

# Women's financial assets and debts

**November 2007**, By Jenny Westaway and Stephen McKay



# Chapter 1

## Executive summary

### **The need for this report**

Fawcett launched a new project in March 2006 to plug gaps in understanding of the differences between women's and men's financial assets and debt. Although differences in women's and men's income were well-documented, until this project began, hard evidence on differences in assets and debt was much sparser.

This was of concern as it is now widely acknowledged that income alone is not a satisfactory measure of a person's financial wellbeing. Fawcett was concerned that amid increasing Government interest in levels of pension saving, non-pension saving and debt, women's different needs were being overlooked because too much discussion was based on household rather than individual financial positions. As there is a great deal of evidence that financial resources are not distributed equally within households and that women often receive a less than equal share, it is vital that any understanding of assets and debts has a gender perspective, looking at the different experiences of women and men over the lifecycle.

This report attempts to plug the research gap by providing new analyses of large scale datasets, giving an overview of women's and men's levels of savings and investments, pensions saving, and debt. We present evidence broken down by age, income and ethnicity. We also provide longitudinal data tracking how women's and men's financial behaviour differs after transitions such as relationship breakdown or becoming a parent over a number of years. By doing so, this report opens up new understanding of gender differences in savings, pensions and debt.

### **Shocks and scars**

By tracking women's and men's saving and debt patterns over a number of years through different life events a clear pattern emerged: women's saving and, to a lesser extent, debt levels were more affected by the shocks of transitions such as becoming a parent or relationship breakdown. Men's saving and debt levels tended to follow a much smoother trajectory even as they pass through the same transitions. Furthermore, the effects of life transitions were much longer-lasting for women; in other words, we identified scarring effects.

For instance, we tracked the saving behaviour of women and men before and after having a first child. Before a first child is born, mothers and fathers-to-be were almost equally likely to be saving; 46% of women and 45% of men were saving. One year on from the birth of a first child, both new mothers and new fathers become less likely to save. But the drop is much more dramatic for women, falling to 34% of new mothers compared to 42% of new fathers. Fathers' saving rates recovered fully and after ten years 46% of fathers are again saving. But a decade on, mothers saving rates had climbed back no further than 40%.

### **Preferences versus constraints**

This report contains some exploration of the reasons behind the differences in women's and men's different financial behaviour. The most obvious reason is, of course, women's lower and more

fluctuating incomes, caused by gendered patterns of paid and unpaid work. Our evidence indicates that if these gender inequalities did not exist, women and men would have much more similar patterns of saving and debt; when women and men are further broken down into income quintiles, we see smaller gaps in savings levels, although there are still relatively large gaps in debt levels.

Nonetheless, there is also qualitative evidence to show that women and men have different preferences which come into play in financial decision making. Of course, it is difficult to separate out the extent to which these preferences are a result of economic inequalities and gendered roles. We have included some of this evidence in this report in order to shed more light on our findings. It suggests that women and men have different spending and saving priorities, that some women within couples are relying on male partners to save for their long-term needs and that women are more risk-averse when it comes to financial decisions.

### **Women struggling to save and keep up with debt**

Our analyses identified some groups of women who were particularly struggling to save or keep up with debt commitments. We found that:

- Young women were saving almost as much as men, had lower levels of debt, but were more likely to be in arrears (behind with payments) on bills or credit repayments
- Mothers' saving rates drop by 11 percentage points in the first year after their first child, fathers' by four percentage points
- Lone mothers had particularly low levels of savings and were the household type most likely to have debt
- Divorced and separated women were much more likely to be in arrears on bills or credit repayments than their male counterparts
- Financial abuse as a form of domestic violence appears to be a major, but largely overlooked, problem, which leads to unmanageable levels of debt for some women and other financial problems
- Black and Mixed Race women are more likely to be in arrears on bills or credit repayments than White or Asian women.

These and other groups of women are examined in more detail in Chapter 4.

## Recommendations

The evidence in this report has a number of implications for several Government policy areas, in particular for its financial inclusion agenda. Our findings also suggest areas where the financial services industry and organisations such as charities delivering money advice might work better to serve the needs of women. Overall, the report points up the need for:

- More action to tackle deep-seated gender inequalities, such as the gender pay gap and the unequal sharing of unpaid caring work, of which the savings and debt gaps are mostly simply a symptom
- Savings policies that enable and encourage those on the lowest incomes to build up assets
- Greater access to affordable credit for those on low incomes so that unexpected costs, such as a washing machine breaking down, can be covered without resorting to expensive forms of credit that take a long time and great sacrifice to pay off
- Better access to financial capability information and money advice, tailored to women's needs, such as information targeted at new mothers
- A progressive element to the Government's private pension reform, acknowledging and rewarding the unpaid caring work that women do. This would mitigate the overall negative effect that increasing emphasis on the private individual's responsibility for pensions will have on gender equality in retirement
- Support for the many victims of domestic violence who have experienced financial abuse. For example, the extension of a scheme by which creditors waive debts which have been accrued as a direct result of domestic violence.

There is more detail on these proposals in Chapter 5.