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'Super'-poor but surviving: Australian women in retirement

AIST Conference of Major Superannuation Funds MONDAY MARCH 28, 2011: More than half of retired women in Australia are living in households where the annual income is less than \$30,000 with divorced and widowed women among the worst off, new research on retired Australian women has revealed.

The research - conducted by the Australian Institute of Superannuation Trustees (AIST) - found that both marital status and length of career breaks were key factors contributing to a poor outcome in retirement for Australian women.

The survey of 800 plus retired women, aged between 50 and 80 years, found that three out of four were reliant on some form of government pension or allowance, with divorced and widowed women much more likely to receive the Age Pension than married women. The median superannuation balance across all 800 respondents was a low \$6400, with this figure including the one third of women who did not receive any superannuation at all.

AIST CEO Fiona Reynolds said the research findings highlighted the need for new social policies to help bridge the gender gap in retirement savings.

"It's time to get creative with policies that recognise most women will take career breaks to have children and care for other family members," she said. "Without change, women will continue to come up second best in retirement," said Ms Reynolds.

Ms Reynolds said the research painted a picture of two starkly different groups of retired Australian women: the first group – covering most women – were 'super'-poor and were more likely to be single, divorced or widowed. The second group were mostly self-funded retirees who were either women with 'super'-rich partners or they belonged to a small minority of women who had retired with relatively large nest eg : 7% of women retired with more than \$500,000 super.

Of those who had super, just over half had taken a part or whole lump sum with the reasons almost equally split between putting super in the bank or investing in shares, paying for travel, purchasing a new car/caravan/boat and paying off a mortgage or renovating/purchasing a house.

Despite their relatively low incomes, most retired women reported being happier than when they were working. The qualitative research revealed that most women enjoyed an active and fulfilling retirement.

"Growing up as part of the post-war generation and in more frugal times seems to have prepared older Australian women for a tough retirement," said Ms Reynolds. "While female Gen X's and Gen Y's are likely to have more super when they retire, it's also likely their lifestyle expectations in retirement are going to be much higher".

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Other key findings were:

- Average age of retirement for retired women was 56 years, with two out five women retiring earlier than expected. More than 60% of retired women left the workforce before the age of 60.
- Four out five women took a career break with the average break lasting 12 years. The average time spent paid workforce was 22 years.
- Ill-health was the most common reason for leaving the workforce, followed by being “fed up with working”; partner or spouse retiring, and “financially able to retire”.
- Only two thirds of respondents received any superannuation during their working life –across this group, the median superannuation balance at retirement was \$31,000.
- Less than 2% of women cited receiving an inheritance as playing a major role in their retirement funding.
- More than half the women who took a lump sum superannuation payout did not have any super left after two years. Only 6% said their super had lasted more than 10 years.
- Nearly two-thirds of women sought financial advice when they were retired
- An overwhelming 83% said they were either happy or extremely happy to be retired as opposed to being in paid work.
- 84% of women were homeowners, with just 2% still paying off their mortgage
- Divorced or separated women were almost three times more likely than married women to live in a household where the estimated net financial worth (including the value of their home) is \$200,000.
- AIST estimates that a seven year career break costs the average female about \$70,000 in lost retirement savings. Increasing the SG to 12% will provide the average worker with an additional \$100,000 at retirement.

AIST’s policy recommendations to help women in retirement.

- *Lifting the SG to 12% - all Australians will benefit from the Government’s proposal to lift the compulsory super rate to 12%, but women stand to gain the most as the current rate of 9 per cent will be far from adequate for those who take a career break. AIST estimates that the effective average yearly SG rate for many older women currently in their 50s is 4%*
- *Paid parental leave with a superannuation component or a one-off \$1500 Super Baby Bonus;*
- *Abolition of the \$450 monthly income superannuation threshold that results in many casual and part-time women missing out on superannuation;*
- *Extension and enhancement of the Government’s Co-contribution Scheme so that more women benefit, including stay-at-home parents*
- *\$2000 ‘return-to-work’ super bonus for qualifying older workers who have been out of paid work for a significant time.*