MONEY

LABOUR PRODUCTIVITY PER HOUR FOR THE FOREIGN SECTOR

€517.40

DOMESTIC SECTOR JUST €65.30

ANNUAL EMPLOYMENT GROWTH IN SECOND QUARTER

2.3%

SMALLEST INCREASE SINCE FIRST QUARTER OF 2024

SOURCE: CSO

Up your game to beat the pension gender gap

Kieran O'Daly looks at how female workers can overcome hurdles, such as career breaks for motherhood, to plan for retirement

When the statistics tell you that women on average have to work eight years longer than men to secure the same pension income in retirement, you know there's a problem – not just for women but for society as a whole.

Lower income, whether through pension or otherwise, generally means limited life choices, greater dependence on the state and a higher risk of poverty in old age. According to the Irish Life 2024 gender pension parity report, women are retiring with savings 36 per cent below those of retired men.

That means for every €100,000 a man retires with, a woman will have just €64,000. Those numbers put Ireland near the bottom of the class when it comes to pension inequality in Europe. The problem is exacerbated given that women live an average of 3.9 years longer than men, so have to survive longer with less. For many this means delaying retirement, downsizing their home, or having to lean on family or friends for help in old age.

It is not all doom and gloom, however. There are signs that the gap is closing, albeit very slowly, according to Carol Brick of HerMoney, a financial advisory service aimed at professional women.

"This has happened through women becoming more aware of the negative impact that career breaks or working fewer hours can have on their private pension pots and becoming more financially aware in general," she says. "The gap seems to be at its largest with women in their late thirties and early forties, which could reflect that this is the time of life when they make very significant choices regarding their careers and childcare."

WHY HAS THIS HAPPENED?

There are several factors contributing to the imbalance, including length of time spent in the workforce, access to private and occupational pension schemes and, something that has been much in the news: the gender pay gap.

The traditional role of women as primary caregivers has hit their career continuity and progression, which in turn has affected their pension entitlements. Findings from the Irish Longitudinal Study on Ageing (Tilda) out of Trinity College Dublin revealed that 93 per cent of retired men had worked for more than 30 years, compared with only 33 per cent of retired women. The study also found that 22 per cent of retired women had never worked, compared with just 3 per cent of men.

"While the state pension itself is largely the same for both genders, the real disparity comes from occupational and private pensions where women's average benefits are substantially smaller," Nick Charalambous of Alpha Wealth points out. This is borne out by another Tilda finding, which reveals that only 28 per cent of women are signed up to private or occupational pensions, compared with 55 per cent of retired men.

Lower wages are another key factor, with the gender pay gap standing at 9.6 per cent in favour of men, according to the latest Central Statistics Office figures. "Lower pay means women are generally putting less money into their pensions," Charalambous adds.

"The gap is widened even further by the fact that women are more likely to take career breaks to raise children or care for relatives. When they return to the workforce, many work part-time or in roles without strong pension benefits.

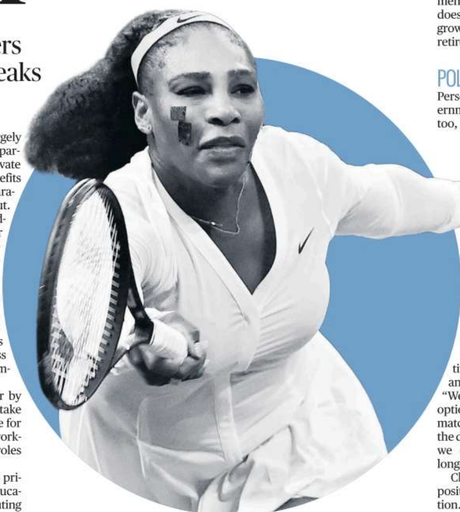
"Women are also more inclined to prioritise saving for their children's education or future needs ahead of contributing to their own retirement. Over the course of a working life, these factors compound to create a substantial shortfall."

CAN IT BE FIXED?

There is no quick fix, but there is plenty that can be done on personal and governmental levels to alleviate the problem.

"Although career breaks can limit the potential and ability to contribute to pension schemes, it's important for women to start paying in as soon as possible to get a head start on their retirement funding before they take time out to care for children or family," Karen Goodliffe of SurePlan Financial says. "If they start contributing early, at least they will be safe in knowledge that their pots will be growing even if they are not adding to them. Ideally, they should continue making pension contributions during career breaks if at all possible."

> **Career breaks can limit the ability to contribute to pension schemes**



Long-term structured financial management is key. The earlier you start contributing, the more you benefit from compounding. And the more you can put in, the bigger the benefit in the end.

"You should aim to contribute at least enough to receive the maximum employer match, as this is essentially a guaranteed return on your own contribution," Charalambous says.

"For those paying the higher rate of tax, additional voluntary contributions [AVCs] are particularly powerful as the tax relief of up to 40 per cent immediately boosts the value of each euro saved. Women who have taken time out of the workforce should, where possible, increase contributions upon returning to work to help make up for lost years of saving."

He also advocates regular reviews – not just to check performance but also to ensure that charges are competitive and the asset mix is appropriate for your time to retirement. "Too often, pensions are left untouched for years, which can mean missed opportunities for better growth," Charalambous says.

Adopting a more proactive approach to investing is another way to reduce the pension gap, Goodliffe believes. "Women tend to be more cautious than men when it comes to investment risk," she says.

"If you have 10-15 years to go to retirement, investing in higher-risk products does offer more opportunity for long-term growth. However, as you get closer to retirement age it's important to de-risk."

POLICY CHANGES NEEDED

Personal action is powerful but the government and employers have to step up too, according to Paul Merriman, chief executive of Fairstone Ireland and askpaul. "Auto-enrolment is finally coming, which means that everyone will be signed up to a pension scheme," he says. "This is a big win for part-time and lower-paid workers."

However, Merriman believes there is plenty more the government could do to help women, including more affordable childcare, pension awareness campaigns and giving credits towards the state pension for caregivers. Encouraging employers to maintain contributions during career breaks would also help.

"Gender pay gap reporting is a positive step, but it needs to be expanded and enforcement improved," he adds. "We also need more flexible retirement options with phased pension access to match longer working lives. At the end of the day, if Ireland is serious about equality, we can't ignore the pension gap any longer."

Charalambous sees auto-enrolment as a positive step but far from a complete solution. "The default contribution rates will be too low to provide a comfortable retirement for most people and, for higher-rate taxpayers, there are more tax-efficient ways to save for retirement," he says. "For example, making AVCs or contributing to a PRSA offers tax relief at up to 40 per cent."

Brick feels restrictions on the amount that can be contributed to the auto-enrolment scheme could also prove to be a drawback for women, particularly if they want to make up for years out of the workforce.

"Currently there is no proposed mechanism to allow an increase in contributions to make up for these periods of absence, which I feel disproportionately affects women," she says.

"I would like to see this changed and provisions put in place to ensure that women in co-habiting relationships are automatically entitled to receive their partner's pension in the event of their death. Another positive change would see pension providers introduce more flexible pension plans to facilitate contributions for those on unpaid maternity or parental leave."

While Serena Williams is unlikely to struggle financially in retirement, the tennis great did put her career on hold when she had her first child

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€? QUESTION OF MONEY

I have a defined contribution pension plan from a job I left in 2021. So far, I have left it where it is. I just started at another company and joined its occupational pension scheme. Should I merge the two plans or keep them separate? How do I transfer my old pension to my new one if I decide to go ahead?

Anon

It can be easier to manage and keep track of your pension benefits if they're all in one place — and simpler to access them when you retire. Different pension policies also have different charges, so moving to one could save you money. It may be cheaper to pay one fee — or even none — than multiple ones for various pension pots.

Yet there is no guarantee that combining your pensions will reduce overall costs or give a bigger income or pension pot on retiring. So there are a few things to consider here.

Check your older policy for any valuable benefits and features, as these could be lost if you transfer. Compare charges on both policies and how well the investments are performing. Find out if you will face any charges on transferrals. If you are happy with the performance and costs of your old pension, you could leave them separate and merge later. Ask your financial broker to estimate the pension pot and income if you merged your pensions compared with keeping them separate.

Another consideration is whether you want to access the pensions at different times. If you merge, your pension benefits would have to be retired at the same time on or after your retirement. Yet benefits from separate employments don't have to be retired at the same time. So, if you decide not to merge your pensions, when you turn 50, you could access benefits from your old scheme while still paying into the new one.

In terms of the practicalities, to combine your pensions you will need the policy number of the pension you would like to transfer. Your current pension provider will then have an application process for you to follow to begin the transfer. There might be restrictions on transfer options, so check with your current provider what type of pension you have. You can transfer most types of defined contribution pensions. It's important that any occupational pension scheme to which you transfer your old pension is Revenue-approved.

To ensure the best outcome at retirement, seek impartial pension advice before deciding to transfer. A financial broker can highlight the considerations you need to keep in mind, the options available to you, explain the process involved, and make a recommendation.

Mark Reilly is pension proposition lead with Royal London Ireland

Send your personal finance or consumer-related questions to money@sunday-times.ie

Eoghan Gavigan

It's a jungle out there in today's financial world — just ask the Nukak

The task of managing one's finances has grown in recent years. This is due not only to the greater range and complexity of financial products available, but also to the boundless documentation requirements attaching to them. Ironically, it often seems that the more basic a product is, the heavier the regulation – and the paperwork. The humble personal retirement savings account is indeed no friend to the environment in terms of the number of trees which have been sacrificed in its name. A simpler existence is possible.

In his book *The Ascent of Money*, the historian Niall Ferguson, when seeking to explain the relationship between civilisation and the monetary system, cites the Nukak tribe in the Amazonian rainforest of Colombia, who had no contact with the wider world until 1981. The nomadic tribespeople had never seen money and did not understand the concept of a medium of exchange or a store of value, as their economy was based primarily on hunter-gatherer activity and the immediate use of food resources.

Perhaps arising out of these conditions and the immediacy of their needs, the Nukak concept of time and the future was very different from ours. Needless to say, financial planning was not a key element of Nukak society, as money and time's progress are the two vital ingredients that, when combined, make financial planning both necessary and rewarding, looking to balance present consumption with fulfilling future needs.

The Nukak also lacked many of the worries of a typical Irish person today, who at a minimum must accumulate, or sometimes borrow, funds to meet the cost of education, the acquisition of a home, living expenses after they stop working, and perhaps even their own burial. Most of the important life choices we make, such as accepting a job, purchasing a house or having children, are based at least in part on our ability to generate enough capital for these needs and wants. Financial planning is concerned with devising strategies to fulfil these objectives, allocating resources to each goal, and managing the investment. Another key aim is to minimise inefficiencies in the process. Resource management among the Nukak was far more seasonal and focused on harvesting what was available in the environment.

> **We are told we are built to travel up to 18km a day on foot, rather than sit in a car on the M50**

Many reading this, who struggle against rush-hour traffic, competing demands between work and home, and high income taxes in their quest to increase their capital, might say that the Nukak had it good and should stay in the jungle, but read on.

Although we are told the human body is built for a hunter-gatherer existence and travelling up to 18km a day on foot, rather than in a car on the M50, that life is not easy. In 1988, an initial group of about 40 Nukak emerged unexpectedly from the jungle. The modern world had encroached on them, with coca growers, ranchers and guerrillas pushing into their territory. Over time, they were joined by others from the tribe. These pioneers now live in settlements around San José del Guaviare. As a displaced people, the state is required to assist them and help them to return home if they want. Some of the Nukak claimed the life of a hunter-gatherer was just too hard, and even among the tribe there is disagreement on whether they should return to the jungle.

According to The New York Times, after leaving the rainforest the Nukak started to learn Spanish and grow crops for sale, and they wanted the Colombian government to provide land to plant so they could "take the crops to town" and exchange them "for money and exchange the money for other things". Engaging in agriculture would result in them becoming active participants in the economy and financial system, and all that goes with that.

It would be a big adjustment for them, and it seems they haven't yet managed to make the change. If they ever do, something tells me that the regulatory burden of modern-day living may produce in them at least an occasional longing to be back in the jungle.

Eoghan Gavigan is a certified financial planner and the owner of Highfield Financial Planning; hfp.ie