FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

Inquiry into Economic Security of Women in Retirement

SUBMISSION TO SENATE STANDING COMMITTEE ON ECONOMICS | OCTOBER 2015

Committee Secretariat
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

31 October 2015

RE: Senate Inquiry into the Economic Security of Women in Retirement ('Inquiry')

Dear Sir/Madam,

The Financial Planning Association of Australia (FPA) welcomes the opportunity to offer comments on the *Inquiry into the Economic Security of Women in Retirement* being conducted by the Senate Standing Committee on Economics.

As stated in the Inquiry's own Terms of Reference, the 18.8 percent pay gap between men and women balloons to a 46.6 per cent gap in superannuation at retirement. This is because the structure of the retirement system, whilst not directly discriminatory against women, is structurally discriminatory against women. It operates to magnify the pay gap between men and women.

The attached submission makes six recommendations for reform, mostly to improve the *financial inclusion of women*, but also a recommendation that the Government work closely with the private sector to build women's *financial literacy.*

If you have further questions please do not hesitate to contact me on or

Yours sincerely

Dante De Gori
General Manager Policy and Conduct
Financial Planning Association of Australia

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Summary of Recommendations

- **Recommendation 1**
  The Federal Government should legislate to require the payment of superannuation on the PPL and other carer's payments.

- **Recommendation 2**
  The Federal Government should extend caps on concessional contributions to enable workers with broken employment patterns to maximise their superannuation account balances.

- **Recommendation 3**
  The Federal Government should reinstate the Low Income Superannuation Contribution scheme and consider increasing the amount available under that scheme.

- **Recommendation 4**
  The Federal Sex Discrimination Commissioner should work together with their State and Federal counterparts to improve employers' understanding of 'special measure' provisions of anti-discrimination laws.

- **Recommendation 5**
  The Federal Government should fund the Federal Sex Discrimination Commissioner to monitor and report on the gendered nature of the retirement income gap, including the sufficiency of the pension.

- **Recommendation 6**
  The Federal Government should, through the Office for Women, fund and co-ordinate a financial literacy strategy targeting women.

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1. Introduction

The Inquiry into the Economic Security of Women in Retirement (Inquiry) is a timely opportunity to build on the growing body of research and proposals seeking to address the gap between the retirement incomes of men and women (Gap). On average, women are retiring with about half the superannuation account balance of men, but live about five years longer than men in retirement.

As the leading community of professional financial planners in Australia, our members are on the frontline of advising women with respect to their retirement incomes. Our members, many of whom specialise in advising women, have a deep personal understanding of women's lived experience of lower superannuation accounts.

We agree with the Inquiry's characterisation of the problem (Term of Reference (a)). Given our members' unique perspective, our submission concentrates on *solutions* (Term of Reference b(v), with particular focus on b(v)B). We rely on the wealth of research that has been undertaken by other stakeholders into the *extent* and *causes* of the Gap.[1]

2. Principles

Our vision is that "through our members, we stand with Australians for a better financial future'.

We hold 'financial citizenship' as a cornerstone of that better financial future. Financial citizenship is an ideal which can be achieved through two core policy areas:

- Financial inclusion; and
- Financial literacy.

These three concepts underpin our thinking on reform in the financial services sector generally and our recommendations to the Inquiry on improving the retirement savings of women.

2.1 Financial citizenship

Within the prevailing social and economic environment, a financial citizen is two things:

[1] See, for example, the Australian Human Rights Commission 'Accumulating Poverty?: Women's experiences of inequality over the lifecycle' Issues Paper 2009 and the ANZ Women's Report (2015)

- Financial citizen as literate and rational investor, "a knowledgeable, competent, confident, self-reliant and willing market participant".[2] Disclosure-oriented forms of financial regulation assume this form of citizen; and;
- Financial citizen as one who is legally and socially compelled to be involved in the financial system, who has rights and obligations regarding their mandatory participation in the system.[3]

2.2 Achieving financial citizenship

Financial citizenship can be achieved through policies targeting:

- Financial literacy: A regulatory and industry response to raising financial literacy, and improving the standard of financial literacy for those who interact with the Australian financial system; and
- Financial inclusion: A regulatory and industry response to the institutional barriers to equality of participation and financial inclusion for all users of the financial system.

2.3 Regulatory context of financial citizenship

One of the limits of the current financial system is that it does not facilitate equal participation by all. The system does not allow those who enter the financial system with fewer resources and a lesser tolerance for risk, such as women, to be afforded the same opportunity to succeed through participation in the system. As the greatest opportunities offered by the financial system are for those with existing wealth, the Australian financial system reinforces the socio-economic and gender divides within our society.

This issue is exacerbated by the *disclosure-based system* of regulation which currently underpins our financial system. To the extent that inequalities in financial literacy, intelligence, capital, access to the legal system, and other relevant factors exist, a disclosure-based regulatory system *exacerbates* these existing inequalities and prevents fair and equal competition amongst all market participants.

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[2] Joanna Grey and Jenny Hamilton, *Implementing Financial Regulation: Theory and Practice*, (Wiley, 1st ed, 2006), 188
[3] See generally Dimity Kingsford-Smith, 'Regulating Investment Risk: Individuals and the Global Financial Crisis' (2009) 32(2) *University of New South Wales Law Journal* 514, 524

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2.4 Financial citizenship in retirement

The Financial System Inquiry found that the retirement income system in Australia, though mature in many ways, lacks a clear and coherent central objective.[4] The superannuation system has been frequently adjusted since its inception over 20 years ago, without the benefit of a clear and coherent central objective.

In retirement, we believe that *financial citizenship requires a level of income, quality of housing and health that are consistent with a dignified life*.

Our vision is that the retirement income system should ensure *a level of adequacy* is available for *all Australian retirees* in a manner that is fair, flexible, accessible, and sustainable and encourages a self-funded retirement.

To achieve this vision the retirement income system should:

- enable the fair and efficient provision of funding through a combination of public and private savings;
- flexibly respond to changing demographic needs and capabilities to enable people to retire on an adequate income without the compulsory extension of working life;
- not consider retirement in isolation from lifetime funding needs, and
- provide a comprehensive and holistic framework for adopting a change in behaviour to the accumulation of savings and retirement income needs.

Any further policy initiatives should be advanced in a manner that is consistent with a clear and coherent central objective

3. Australian women in retirement: Financial Citizens?

3.1 Evidence of the retirement income gap

A number of stakeholders have set out the evidence that there is a significant gap between the retirement savings of men and women:

- Rice Warner analysis shows that the retirement savings gap for women of working age as at 2014 was $383 billion;[5]
- ANZ research conducted in 2014 indicates that:

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[4] 'Financial System Inquiry: Final Report' (November 2014) p95
[5] Rice Warner http://ricewarner.com/newsroom/2014/march/31/rice-warnerwomen-in-super-voluntary-contributions-research/ accessed 23 October 2014

- Over a third (37 per cent) of women report having no personal income at the age of retirement;
- About 90 per cent of women will retire with inadequate savings to fund a comfortable lifestyle in retirement;
- One in five women yet to retire has no superannuation;
- Average super balances in 2011-12 were $82,615 for men and $44,866 for women. However on average Australian women live 24.2 years in retirement; men 19.3 years.[6]

3.2 Impact of the Gap

When our members listen to and advise women, they witness first-hand the impact of the Gap on Australian women and their families. A series of case studies are set out in Appendix A, illustrating the impact on women of broken working patterns and part-time work.

One of the key issues in interpreting the impact of the Gap on women is to understand the position of women in context, including household asset base. For example, in many instances one partner can take on other caring responsibilities because the asset base of the household is significant. The household asset base is recognised in other policy areas, such as under the jurisdiction of the family court.

At a macroeconomic level, the retirement income gap together with longevity considerations presents a significant fiscal issue for the Government. Taxpayers (both now and into the future) will bear much of the burden of supporting women in retirement. In 2014, women reported that their main source of personal income at retirement is 'government pension/allowance' (42 per cent) and 'superannuation/annuity/ allocated pension' (10 per cent).[7]

3.3 Cause of the Gap

There are significant financial inequities between men and women during their working lives, but it is in retirement that the disparity between genders becomes most acute. As stated in the Inquiry's own Terms of Reference, the pay gap between men and women which sits at 18.8 per cent balloons to a 46.6 per cent gap in superannuation at retirement.

This is because the structure of the retirement system, whilst *not directly discriminatory* against women, is *structurally (indirectly) discriminatory* against women. It operates to magnify the pay gap between men and women.

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[6] Ref: Australian Bureau of Statistics Retirement and Retirement Intentions, July 2012 to June 2013 cat no. 6238.0, ANZ Women's Report pp9, 64, 71
[7] Australian Bureau of Statistics Retirement and Retirement Intentions, July 2012 to June 2013 cat no. 6238.0

There are three pillars in our retirement system: compulsory contributions, voluntary contributions and the age pension.

The first two of these are linked to *paid work.* As women work lower paid jobs, are paid less, do less paid work and more *unpaid work*, women have lower compulsory and voluntary contributions.

More detailed analyses of the causes of the Gap have been conducted elsewhere, most notably the Human Rights Commission's 2009 Issues Paper.[8] We broadly accept that analysis for the purposes of Term of Reference (bii(2)), and turn to our proposals for reducing the Gap and enhancing women's financial citizenship (Term of Reference b(v)).

4. Reforms to improve financial inclusion

4.1 Structural reform

There is a strong case for economic reforms over the medium to long term to address the structural causes of the Gap. While these reforms fall outside the scope of our expertise and this submission, we share the view of bodies such as the Human Rights Commission and Productivity Commission that the following deep structural changes are required.

In the sphere of paid work policies should focus on available and affordable childcare, flexible employment arrangements and equal pay.[9]

With respect to unpaid work, we support the introduction of the Paid Parental Leave scheme by the previous Government and underline the call of the Human Rights Commission for a broader investigation into how the system can be reformed, to properly recognise and compensate those who undertake unpaid caring work. [10]

4.2 Retirement income reform

Whilst structural reform may take decades to bring about, *a package of reforms* can be actioned in the short term, acknowledging the present budgetary constraints on the Federal Government.

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[8] Australian Human Rights Commission 'Accumulating Poverty?: Women's experiences of inequality over the lifecycle' Issues Paper 2009

[9] Productivity Commission 'Childcare and Early Childhood Learning Inquiry Report No.73 (October 2014)

[10] Australian Human Rights Commission 2013 *Investing in Care: Recognising and valuing those who care,* Volume 1: Research Report 2013, Sydney: Australian Human Rights Commission p 26

4.2.1 Superannuation Guarantee payments on carer payments

Under the Paid Parental Leave (PPL) scheme, eligible working parents can receive funding from the Government to care for a newborn child. They may receive up to 18 weeks income. This payment may come either directly from Centrelink or through an employer. Some employers have elected to pay SG for women during both paid and unpaid maternity leave.

Under the original framework proposed by the Productivity Commission in 2009 for the PPL scheme, it was recommended that employers provide superannuation contributions for employees.[11] At that time it was estimated that this component of the Productivity Commission's recommendations would have a net cost of $70m to the economy as 79% of women eligible for the PPL would be eligible for the super contribution component.[12] However, the Productivity Commission recommended that this component of the PPL be delayed three years until after a review.

The PPL has been introduced and implementation has been 'bedded down'. We believe that it is now time to introduce the superannuation component of the PPL.

Having regard to the current economic forecasts and the Government's budgetary constraints, we support the measures recommended by the Productivity Commission to limit the financial impacts on business by:

- Applying the contribution rate to the lower of the employee's actual pre-wages or the minimum weekly wage;
- Limiting mandated superannuation contributions rate to the statutory rate; and
- Restricting superannuation contributions to employees who:
    - Passed the eligibility requirements for PPL, including the work test;
    - Received superannuation entitlements before going on paid leave; and
    - Were eligible for unpaid parental leave.[13]

This proposal would have widespread benefits for women throughout their working lives and for the economy more broadly. Research by Mercer suggests that in the US and other locations outside Australia retirement programs that address different work arrangements (such as part-time or work breaks) 'are associated with higher female representation at the

[11] Productivity Commission 'Paid Parental Leave: Support for Parents with Newborn Children' Inquiry Report No 47 (February 2009) p xxxvi
[12] Productivity Commission 'Paid Parental Leave: Support for Parents with Newborn Children' Inquiry Report No 47 (February 2009) p xiv, xxix
[13] Productivity Commission 'Paid Parental Leave: Support for Parents with Newborn Children' Inquiry Report No 47 (February 2009) p xxxvi

professional through executive level'.[14] According to Mercer, there is a clear link between 'women's participation in the workforce and economic growth'.[15]

The principle enshrined in the Productivity Commission's work, being that superannuation should be paid on income substitutes, should also be extended to Carer Payment, Carer Allowance, Carer Supplement and Parenting Payments. This is consistent with the fact that employees are paid SG on other types of leave such as sick leave, annual leave and long service leave. It would build a direct link in the system between payment for caring work and superannuation contributions.

Recommendation 1: The Federal Government should legislate to require the payment of superannuation on the PPL and other carer's payments.

This reform could, in recognition of the Government's budgetary constraints, be introduced in increments. Even if implemented, this recommendation would only provide an increase to the primary carer's superannuation balance of $954.94 (net of contributions tax over those 18 weeks). We therefore consider this recommendation to be a step towards wider policy reform and in this respect we agree with the recommendation of the Human Rights Commission that a carer credit scheme and a national carer card be introduced.[16] Carer credits, which exist overseas, could take the form of direct credits to the superannuation accounts of individuals with parental care responsibilities and carer responsibilities (either out of the workforce or working part-time) that would be paid annually at the end of the tax year by the government into the individual's superannuation account through adult life.[17]

4.2.2 Allowing women to 'catch up'

Contribution caps limit the concessional and non-concessional contributions that people can make to their superannuation accounts each year. There have been positive developments in this space however more can be done to give women the flexibility necessary to 'catch up' on their contributions, and reduce the Gap.

Typically, in their 20s women have similar earning and contribution patterns to men.[18] In their 30s and 40s many women take career breaks, undertaking less paid work and more unpaid work. Women therefore contribute much less than men to their superannuation

[14] Mercer 'When Women Thrive, Businesses Thrive' (2014) p40
[15] Mercer 'When Women Thrive, Businesses Thrive' (2014) p4
[16] Australian Human Rights Commission 2013 *Investing in Care: Recognising and valuing those who care,* Volume 1: Research Report 2013, Sydney: Australian Human Rights Commission p 26
[17] Australian Human Rights Commission 2013 *Investing in Care: Recognising and valuing those who care,* Volume 1: Research Report 2013, Sydney: Australian Human Rights Commission p 15
[18] ANZ Survey of Adult Financial Literacy in Australia (May 2015) pp6-7

during these years. During their 50s and 60s, some women focus on retirement and engage more with the superannuation system. Some make higher voluntary contributions in an effort to increase their superannuation accounts. Contribution caps limit the extent to which women can make higher contributions.

Further work needs to be undertaken to give all those with broken work patterns the flexibility they need to make 'catch up' contributions. We encourage the Government to explore and model lifetime caps and carry-forward provisions, but also believe that it is imperative that caps be means-tested on a household income basis. This would reduce the opportunities of high income earners to take unfair advantage of these provisions. Any such reform should have at least a 12 month transition period for implementation.

Recommendation 2: The Federal Government should extend caps on concessional contributions to enable workers with broken employment patterns to maximise their superannuation account balances.

4.2.3 Supporting low-income earners

The Low Income Superannuation Contribution (LISC) scheme was introduced in 2013 and is now scheduled to terminate in 2017. It is available to those who earn less than $37,000 per annum. Eligible persons may receive rebates of up to $500 annually on the tax they have paid on compulsory contributions, being 15% of the before-tax contributions made to a super account during the year.

We consider this scheme well designed in two key respects: first, it does not require eligible persons to apply because the Australian Tax Office (ATO) simply determines eligibility; and second, it is paid directly by the Government to the recipient's superannuation account.

It is particularly useful to women because a significant proportion of low income and part time workers are women. Women make up only 35 per cent of the full-time work force, whereas they make up 70 per cent of the part-time work force.[19] About one in two working women receive a LISC payment.

Termination of this scheme indirectly discriminates against women. LISC should be re-instated and, ideally, the amount available under LISC should be increased. Consideration should be given to increasing the amount available as a rebate under LISC. The amount of $500 is based on a superannuation guarantee contribution rate of 9% being a 15% tax benefit relative to taking that sum as salary. The sum available should be increased to

[19] Australian Bureau of Statistics, 2015, Labour Force Australia , 6291.0.55.001

$527.25 to match the increase in superannuation guarantee to 9.5% and increased incrementally as the superannuation guarantee level rises.

Recommendation 3: The Federal Government should reinstate the Low Income Superannuation Contribution scheme and consider increasing the amount available under that scheme.

We make this recommendation as part of our package of five reforms, but not as a stand-alone recommendation, in recognition that the LISC does not assist women outside the workforce and on career breaks, because a tax rebate is not available if no tax is paid.

4.2.4 Helping employers help women

On average, women are now retiring on half the superannuation balance of men. As discussed in Section 3.3, this is the result of the indirect structural discrimination inherent in the superannuation system. No superannuation laws directly favour men over women. Yet, the structure of the system, particularly the concessional tax arrangements, exacerbates the income gap between men and women.

Some employers have expressed the desire to pay their female employees more superannuation than they pay male employees.

Employers are required to comply with discrimination laws at a Federal, State and Territory jurisdictions. With the exception of New South Wales, all Australian jurisdictions have acknowledged that there may be grounds for practices which differentiate between men and women where those practices redress past discrimination.[20] These 'special measure' exceptions to the usual requirements of the anti-discrimination provisions are also referred to as 'affirmative action'. In NSW, sex discrimination 'special measures' provisions do not take a similar form to those in other states but employers may still apply to the Anti-Discrimination Board to take affirmative action.

The Federal Human Rights Commission describes 'special measures' provisions as follows:

> 'Special measures aim to foster greater equality by supporting groups of people who face, or have faced, entrenched discrimination so they can have similar access to opportunities as others in the community…The Sex Discrimination Act allows special

[20] O'Brien, Julie --- "Affirmative Action, Special Measures and the Sex Discrimination Act" [2004] UNSWLawJl 45; (2004) 27(3) University of New South Wales Law Journal 840

measures that improve equality of opportunity for people based on their sex…pregnancy or potential pregnancy status or family responsibilities'.[21]

The current legal arrangements raise the following issues:

- Confusion amongst employers about whether higher superannuation payments for women fall inside the 'special measure' provisions in states other than NSW; and
- Time, complexity and expense of applying to the NSW Anti-Discrimination Commissioner for employers who seek to pay women higher superannuation in that jurisdiction.

Recommendation 4: The Federal Sex Discrimination Commissioner should work together with their State and Federal counterparts to improve employers' understanding of 'special measure' provisions of anti-discrimination laws.

We believe that there may also be a case for clarifying the NSW anti-discrimination laws which we acknowledge would fall outside the Terms of Reference of this Federal Senate Inquiry.

4.2.5 Monitoring and reporting on the Gap

The age pension ought to ensure all Australians have a level of income consistent with a dignified retirement. Given that women make up the majority of people living solely on the age pension, and that they live longer, the level of the age pension is relevant to their financial citizenship.

Structural reforms must be underpinned by quality data and a strong understanding of the interaction between the policy settings in each of the three pillars of the retirement system.

The following recommendation would equip the Government with the evidence and focus required to underpin structural reforms over the longer term.

Recommendation 5: The Federal Government should fund the Federal Sex Discrimination Commissioner to monitor and report on the gendered nature of the retirement income gap, including the sufficiency of the pension.

We recognise that many of our recommendations would have an impact on the budget. We support measures to cap the benefits of existing tax concessions to those with very high account balances in order to fund the implementation of these recommendations.

[21] www.humanrights.gov.au accessed 23 October 2015 See eg *Sex Discrimination Act 1984* (Cth) 7D

4.3 Further actions to improve the distribution of superannuation

In addition to the above reforms, the Federal Government should consider additional reforms to produce a more equal distribution of superannuation from higher income earners to lower income earners.

About 475 people in the pension phase have balances of $10million or more and have, on average, an income stream of around $1.5m per annum which is tax free. Yet there is a significant part of the economy which is fuelled by the labour of casual, lower-paid and often less empowered workers. Many such workers are women. We are concerned that many women who ought to be receiving superannuation guarantee under existing laws, are not. The Federal Government could do more to improve employers' compliance with their superannuation guarantee obligations, by enabling superannuation funds to report non-compliance to the ATO and enhanced Tax File Number data matching with superannuation account details.

A further reform which some stakeholders have recommended is removal of the income threshold for superannuation guarantee. Employers are exempt from paying the superannuation guarantee for employees who earn less than $450 per month. This exemption has been in place, at the same dollar value, since the passage of the Act in 1992.[22]

We are concerned that removal of the threshold would increase the compliance burden for business and reduce the flexibility with which small businesses employ casual employees. It could have the unintended consequence of concentrating more work amongst fewer people and could result in more work being paid cash-in-hand. We are also aware that at this level of pay, the priority of employees is to receive an income that can be directed towards immediate household expenses.

5. Financial literacy

Financial literacy has been usefully defined as 'the ability to make informed judgements and to take effective decisions regarding the use and management of money'.[23] It is a complex combination of a person's skills, knowledge, attitudes and inherent behaviours in relation to money.

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[22] *Superannuation Guarantee (Administration) Act* 1992 (Cth)

[23] ANZ Survey of Adult Financial Literacy in Australia (May 2015) p1. This report presents key findings from the 2014 ANZ Survey of Adult Financial Literacy in Australia, a telephone survey of 3,400 randomly selected Australian adults.

Financial literacy is distinct from financial inclusion in that the latter involves managing the barriers to participation in the financial system which result from inequalities of opportunity. Financial literacy requires investor education, and minimum standards of understanding before investment into particular kinds of products.

The Financial System Inquiry supported 'continuing industry and government efforts to increase financial inclusion and financial literacy to improve customer outcomes'[24] because 'improved financial literacy enables consumers to be more engaged and to make more informed decisions about their finances.'[25]

5.1 Markers of financial literacy

A person who is financially literate with respect to their retirement exhibits the following behaviours:

- Establishing a target figure for their retirement income
- Researching different products and exercising choice with respect to a superannuation fund
- Checking their superannuation account balance
- Engaging a financial planner
- Making voluntary contributions towards superannuation, if possible
- Thinking and talking about their financial future with family and friends

5.2 Financial literacy by gender: Are women less financially literate?

Recent research published by ANZ has found that *women* have:

- Lower scores on average than men on *financial knowledge and numeracy* from 28 years of age on; and
- Significantly lower scores than men on the *staying informed* index from 28 years of age on.[26]

The gap between the financial literacy of men and women is compounded when women's *attitudes* towards their finances is taken into account. For example:

- Women find dealing with money is stressful across all age groups. Behaviours associated with this attitude include not checking account statements, not keeping an eye on household/personal expenses and using payday loans; and

[24] 'Financial System Inquiry: Final Report' (November 2014) p29
[25] 'Financial System Inquiry: Final Report' (November 2014) p193
[26] ANZ Survey of Adult Financial Literacy in Australia (May 2015) pp6-7.

- Approximately one in seven women had high scores on impulsivity (compared to one in four men); and
- Women aged 28 to 59 years had lower scores on average than men on financial aspiration.[27]
- Women make more risk averse investment decisions than men. [28]

Table 1 - Financial literacy by gender[29]

Financial knowledge (standardised score)	Total	Age Group			
Financial knowledge and numeracy		**18-27 years**	**28-44 years**	**45-59 years**	**60 years or more**
Women (mean standardised score)	-10↓	-43	10↓	17↓	-40↓
Men (mean standardised score)	11	-28	31	37	-2

The impact of lower levels of financial literacy are significant when considered against the backdrop of disclosure-orientated financial regulation.

Research by Mercer notes that internationally, changes in retirement systems have 'put more individuals today into the driver's seat when it comes to planning and paying for their own healthcare and retirement. Unfortunately many lack the background to make sound financial decisions'.[30]

5.3 Building women's financial literacy

There have been significant developments in the area of financial literacy over the past five years. ASIC, for example, publishes materials through the MoneySmart website which assist women *if they visit* the website.

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[27] ANZ Survey of Adult Financial Literacy in Australia (May 2015) pp6-7

[28] Watson J and McNaughton M 'Gender Differenced in Risk Aversion and Expected Retirement Benefits' Financial Analysts Journal (2007) 63(4) pp 52, 61

[29] Table 3.2.b Financial knowledge and numeracy by age and gender: ANZ Survey of Adult Financial Literacy in Australia (May 2015) p38. Base: All respondents Arrows show results that are significantly higher or lower than the corresponding result for males (p<0.05).

[30] Mercer 'When Women Thrive, Businesses Thrive' (2014) p20

We believe more can be done to teach and engage with women about their finances. Most importantly, more needs to be done to *reach out* to women, not just make information available to women who seek it.

We are currently working on a financial literacy strategy, part of which will target women. Government could usefully mobilise and co-ordinate different public and private sector stakeholders to contribute to a campaign to improve the financial literacy of women. It should:

- Target women specifically, taking account of the different attitudes of men and women to their financial affairs;
- Build upon the successes so far, by using existing education materials;
- Provide individual face-to-face teaching and financial counselling as much as possible;
- Shape teaching points to the life cycles of women (that often include having children and caring for aging parents);
- Engage with women in locations or organisations with which they already engage (such as community groups, Government departments and online spaces);
- Utilise, to the greatest extent possible, professionals (such as planners) within the financial services sector to educate and counsel women.

The Office for Women is ideally placed to co-ordinate a campaign to improve the financial literacy of women. Many of the points at which women already interact with the Federal Government (for example, through Centrelink, the MyGov website) and State Government (for example, maternity hospitals and baby health nurses, aged care workers) could be used to *push* financial information out to women.

In our view, there are a series of opportunities for building financial literacy over women's lifespans. A sample of such opportunities is set out in Appendix B.

Recommendation 6: The Federal Government should, through the Office for Women, fund and co-ordinate a financial literacy strategy targeting women.

Appendix A – Case studies demonstrating retirement income gap

The following case studies demonstrate the impact of broken work patterns and part-time work on Australian women's financial security in retirement. The incomes in retirement are based on superannuation only. They do not include any entitlement to the government age pension, which may be a possibility.

Example 1 - Kayla
Kayla is a 20 year old woman with a starting salary of $30k p.a. Her contributions to her super account are 9.5% compulsory contribution from her employer with the balance invested in a balanced investment option. If she retires at age 67 without any debt, she'll have a super balance of $284,200 which will give her an income of $22,500 p.a. if she lives to her life expectancy (age 85).

Example 2 – Caroline – Earlier retirement
Caroline is the same age as Kayla and has the same salary and contributions to her super. However she wants to retire at age 60 instead of 67. She'll have a super balance of $211,500 which will give her an income of $13,500 p.a. if she lives to her life expectancy of 85.

Example 3 – Bridie – Workforce break and part-time work
Bridie has the same starting point as Caroline. She is 20 years old with a starting salary of $30k p.a.. She makes contributions to her super at the 9.5% compulsory contribution rate from her employer and her balance is invested in Balanced investment option. However, Bridie has a break from the workforce for 5 years when she's 35 to have two children. When she returns to work at age 40 she does so part time and earns 75% of her pre-break income. If she also retires at age 60 like Caroline, without any debt, she'll have a super balance of $160,400 which will give her an income of $10,300 p.a. if she lives to her life expectancy of 85.

Example 4 – James – Higher pay, continuous work pattern
James has a higher starting salary when he is age 20 (assuming a 5.5% pay gap).[31] He also has no career break. If he retires at age 67 he'll have $349,500 in super, giving him an income of $29,000 to his lower life expectancy than the women of 81.

[31] https://www.wgea.gov.au/sites/default/files/GradStats-factsheet-2014.pdf

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Inquiry into Economic Security of Women in Retirement

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Appendix B – Outline of financial literacy strategy to target women

Era	Life events	Examples of 'reaching out' opportunities
Under 25	Education and training First job	- Teaching financial literacy to girls while they are still at school, incorporating into various parts of the curriculum - For young employees, large employers and superannuation funds could teach women about voluntary contributions and any Government schemes that may benefit them
Starting out	Starting new relationship Having a baby	- Pre-marital counselling, Birth Deaths and Marriages and marriage celebrants - Maternal health nurse/ baby health centre /Employers, Hospitals, Health Fund (maternity) - Centrelink, Medicare and MyGov are all points of interaction that new mothers have interaction with the Government and could be used for education
Loss of income	Returning to work part time Redundancy/retrenchment	- Former employers (for example at the point of offering redundancy payments) - Banks, which may be part of the process of adjusting the terms of a mortgage in the event of loss of income
Set backs	Divorce/separation Death of spouse Becoming a carer	- Family Court and legal counsel could make a financial advice or counselling offering - Carers Forum where employees can access information as well as connect with individuals who have experienced similar events. - Super Funds to education especially around insurance held in super for death and disability
Retirement	Transitioning to pension phase	- Financial counsellors, for example the Financial Information Service which sits within Centrelink could specifically target and provide financial counselling that particularly assists women. - Not For Profit organisations and Community Groups