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### Women with kids have much to gain from rise in SG to 12%

Women who take time out of the workforce to raise children are among those with the most to gain from a rise in compulsory superannuation contributions from nine to 12 per cent, according to new research paper released today by the **Australian Institute of Superannuation Trustees (AIST)**.

The paper – prepared for AIST by the Australian Centre for Financial Studies – found that lifting super to 12 per cent especially helped couples raising children, where one partner took significant time out of the workforce.

Couples could expect an increase in combined retirement savings of more than \$211,000, which in turn increases the replacement ratio from 50 to 70 per cent. For an individual whose income is \$80,000 immediately pre-retirement, this means an annual income of \$56,000 instead of \$40,000, an difference of \$16,000.

**AIST CEO Fiona Reynolds** said the findings highlighted that the Government’s proposal to lift the Superannuation Guarantee (SG) to 12 per cent was particularly important for women, who typically took longer career breaks than men.

“Lifting super contributions is important for all Australians, but it is particularly vital for those who leave the workforce to look after kids,” Ms Reynolds said. “Unfortunately, time out from the workforce to raise children can have a dramatic affect on a couple’s super balance.”

Where one partner left the workforce for 10 years, the extra three per cent super during the remainder of their working years meant their retirement would be far more comfortable.

Such a couple’s income replacement rate at retirement jumped from a modest 50 per cent to a replacement rate of 70 per cent – the ratio most people believe is necessary to retire in comfort.

The study also found that the benefits of lifting the SG to 12 per cent were as much as a 40 per cent increase in retirement savings for a 20 year old entering the workforce and retiring at age 67. In real (inflation-adjusted) returns this equated to an extra \$241,021 at retirement. The net income replacement ratio increased from 57 per cent to 79 per cent at retirement, according to the study.

The gains of a 12 per cent SG were more modest, but still significant, for mature workers – i.e. those aged around 50, with a gain of around 25 per cent.

The paper concludes that increasing the SG improves retirement adequacy, reduces the burden on the public purse and ultimately adds to the store of national savings.

**A copy of the report is available from [www.aist.asn.au](http://www.aist.asn.au).**

#### Further media enquiries:

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*AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.*