk provides information and signposting to further support. It focusses on issues that disproportionately affect women but within mainstream and comprehensive advice, and includes tools and jargon-busters. It also stages investment and pensions/retirement events.

www.boringmoney.co.uk does not state that it is aimed at women, but aims to provide information and Best Buy ratings for investment products accessibly and without using jargon.

www.polly.co.uk, unlike the examples above, is regulated by the FCA – it seeks to address mothers’ low take-up of life insurance by providing a simple route to obtain multiple quotes.

Targeted products – ‘Ellevest’

Ellevest was founded by Sallie Krawcheck, former CEO of Citi Private. It is a digital investment platform that provides exchange traded funds which are tailored to the diversity of women’s different salary projections. Ellevest is solely US-based at present.

In a design that is likely to draw on some of the research cited in this paper, the company’s approach doesn’t calibrate women’s approach to risk based on asking their stated appetites (or assuming them), but focusses rather on asking their goals and proposing a risk and diversification profile to meet them. On top of this, they provide simple tools for payment and continuous updates on progress – which further reflects the findings of research into women’s decision making.

HOW ELSE CAN WE ENCOURAGE WOMEN TO INVEST?

It is clear that women are under-protected in terms of pensions, insurance, and savings and investment products in the current market, and that while the gender pay gap and our unequal labour market is partly to blame, it is not the whole story.

This report does not offer developed policy solutions to these challenges but in this final section we draw on evidence, primarily from the field of behavioural economics as it intersects with gender, to identify potentially fruitful areas which policy makers and finance industry could explore to better engage women.

Strive to understand female consumers

The research in this report highlights a number of areas where we are missing part of the picture of women’s investment in financial services, including but not limited to:

- the true scale of women’s under-insurance across the range of insurance products;
- a clearer picture of how much of the pensions gap results from decisions as opposed to the gap in financial resources;
- the degree to which finance advertising is gender-biased;
- a fuller understanding of how product diversity could address more of the risks women face.

Financial services providers need to do more to answer these questions and to continue to strive to understand their female consumers in all of their diversity.

Build women’s financial capability

The evidence outlined here suggests that British women do in fact have lower levels of financial capability than British men. However, absolute levels of financial capability and mathematical ability among women vary significantly across countries, as does the size of the gaps in performance between women and men; suggesting that the gap is not innate and can be addressed through social policy and cultural change. Fawcett advocates that government, employers, and society work to encourage more girls to pursue STEM subjects and to ensure maths is taught in ways that engage young women and builds their confidence. It should become the default that girls with good GCSE results in STEM continue to study them at A-level.

Change the perception of finance as an area of male expertise

Research shows that both women and men are less likely to contribute or feel confident of their knowledge in areas where the opposite gender is perceived to have expertise. Maths and long term financial planning are often presented as areas where men perform better.

In the first instance it is likely that, given women’s underrepresentation at the top of the pensions, insurance, and investment industries, improving their senior workforce’s diversity will begin to change perceptions of women’s financial capability and challenge the belief that men are naturally more capable in this domain.

Stepping up work to improve women’s representation in senior and high profile roles could begin to tackle the perceptions of who has expertise in this area, but also make product development and communication more effective at engaging women.

104 Liam Foster et al., (2016), Ibid
THINGS ARE CHANGING...

MORE WEALTH IS OWNED BY WOMEN NOW THAN EVER BEFORE, AND THAT INCREASE IS CONTINUING.

20% OF WOMEN CURRENTLY LIVE IN HOUSEHOLDS WITH OVER £50,000 OF FINANCIAL WEALTH.

“2020 is cited as the "tipping point" when women will make the majority of financial decisions in the home.”

25% OF WOMEN WORKING FULL TIME EARN OVER £35,000 PER YEAR.

“A pool of women who could be more able to save, invest, or insure against risks.”

BY 2020 53% OF WEALTH MILLIONAIRES IN THE UK WILL BE WOMEN.
Think about the power of stereotypes

Stereotypes, and the phenomenon of ‘stereotype threat’ outlined above, work more powerfully than we might expect. For example, an experiment conducted by Nalini Ambady and colleagues with Asian American girls sitting a maths test reveals how stereotypes can have real world impacts upon performance and behaviour. Where girls were primed with an image which triggered their identity as female they performed worse in the maths test. By contrast, performance was improved when they were primed with an image of an Asian child.\[130]\n
This phenomenon offers avenues for exploration for industry and policy makers. The first is to be wary of invoking gender identity for women customers where this could, unintentionally and unconsciously, increase their likelihood of conforming to the risk averse, low confidence stereotype. This may impact upon targeted approaches to women which could end up inadvertently making women less likely to engage. In the context of equality in the workplace Iris Bonhet of the Harvard Kennedy School suggests small changes such as moving tick boxes for gender to the end of job applications to avoid triggering unhelpful stereotypes.\[131]\n
A similar approach might be appropriate when designing paperwork or online material for investment products.

Secondly, it is possible that the creation and dissemination of new, highly visible role models could shift perceptions in this area by creating new, more positive stereotypes. Iris Bonhet has pointed to the power of positive role models in shifting expectations about areas of female strength and potential.\[132]\n
Interventions of these sort benefit women and girls themselves by encouraging them to think differently about their abilities but also change attitudes of men who are exposed to women in different roles.

Campaigns to encourage take up could deploy these insights in order to create a stronger sense that finance is a legitimate area of female expertise. Creating this perception would be likely to increase women’s willingness to engage.

Change the language used in advertising and promotional literature

Visibly presenting a financial product, through advertising and information materials, as geared towards women through counter-stereotypical role models may support women’s engagement. But even when products are ostensibly presented as gender neutral, the language used around them may in fact be putting women off. The evidence for this comes from the world of recruitment – there, otherwise identical job advertisements which contained stereotypically ‘masculine’ coded words have been shown to be less appealing to women.\[133]\n
This is supported by qualitative findings from BritainThinks that advertising for investment products fails to cut through to women when they paint investment as a man’s world by describing it as a game, or as traditionally corporate.\[134]\n
More research in this area could help to highlight whether this is an industry-wide issue in terms of the presentation of women in financial product advertising.

Some examples of ‘masculine’ and ‘feminine’ coded words, from the research into job advertisements, are listed below. These are of course stereotypes – obviously, we do not hold that men are more logical and women are more honest – but social conditioning means advertising reliant on masculine typed words may suggest to women that they do not ‘belong’ in the world it depicts.

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<thead>
<tr>
<th>STEREOTYPICALLY MASCULINE</th>
<th>STEREOTYPICALLY FEMININE</th>
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<td>Aggress(-ive, -ion)</td>
<td>Collab(-orate, -oration, -orative)</td>
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<td>Active</td>
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Reframe risk – ‘under-investing is risky’

It’s clear that risk aversion is a significant barrier to women investing in protection. In many instances this risk aversion may represent a rational and prudent reaction to their circumstance. In low income households without sufficient savings to manage relatively small financial shocks, accessible and secure savings are likely to be the right choice for many. However, for other women concern about risk is preventing them accessing products which could form an important part of their longer term economic security.

One response to this, in particular in response to women’s lower rates of investment in equities, may be to raise awareness of the risks around inaction. Fawcett qualitative research found that some women preferred to save rather than invest in a pension because they found seeing the savings accumulate satisfying, which motivated further saving. The gains are immediate and visible. However, for many this in fact represents both a loss compared to what could be achieved through investment in pensions or stocks and shares, and an increase in their exposure to risks in later life. This also ties in to the insight from behavioural economics about loss aversion, which tells us that people are more concerned to avoid losses than they are to make gains.

Encouraging women to focus on the missed opportunity of not investing as a risk or a loss may drive greater willingness to engage in these products.

Reframe risk – inform high-performers

Risk aversion may be related to lower levels of confidence amongst women in their ability to succeed in riskier environments. Although women may in fact have lower levels of financial capability it is likely they further underestimate their actual ability in areas where men are perceived to perform better and overestimate how well they have to do to succeed. Further research could explore whether this is the case when deciding whether they have the skills to engage in financial planning. Presenting high performing women with information about the strength of their performance has been found to increase their willingness to participate in competitive environments. There is potential for information that makes transparent relative performance to encourage women to participate. For instance, providers might indicate to women where decisions they have made about investments have outperformed averages. Alternatively, information about insurance, pensions and investment products might include opportunities for customers to check knowledge and understanding and compare their performance to the average. In a similar vein, information about the number of candidates applying for a job has been shown to increase the likelihood that women will apply. It may be that knowing many other people found the job desirable reassured women that applying was a good choice. Providers of financial protection products might consider making information about take-up more visible in this way, for instance highlighting how many people have recently purchased a scheme or the amount of money that most people invest.

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106 Iris Bonhet, (2016), ibid.
107 Iris Bonhet, (2016), ibid.
109 Britain Thirks, (2016), ibid.
110 Liam Foster et. al., (2016), ibid.
Innovate and develop new products

Finally, changing the structure of existing insurance, investment, and pension products could enable providers to engage women customers and support them to increase their protection against financial risks.

Reflect women’s life courses: As outlined above, women face different economic risks across their life courses than men, due to the gender pay gap and unequal caring responsibilities amongst other factors. Products which design-in responses to these risks, such as through over-adjustments to save more in higher earning periods, could help overcome the financial security gap.

Fawcett’s report Closing the Pension Gap recommends that the working partners of women taking time out to care for children are encouraged to contribute to her pension. This could help women whose ability to save is impacted by caring to continue to build long-term economic security in their own right and recognise the shared responsibilities for care within households.115

Structure saving around goals: the research in this paper suggests that women are driven more by personal goals, rather than simple financial outcomes, when investing and saving – so products which focus on the goals women are aiming to achieve are more likely to be effective.116 Academic research suggests that setting a small number of non-competing goals (or even a single goal), with achievable short-term steps on the way, is more likely to result in those goals being achieved.117

Co-operate, not compete: as well as risk aversion, psychological literature shows that women in the UK are likely to select themselves out of competitive environments and opt in to co-operative environments.118 To the extent that equities markets and other higher-risk investments are viewed as competitive, this may partly explain women’s lower investment in them. This effect could potentially be countered by creating savings products that allow groups of people to save co-operatively (within fair and transparent structures). This approach would also take advantage of the powerful impact of social norms on decision making.119

Simplicity: Behavioural economics research finds that decision-making processes that prioritise simplicity, and ‘rule of thumb’ heuristics, can be more effective in boosting financial literacy than those which present complex information.120 The evidence in this paper suggests that a combination of socially-driven lower financial literacy, and lower confidence in financial decision-making, has an impact on women’s financial decisions in the UK. The evidence presented above also demonstrates that due to unequal caring and domestic work pressures, women are also time-poor compared with men.

Combining these insights suggests that financial product marketing that provides a few tailored products, rather than multiple options, may help overcome the confidence and time barriers and lead to greater take-up amongst women.

The ideas outlined here are offered as starting points for further exploration, experimentation and research. In each case it will be important to ensure interventions are robustly evaluated so that efforts are focussed where they genuinely make a difference. Those seeking to challenge gender bias should be aware of the phenomenon of “moral licensing” where taking positive action can actually lead to people being more likely to take a negative action.121 So, undertaking some of these actions could leave some individuals within an organisation being more likely to reinforce inequality elsewhere. Watching out for unintended consequences and ensuring a holistic approach is taken will be important in genuinely tackling the issues raised in this report.

115 Liam Foster et. al., (2016), Ibid.
119 Daniel Kahneman, (2011), Ibid.
120 Alejandro Drexler, Greg Fischer, and Antoinette Schoar, (2014), ‘Keeping It Simple: Financial Literacy and Rules of Thumb’, American Economic Journal: Applied Economics 6(2); the findings of this study are amongst entrepreneurial microfinance recipients in the Dominican Republic
CONCLUSION

There is a strong moral case for encouraging the financial services industry to invest time and effort into better serving women. Women face risks over their life course which are distinct from those men face. When financial products are subconsciously designed with men in mind, they are unlikely to properly address these distinct risks.

The evidence we have gathered shows that women are under-invested in pensions and investment products, and under-insured, compared with men. That means that they are less likely to be protected against the risks life poses – and that gender financial security gap poses a risk to women’s financial independence, which sits on top of economic inequalities like the gender pay gap.

We believe that there is a strong business case for financial service providers to change how they do business in order to help close the gender financial security gap. Businesses can help tackle the 30% gap in pension savings between women and men, impact on women’s lower insurance coverage levels, and encourage more women to save in more productive investments, by changing both the products they offer and the way they talk about them. In doing so, both women and the industry stand to gain.