RICEWARNER

Insight like no other

ECONOMIC SECURITY FOR WOMEN IN RETIREMENT

Submission to

Senate Economics References Committee

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This report has been prepared in response to a call for submissions from the Senate Economics References Committee.

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1. Executive Summary

1.1 About Rice Warner

Rice Warner was established in 1987 to support superannuation funds and businesses operating in the financial services industry. It is an Australian business, owned and controlled by its key executives.

Over the last three decades, it has built a strong reputation for insightful commentary. Its independence means clients can be sure the firm always acts in their best interest and provides unbiased advice. Clients include most large superannuation funds and life companies as well as many other participants in the industry (service suppliers, regulators and industry bodies).

Through its research and public policy activities, Rice Warner has built an unrivalled reputation for delivering a unique perspective across the superannuation, wealth management and life insurance industries.

1.2 Focus of this submission

The Senate Economics References Committee is concerned about the poor economic status of women in retirement - both absolutely and relatively to men. The Terms of Reference are wide-ranging and the issues are complex. In this submission, we have addressed all the key matters, set out some quantitative analysis and provided our insights into potential solutions.

Rice Warner has undertaken research in this area over a number of years and we have set up a program to assist our own female staff to plan for their retirement.

We attach a number of documents which provide background information, namely:

- *Valuing females and rewarding them in retirement*[1] – a report we prepared in November 2012. It defines adequacy in retirement, describes the sources of retirement income, lists barriers which prevent females saving adequately for retirement and then sets out some potential solutions.
- Rice Warner's submission to the Tax White Paper task force *Quo Vadis? Superannuation needs effective policy – not politics*[2] (June 2015). This looks at the value of tax concessions in superannuation and the cost of social security (Age Pension) in retirement. It recommends changes which would make the system simpler, and more equitable and sustainable.
- Retirement Savings Gap[3] – our latest report to the Financial Services Council (June 2015, based on industry data as at June 2014)
- *Valuing Females*[4] – Rice Warner's program for its female employees is set out as Appendix A. We also attach the presentation pack for our staff education program.
- *Joint Superannuation Accounts*[5] – newsletter (April 2014) recommending APRA-regulated superannuation funds be able to hold accounts for couples to replicate the way they operate if they have an SMSF.

[1] http://newcorporate.ricewarnerdigital.com/valuing-females-and-rewarding-them-in-retirement-2/
[2] http://bettertax.gov.au/files/2015/06/Rice-Warner.pdf
[3] http://www.fsc.org.au/downloads/file/ResearchReportsFile/2015_0806_FSCSavingsandLongevityReport.pdf
[4] https://ricewarner.com/about-us/careers/

1.3 Defining the problem

There is no doubt that, collectively, women are not well off in retirement both in absolute terms and relative to men. The reasons are well documented, and we describe the key problems in this submission. We group them under lifecycle events, barriers and attitudes.

The solutions are not simple and they will take years to have any impact – so we must be patient. We must also start early as some of the reforms will have a cumulative beneficial effect over time.

The solutions will come from society as a whole, government initiatives, superannuation funds, employers and, of course, individuals who must take some responsibility for their own futures. In our submission, we have considered the effectiveness of various solutions and, given the economy is not strong enough to cater for all solutions, the targeting of reform to those most in need.

It is likely that 80% to 85% of young women will have children. Motherhood presents the problem of juggling work with the role of raising a family. It often leads to time out of the workforce, lost promotional opportunities and reduced employer superannuation contributions. Single mothers (including divorcees) have the same issues but these can be exacerbated due to the lack of financial support and shared duties of a partner.

1.4 Structure of retirement income system

1.4.1 Three pillars

Australia has a three pillar system for the provision of retirement benefits:

- The means-tested State Age Pension
- Savings through the Superannuation Guarantee (SG), mandatory employer contributions currently at 9.5% of salaries
- Tax-incentivised voluntary savings

The Age Pension is both a safety net for poor retirees and a supplement for middle-income Australians. Those seeking a comfortable retirement need to make use of voluntary savings.

1.4.2 Adequacy

Adequacy of retirement savings depends on an individual's circumstances. ASFA has defined levels for a modest and a comfortable income in retirement.

The wealthy are likely to want a replacement of a percentage of their pre-retirement salary, say 60%-70%. For lower income retirees, a minimum budgetary standard of living such as that suggested by ASFA is more appropriate.

The Age Pension is sufficient to provide ASFA's modest standard of living. However, many Australians will fall short of the more generous 'comfortable' standard due to inadequate savings.

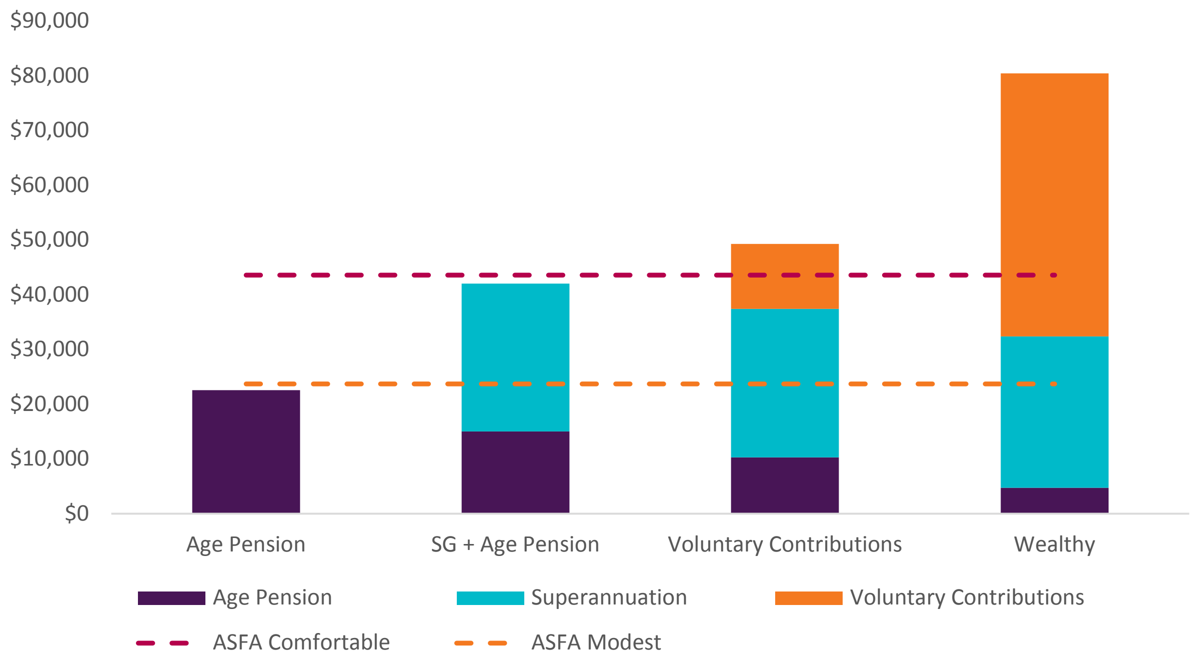
[5] http://newcorporate.ricewarnerdigital.com/wp-content/uploads/2015/10/Joint-Superannuation-Accounts_April-2014.pdf

When considering the relative positions of males and females, we consider it is more sensible to measure adequacy as a dollar amount based on criteria such as used by ASFA. Replacement rates are more difficult for the population to understand and tend to understate the needs of those on lower incomes. ASFA's comfortable retirement income for a couple (about $59,000) is about 75% of average weekly earnings.

The following graph shows the likely composition of retirement incomes for those entering the workforce today. Those on lower incomes will receive the Age Pension plus SG taking them nearly to a comfortable income level. Those on higher incomes with aspirations to maintain living standards will need to make voluntary contributions.

The structure is similar for males and females. However, more females end up on the left hand side of the graph.

Graph 1. Composition of retirement incomes



1.4.3 Tax

Superannuation concessions are tilted towards the wealthy. We believe that a re-weighting of concessions will free up revenue which could be used more efficiently to:

- Assist lower/middle income people to build higher superannuation accounts, and
- Target poor pensioners and improving their quality of life.

We discuss means of achieving this in our submission to the tax white paper task force and summarise some key points in section 2.4

1.5 Women who have already retired

Many of Australia's female pensioners had little superannuation when they retired. They had a number of disadvantages compared with their daughters:

- On average, they had larger families which led to lower workforce participation (and less superannuation).
- They would have received compulsory employer superannuation only towards the end of their careers or not at all.
- On average, they retire three years earlier than men.
- 70% would have been married at the time they retired so they shared the same financial position as their partner. However, women live longer than men on average so many become widowed later in life.

This has led to higher rates of Age Pension dependency amongst females who are currently retired. Many of these women struggle financially, particularly those who are not home owners. According to the recent Productivity Commission Report, *Housing Decisions of Older Australians*, about 15% of retirees are renters.

1.6 Retirement Savings Gap

Even though the salary gap between genders starts early in life, average superannuation balances are close until age 35. By then, the majority of females will have broken their careers to bear and raise children. The retirement gap between genders grows noticeably from age 35 and never closes.

Each year, we calculate the Retirement Savings Gap for the Financial Services Council (FSC). This shows the likely shortfall in assets needed to provide a comfortable retirement. The FSC uses a replacement rate of 62.5% of salary.

Ironically, the latest calculations (at June 2014) show a lower gap for females as they have lower salaries and the Age Pension provides a larger proportion of their needs. Further, many females work part-time or are out of the workforce so they have little income to replace – hence our preference for a budgetary measure rather than a replacement rate when measuring female adequacy.

1.7 Causes of gender retirement income gap

Females retire with less than males due to:

- Lifecycle events – including bearing and raising children
- Barriers – including the gender pay gap and increased longevity
- Attitudes – including the lack of senior roles in the workforce

1.8 Potential solutions

There are a range of solutions to consider. Many parties will play a part, including:

- Government - through sensible tax policy and social programmes
- Superannuation funds - through education and advice as well as sound investment strategies

- Employers - through flexible workplace practices and support for female staff
- Individuals - who must take responsibility for their own future
- Society as a whole, particularly in areas such as caring and sharing

It is important to target the solutions so they have the most effective financial outcomes.

1.8.1 Government

We recommend the following steps from government, noting that many of these will also be applicable to males:

- Review the situation with female single Age Pensioners, particularly those who rent. Raising the rental assistance, reviewing the settings for means-testing, and providing more public housing are some solutions.
- Change the superannuation tax concessions so they are more equitable, particularly for low income earners.
- Remove the $450 threshold for SG payments
- Consider providing tax deductibility of financial planning delivered through superannuation funds
- Allow joint superannuation accounts for married couples
- Provide 15 hours a week free child care for 3 and 4 year olds and provide child care facilities attached to primary schools
- Amend Sex Discrimination legislation to allow employers to make additional superannuation contributions in respect of their female staff without the need for specific approval

1.8.2 Superannuation funds

There are two key ways to enhance member outcomes:

- Expand education and advice services to members
- Improve investment strategies for retirees

Super funds should seek to invest in areas of growth caused by demographic change. For example, public housing for the aged, retirement villages, aged care facilities as well as businesses and research within the health industry.

1.8.3 Employers

- Encourage employers to pay extra superannuation contributions for female staff
- Provide paid parental leave
- Pay SG to staff who are on parental leave
- Provide incentives to return to work after taking maternity leave, such as flexible working conditions, including part-time roles, opportunity to do some work from home and ability to take additional unpaid annual leave
- Mentor and support females into management roles
- Consider opportunities for women over 55 to remain in the workforce, perhaps on a part-time basis

- Provide child care facilities where practical
- Be supportive of males who want to share child care duties

1.8.4 Individuals

Individuals can improve their retirement situation by:

- Making voluntary contributions
- Working part-time late in life and deferring retirement

1.8.5 Society

Society needs to value (with better pay) occupations which are female-centric, such as nursing and teaching.

There also needs to be an attitudinal change regarding the sharing of child care and domestic duties between partners.

1.9 Grouping females

It is useful to look at different segments as the solutions will vary.

- Young females - make voluntary contributions in their twenties as a buffer against a career break to bear and raise children. Ensure the superannuation investment strategy is high growth for maximum long-term returns.
- Young mothers – return to part-time work when children are young and endeavour to keep career alive in order to maximise potential superannuation contributions.
- Low-income females – remove $450 a month threshold; restructure tax concessions to provide 20% rebate for all
- Older female workers with little superannuation – catch up contributions later in life

Of course, many women will be married for some or all of their working life. Couples are almost always better off but females should plan for an independent retirement as a high percentage of marriages end in divorce.

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2. Overview of retirement income

Collectively, women are relatively disadvantaged in retirement compared to men. There is a tendency to look at statistical averages and state simplistically that women are worse off than men. However, there are many heterogeneous groups of females within many age cohorts. Each of these groups has its own characteristics.

In assessing the relative disadvantages of women, it is important to review each of these groups so we can ensure our solutions are targeted efficiently. Some of the groups we consider in this submission are:

- Young females
- Young mothers
- Low-income females
- Older female workers with little superannuation
- Women who have already retired

There are other groups which will be less disadvantaged. This includes high-income women and those women who are married to a high-income earner. Some non-working or low-income wives in the latter group will become vulnerable should they become divorced.

No one entering the workforce knows which cohort they will enter so everyone should prepare equally; it will be a bonus if they fall into one of the wealthier groups.

2.1 What is retirement adequacy?

The term adequacy has a different meaning for different people. The layperson would define adequacy as the amount needed to maintain a comfortable lifestyle. Therefore, wealthier people would expect a retirement income related to their earnings. This would often be defined as a Replacement Rate, being (say) 60% to 70% of their pre-retirement income.

Conversely, poorer people would expect an income which would allow them to maintain a dignified lifestyle with enough disposable income to have some discretionary spending. They would measure this in dollar terms, rather than as a Replacement Rate. They would place a high value on having precautionary savings to be able to deal with setbacks such as health problems or urgent home repairs.

The *ASFA Retirement Standard* benchmarks the annual budget needed by Australians to fund either a **Modest** or **Comfortable** standard of living in retirement and it is updated quarterly to reflect pensioner inflation. As it reflects expenditure needs, the standards are set in dollar terms rather than as a replacement rate.

The latest figures, as at June 2015, are shown in Table 1

Table 1. ASFA Retirement Standards (annual) , as at June 2015

Modest		Comfortable	
Single	**Couple**	**Single**	**Couple**
$23,662	$34,051	$42,861	$58,784

ASFA's Modest Retirement Standard provides a basic lifestyle for a retired home owner. As the Age Pension is indexed to wages, it will soon exceed the Modest Retirement Standard – for single pensioners in 2017 and for couples during 2016. This confirms that the Age Pension largely meets its requirement to be an adequate safety net, keeping all pensioners out of poverty.

A comfortable retirement lifestyle will enable an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of items such as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and regular domestic travel with an occasional international holiday.

It should be noted that the ASFA Retirement Standard assumes that individuals and couples own their own home. It does not allow for mortgage or rental payments during retirement – hence, the Age Pension would not finance even a modest lifestyle for those who do not own their home. The Retirement Standard is also based on a 65 year old and does not look through retirement to take into account, for example, increased health costs related to ageing and deteriorating health.

More recently, ASFA has introduced a standard based on an 85 year old retiree. Generally, the calculated expenditure is reduced. This indicates that the reduction in leisure expenditure at older ages for those with a comfortable lifestyle outweighs any increase in health costs, which do grow with age.

Table 2. Annual budgets for those aged around age 85 (June quarter 2015, national)

Modest lifestyle		Comfortable lifestyle	
Single	**Couple**	**Single**	**Couple**
$23,026	$34,214	$38,369	$53,825

2.2 Age Pension

The OECD defines poverty as being below 50% of median income[6]. Median income in Australia is $53,457, so we would expect a single Age Pension to be of the order of $26,728, some 19% above the current benefit level. However such an increase would be too expensive to fund given the large percentage of the retired population which receives an Age Pension benefit. If more Australians were able to fund their own retirement, this would allow future governments to pay more for those poorer Australians who will be totally dependent on government support in their retirement years.

[6] http://www.oecd-ilibrary.org/sites/factbook-2013-en/03/02/02/index.html?itemId=/content/chapter/factbook-2013-26-en

The Age Pension, which is funded on a pay-as-you-go basis, acts as a 'safety net' for those individuals who have not accumulated adequate savings to fund their retirement. There is a means test which reduces the pensions for those with reasonable retirement benefits. These part pensions supplement the retirement income of middle-income Australians. Wealthier Australians will not receive any Age Pension.

The current Age Pension figures (including the Age Pension supplement) as at September 2015 are shown in Table 3 together with ASFA's Comfortable measure.

Table 3. Age Pension versus ASFA comfortable lifestyle

	Comfortable lifestyle	
	Single	**Couple**
ASFA Comfortable	$42,861	$58,784
Age Pension	$22,542	$33,982
Difference	$20,319	$24,802

It is clear that Australians wanting a comfortable lifestyle in their retirement years need to supplement their income with superannuation. The amount needed is unclear as there are a number of variables. It is not helpful that there are frequent media comments stating the required benefit at retirement should be within the wide range of $500,000 to $1,000,000.

People really want to know what their monthly income will be (so they can plan their expenditure) and how long their money will last. Fortunately, most superannuation funds now provide calculators which allow some basic retirement projections to give members some guidance. These numbers can only be a very rough guide as the funds don't know enough about members' finances to provide accurate estimates of the required benefit – for example, marital status, partner's superannuation and other assets. We believe these projections should be meaningful; this would be much easier to do if the family kept all their superannuation (both husband and wife) together in one fund, preferably as a linked account. Most SMSF arrangements already have this structure.

2.3 Superannuation

2.3.1 Compulsory Superannuation (SG)

The Superannuation Guarantee (SG) was introduced in 1992 as a mandatory employer contribution, commencing at a level of 3% of salary and it rose progressively to 9% in 2002. This has meant that existing pensioners and the current cohort of individuals entering retirement, the 'baby-boomers', have not benefited from a full working lifetime of SG contributions.

The Labor government recognised that a contribution rate of 9% was not sufficient to fund an adequate retirement, and in 2010 passed legislation to allow a gradual increase in the SG from 9% to 12% between July 2013 and July 2019. Two incremental increases took place, taking the SG to 9.5%, before the Coalition government, in an effort to reduce pressure on the Federal Budget, announced in

September 2014, that the SG rate will remain at 9.5% for seven years, and will then increase gradually to 12% by 2025.

Employers are not required to pay the SG to any employee receiving less than $450 of wages in a calendar month. This amount has not been indexed since inception so fewer employees are now captured by the threshold.

The SG is also capped (for 2016 FY) on salaries of $50,810 a quarter ($203,240 a year). The threshold is indexed and changes every financial year.

2.3.2 Voluntary savings

There are tax incentives to save extra through superannuation. Employees under age 50 can contribute up to $30,000 a year and those from age 50 can contribute $35,000 a year. These limits are for the SG and voluntary contributions combined.

After-tax capital sums of up to $180,000 a year can also be placed in superannuation.

2.4 Fiscal aspects of superannuation

2.4.1 Dilemma of increasing costs

The cost of providing income support for seniors is increasing rapidly, and will continue to do so as the baby-boomer generation enters retirement. The Age Pension costs now exceed $41 billion a year (about 2.5% of GDP) and our modelling shows they will rise to 3.0% of GDP in 40 years[7]. While this is sustainable, and much lower than the cost of State pensions in other regions, it is not well targeted due to a distorted means-test structure which exempts the value of the family home.

Similarly, the cost of providing tax concessions for superannuation are high and poorly targeted. We discuss ways of addressing this in our submission to the Tax White Paper Task Force[8].

2.4.2 Taxation of super

While it could seem perverse to encourage savings and then to tax them, superannuation has been taxed since 1988. A superannuation fund is taxed at 15% on its taxable income from concessional contributions and investment earnings (with a discount for capital gains on assets held for more than 12 months). Allowable expenses include the costs of running the fund and all life insurance premiums paid.

Once a member converts to a pension, the investment income on the pension account becomes tax-free. All lump sum and pension benefits from age 60 are also tax-free.

The Labor government introduced reforms to tax those with combined income and concessional superannuation contributions in excess of $300,000 at 30% instead of 15%. Another measure, the Low Income Superannuation Contribution (LISC) was introduced to remove the tax paid on contributions by those earning less than $37,000. However, this measure is currently legislated to end in 2017.

[7] Treasury Intergenerational Report projects 3.6% but uses a different drawdown pattern
[8] http://bettertax.gov.au/files/2015/06/Rice-Warner.pdf

The current tax system is inequitable. Rice Warner has prepared modelling for Industry Super Australia (ISA) which shows which groups benefit most from the existing tax concessions[9]. If changes were made, the system would become more sustainable – and the tax concessions could be targeted towards those most in need.

2.5 Growth of Age Pension

We are faced with an ageing population. According to the 2015 Intergenerational Report, issued in June 2015, the proportion of those age 65 and over in the Australian population is 15.0%, up from 8.7% in 1975. It is projected that, by June 2055, around 22.6% of the Australian population will be aged 65 and over.

These changing demographics also mean that the proportion of working age people is projected to fall, with only 2.7 people of working age to support each Australian aged 65 and over by 2055 (compared to 4.5 working people per aged person today and 7.3 in 1975).

This ratio will place pressure on the working population unless there are changes in working patterns. We expect the projections will be less severe provided the participation rate of older workers increases.

[9] http://bettertax.gov.au/files/2015/07/Industry-Super-Australia.pdf

3. Women who have already retired

3.1 Characteristics

Many of Australia's retired women had little superannuation. They had a number of disadvantages compared to their daughters:

- On average, they had larger families which led to lower workforce participation (and less superannuation). In those days, mothers with 3 or more children already had a full time job (albeit unpaid) and most did not return to work, except in a part-time capacity.
- The availability of child care was a factor. Commercial child care facilities have only proliferated in the last 15 years.
- They would only have enjoyed compulsory employer superannuation towards the end of their careers. Forty years ago, only 32% of the working population had superannuation[10] but the coverage for females was only 15%. At that stage, superannuation was largely for public servants and those working in large companies. In many of these companies (including the Federal government until 1966), women were forced to resign upon getting married.
- If married, they would usually retire at the same time as their husband. Since they were three years younger on average, this meant most retired at a younger age and had less time to build up their superannuation if they had any.
- Nearly 80% would have been married at the time they retired[11] so they shared the same financial position as their partner. However, women live longer than men on average so many become widowed later in life.

3.2 Superannuation balances for retirees

From our database of 160,000 pensioner records in APRA-regulated funds, as well as APRA and ATO statistics, we show that the average pension balance is relatively stable up to age 70. This is a result of frugal drawdowns combined with strong investment earnings.

Balances are much lower at older ages, reflecting lower retirement benefits and the gradual drawdown of the benefit for consumption. In all cases, men have higher balances than women.

[10] http://www.aph.gov.au/binaries/library/pubs/bn/eco/chron_superannuation.pdf
[11] About 70% of new retirees today are married

Table 4. Average balances in retirement by age and gender (2014)

Age	Male	Female	Combined
55 - 59	406,000	266,300	313,600
60 - 64	426,800	321,400	360,500
65 - 69	409,500	285,800	339,300
70 - 74	327,100	258,500	293,600
75 - 79	185,100	154,800	172,200
80 - 84	92,000	74,100	85,700
85 - 89	48,400	28,900	42,400
90 - 94	29,100	16,500	24,500
95 - 99	16,700	9,300	13,400
Total	**294,200**	**249,400**	**271,300**

The average pension balances in SMSF arrangements are much higher so many of these retirees are ‘self-funded’ (that is, they are not eligible for any Age Pension) at least for the early years of their retirement.

3.3 Age Pension Dependency

About 75% of Australians above age 65 receive an Age Pension. More elderly retirees receive a full Age Pension since many had little superannuation when they retired.

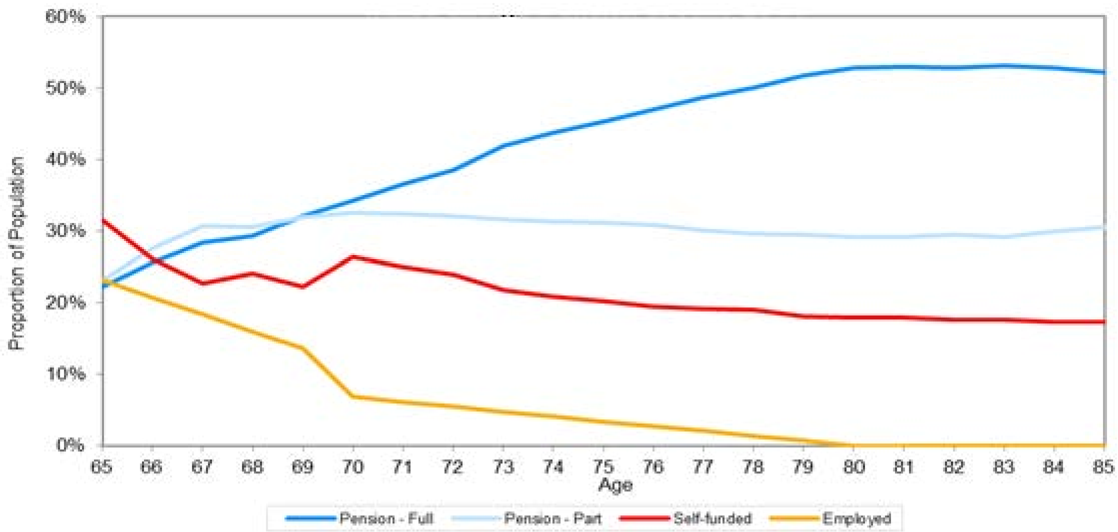
The graphs below show that a higher number of females, particularly single females, end up on a full Age Pension.

Single women as a group, whether unmarried, divorced or widowed have the worst financial position of retirees.

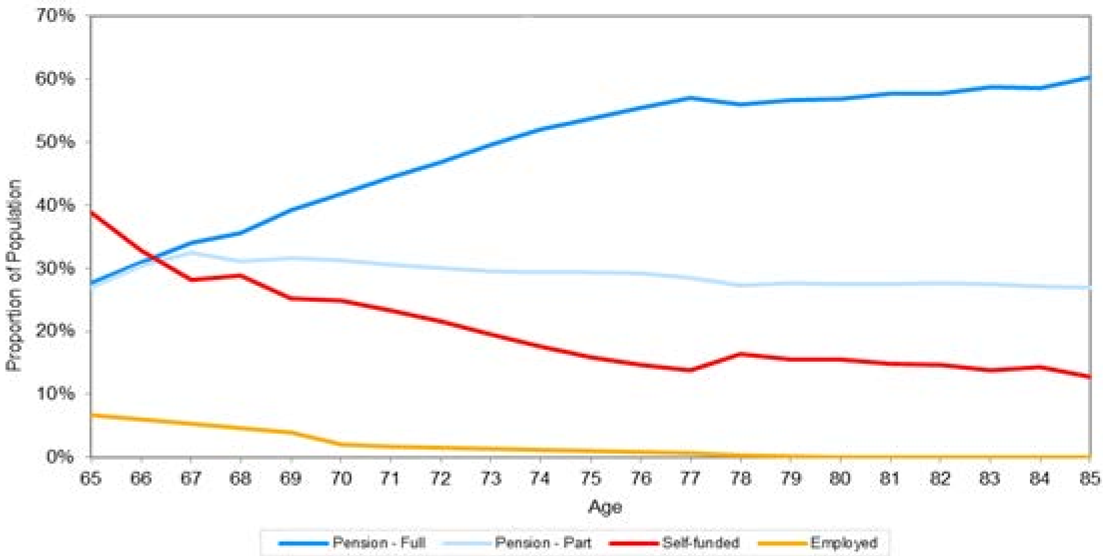
The Age Pension does have a supplementary rental allowance for those who don’t own their own home. However, the maximum payment of $65 a week is not enough to pay for accommodation. Hence, these pensioners will have less disposable income.

If a couple is on a full Age Pension and the husband dies, the Age Pension will fall by one-third. However, the widow is then subject to the single person’s means test. This could result in a shift from a full Age Pension to a part-pension, meaning the household income could fall by as much as 50%.

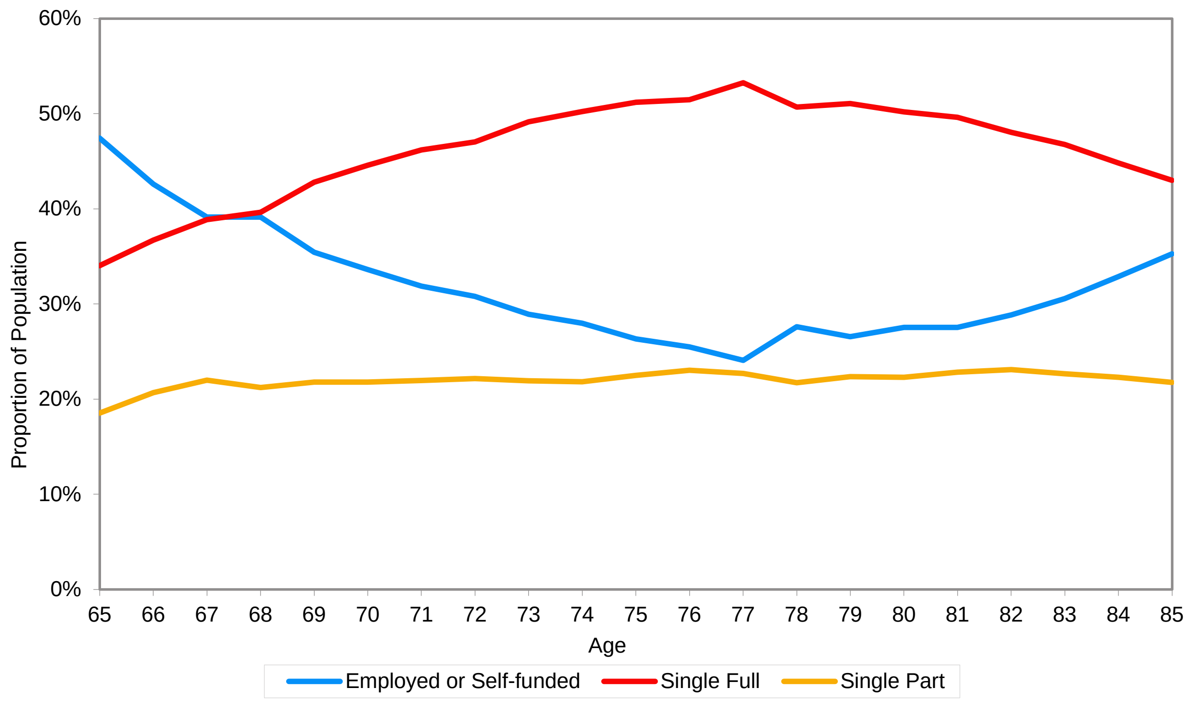
Graph 2. Males on Age Pension at June 2014



Graph 3. Females on Age Pension at June 2014



Graph 4. Single females on Age Pension at June 2014



At advanced ages, women are more likely to be widowed and keep the family assets. This is a potential explanation for the increase in the proportion of self-funded single female retirees at advanced ages[12].

3.4 Impact of lack of savings

There is a clear message from the graphs. Females who retired after a period of low superannuation coverage have ended up with high representation on the Age Pension. Few have achieved a comfortable retirement.

While the situation gradually improves for each generation (cohort) of females, it is still nowhere near satisfactory. Superannuation savings can help address this issue for future generations, though current policy will not close the gender gap completely.

We consider that existing pensions need to be reviewed. The Harmer Pension Review of 2009 led to an increase in the single Age Pension of $30 a week. While this was helpful, it is opportune to look at the low levels of rental assistance and consider whether this should be increased, at least in capital cities.

[12] We have estimated the total single population at each age using the proportion of females married or in a de-facto relationship from the 2011 Census.

4. Retirement Savings Gap

4.1 Average balances by gender

We hold a database of the population which includes superannuation balances. Table 5 sets out the average balance in quinquennial groups.

Table 5. Average superannuation balances by age and gender (June 2014)

Age	Male	Female	Total
20 - 24	8,600	7,100	7,900
25 - 29	22,100	20,800	21,500
30 - 34	41,200	39,400	40,400
35 - 39	71,600	61,600	67,100
40 - 44	98,700	74,400	87,300
45 - 49	133,600	90,100	112,700
50 - 54	168,200	106,000	138,200
55 - 59	201,200	127,900	166,400
60 - 64	206,000	152,300	182,200
Total	**97,700**	**70,200**	**84,800**

Superannuation balances are greater for males than females at all age bands. However, the gender gap increases from age 35 as the majority of women take time off to have children – and they lose promotion at work too. The gap is never closed.

There is an anomaly above age 60 where the gap appears to narrow. However, many high income people (the majority being male) make use of Transition to Retirement pensions and transfer large superannuation benefits into pensions. This reduces the average balance of the remaining superannuation accounts.

4.2 Defining the RSG

Since 2002, Rice Warner has undertaken modelling for the Financial Services Council (FSC) to calculate the Retirement Savings Gap (RSG) and changes over time. It is a measure of the shortfall between the amount the working population will accumulate by retirement and the amount required to provide an adequate (reasonable) retirement income up until their life expectancy at retirement.

The definition of 'adequacy' used by the FSC is a retirement income benefit of 62.5% of pre-retirement earnings (in real terms) for each year until life expectancy. For this exercise:

- We ignore the cohort which earns more than twice average earnings as it is likely that they will have adequate provision in retirement.
- We ignore those who earn less than 50% of average earnings as they will usually move straight to a full Age Pension.

- We ignore the population under age 25 and over age 65.

The amount which will be saved has been determined by reference to the current level of superannuation savings and the likely level at retirement of future superannuation savings based on current contribution trends.

The latest results show that the RSG was $768 billion as at June 2014. This was split between males ($435 billion) and females ($333 billion).

The main reasons for the lower figure for females are:

- the large number of females who earn less than 50% of average earnings and who were excluded from the measured population
- lower average salaries for females which means their target benefit on a replacement rate is lower than for males.

4.3 RSG by age and gender

The RSG is larger for young people, which tells us that the SG will not be sufficient by itself to fund a comfortable retirement. Older cohorts have benefited from voluntary contributions which have closed the gap.

The total shortfall by gender is set out below.

Table 6. Total RSG by age and gender ($m)

As at 30 June Age	2014	
	Males ($m)	Females ($m)
25-29	84,846	83,347
30-34	81,780	58,733
35-39	70,890	49,873
40-44	54,566	35,053
45-49	47,806	39,062
50-54	44,580	35,247
55-59	27,718	24,433
60-64	22,448	7,495
Total	**434,635**	**333,243**

The average shortfall per capita is set out below. The lower amounts for females reflect their lower incomes rather than higher balances.

Table 7. Average RSG by age and gender

As at 30 June 2014 Age	Males	Females
25-29	$115,554	$107,867
30-34	$130,513	$81,441
35-39	$108,875	$62,983
40-44	$87,084	$46,341
45-49	$71,022	$49,464
50-54	$71,737	$48,331
55-59	$46,222	$36,149
60-64	$38,870	$12,206
Total	**$85,050**	**$56,954**

It is clear that the population as a whole is not on track to achieve a comfortable retirement. The use of replacement rates can be misleading in that the gap is lower for those on lower salaries. This results in a lower total figure for females as a result of the salary gap.

5. What prevents women saving adequately for retirement?

There are many reasons why women fare less well than men. They can be summarised into the following types.

- Lifecycle events
- Barriers
- Attitudes

All women will face some or all of these challenges during their lifetime and the accumulative effects on their retirement savings can be significant.

5.1 Lifecycle events

Workforce participation is the key to improving retirement savings for women, and therefore ensuring economic security during the retirement years. Women have less time to accrue superannuation due to:

- Parenting children, resulting in career breaks
- Caring for family members, including elderly parents and grandchildren
- Retiring earlier than men, often in order to retire at the same time as their partner

5.1.1 Raising children

Approximately 85% of women today will have children. Most will take time out of the workforce to bear and raise them resulting in a cessation of superannuation contributions. Some new mothers take minimal paternal leave as they need to keep earning an income.

The percentage of women without children has been increasing in recent decades. This is largely due to more females choosing a career rather than family, or delaying having children only to then find they are unable to have them at older years. Table 8 shows the percentage of females aged 45-49 without children, which is a good proxy for childlessness for each cohort.

Table 8. Females without children

1986	1996	2006	2011
9%	11%	14%	15.5%

According to ABS statistics, the median age for women giving birth in 2014 was 30.9 years. Typically, the key years for career progression and promotional opportunities (30 to 40) coincide with this career break.

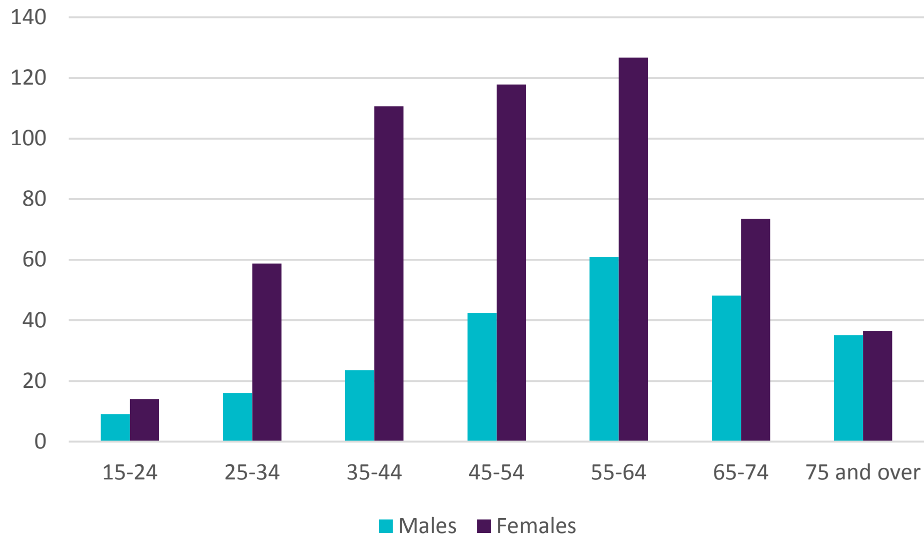
Whilst the total time out of the workforce will vary from individual to individual, many women return to the workforce part-time when their children are young. Not only do these mothers often work part time for an extended period, but their income will have stagnated during their career break. In addition to missing out on salary increases due to missed promotional opportunities, some may even forgo standard annual salary increases (for example, annual CPI increases). This also results in a reduction in superannuation contributions and sadly for many women, they never catch up.

5.1.2 Caring for family

As well as caring for their children, many females care for other family members. Those who provide care are sacrificing time which leads to reduced income. According to the ABS, in 2012 more than 500,000 Australians aged 55 to 64 were carers[13]. This is the time when Australians usually 'catch up' their superannuation, so these people sacrifice more than their time when they care for others.

Graph 5 (which includes caring for young children) shows that the dominant primary carers in society are females – at all ages.

Graph 5. Primary carers by sex and age ('000)



5.1.3 Retiring early

In addition to broken workforce participation, women often leave the workforce early. This is driven largely by the tendency for couples to retire together. As there is usually a two to three year age gap within couples, early retirement leads to fewer years to accumulate retirement savings and more years in retirement for which an income is required.

In Australia, the median retirement age is 63 for males and 59 for females[14]. The actual age of ceasing work is higher as some people convert their superannuation to pensions and continue to work. However, it would be beneficial if people, particularly females, could work longer. This would increase their retirement savings and reduce the period over which they spend their retirement income. It would also reduce the system dependency on younger workers.

5.1.4 Divorce

About one in three marriages end in divorce, and there are signs that the percentage is increasing. Relationship breakdowns can cause financial devastation for all parties. However, women with children tend to suffer the most. Many divorced women, particularly those with children, who have remained

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[13]ABS 4430.0 Disability, Ageing and Carers (November 2013)
[14] ABS 6238.0 Retirement and Retirement intentions (December 2013)

out of the workforce, are unable to contribute significant amounts to their superannuation for extended periods.

5.2 Barriers

5.2.1 Gender pay gap

The gender pay gap is the difference between women's and men's average weekly full-time equivalent earnings, expressed as a percentage of men's earnings. The Workplace Gender Equality Agency (WGEA) calculates the national gender pay gap using Australian Bureau of Statistics' Average Weekly Full-Time Earnings data (cat. No. 6302.0). The national gender pay gap is currently 17.9%[15]. The largest discrepancy can be found in financial services (37.8% for full time employees).

The pay gap commences at the beginning of working life. For example, the August 2015 ABS Gender Indicators, show that the median starting salary for female graduates is $3,000 less than male graduates.

It is difficult to understand why there is a gender pay difference for the same work. It does appear that males are more aggressive in seeking pay rises and promotions whereas women are less likely to fight for themselves.

With superannuation being linked to wages, this pay differential carries through to superannuation contributions and retirement savings.

5.2.2 Longevity

Mortality continues to improve, largely due to medical advances and individuals making a conscious decision to pursue a healthy lifestyle. As a result, more people than ever before reach retirement and then they live longer. Table 9 shows the improvement in the average life expectancy of a 65 year old man and woman since the beginning of last century, together with projected improvements.

As females will live about 3 years longer than males in retirement, their benefit needs to be spread over a longer period. The projections show that young females will live longer and will need to save more than their mothers to achieve the same annual income.

Improvements in longevity mean that younger people will need to retire later or have more savings to pay for the extended retirement years.

Table 9. Average Life Expectancy

Year	At birth Man	At birth Woman	At age 65 Man	At age 65 Woman
1901-10	55	59	76	78
2010-12	80	84	84	87

[15] https://www.wgea.gov.au/addressing-pay-equity/what-gender-pay-gap

Year	At birth Man	At birth Woman	At age 65 Man	At age 65 Woman
2031 (projected)	84	87	91	93
2051 (projected)	88	89	93	94

5.2.3 *Child care costs*

One of the biggest barriers hindering women who want to re-join the workforce is the cost of child care. In recent years, governments have been generous in raising the tax rebate for those paying these costs. However, there has been a huge increase in fees, negating much of the benefit. For many women, it is financially unattractive to return to work due to the child care costs relative to income from part-time work.

The rates are under review but the Child Care Rebate currently covers up to 50% of out of pocket expenses up to $7,500 a child a year.

5.2.4 *Housing costs*

The high price of housing in Australia has forced many families to live long distances from work. If there is significant daily travel, this will impact on the capacity of both parents to undertake full-time work. In many cases, the mother will work part-time locally but this may well impact on her future career.

5.3 Attitudes

Society still restricts the work progress of females, through *unconscious bias* and various forms of discrimination. More males than females are promoted in large companies despite their attributes for the management roles being similar.

5.3.1 *Women in leadership*

The lack of gender diversity in many Australian workplaces, including the lack of women in senior management positions and on Boards, has received a great deal of attention over recent years. Many large businesses and government agencies are working towards improving their gender diversity. The introduction of mandatory reporting on gender equality through the Workplace Gender Equality Agency (WGEA) will ensure this trend continues.

There will be many benefits to the Australian economy and businesses by increasing the number of females holding leadership positions. Diversity brings different perspectives and leadership styles which should lead to better business decisions and outcomes.

Increasing the number of females in senior management will lead to more female-friendly workplaces and potentially more promotional opportunities. This should assist to raise average salaries and close the gender pay gap. Simultaneously, it will result in higher SG contributions and the opportunity for females with larger disposable incomes to make their own voluntary savings.

5.3.2 The value of part time work

In many businesses, part time work has a negative connotation and many part time workers are still not recognised as making a 'full contribution'. This is particularly relevant to women who have children as they will often be the primary carer and work part-time to balance their personal and professional responsibilities.

There needs to be a change in perception, where contribution is measured by productivity rather than the number of hours worked every week. There should be no reason why part time workers should not be considered for promotion on merit.

Another advantage of part-time work is that it facilitates a return to full time work when family circumstances permit. Often, it can be difficult to obtain full time employment after an extended absence from the workforce.

The availability of part-time work will also allow older women to stay in the workforce longer. Deferring retirement will enhance their future income.

5.3.3 The value of certain occupations

Pay inequity exists between different sectors with greater value placed on some types of work compared with others. Traditionally, those industries dominated by females, for example, nursing, social services and retail, attract lower rates of pay than male-dominated industries.

As an aside, measuring outcomes rather than input would lead to differential pay between workers doing the same job. For example, high performing teachers would earn more than other teachers. Some parts of society, particularly many trade unions, do not accept this concept.

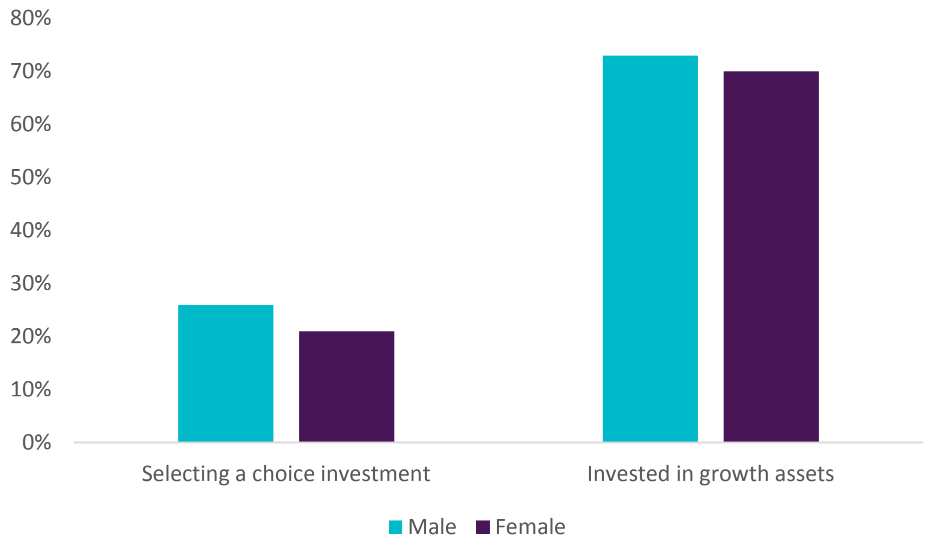
5.3.4 Risk Aversion

There is a widespread belief that females invest more conservatively than males. The theory is that women are more protective of their capital so try to avoid losses. In superannuation, trustees have high levels of 'growth' assets in their default structures. These are valuable as they provide strong real returns over extended periods. The Australian industry has generated returns of 8% a year over the last 25 years[16] which has contributed greatly to retirement benefits. It would be detrimental for members to act conservatively as this would reduce their ultimate retirement benefit.

Fortunately, most members do stay in the default investment strategy. However, those who move are usually more conservative than the trustees. Our analysis of members exercising choice shows that more males make a choice but there is little difference in asset allocation of Choice members based on gender.

[16] Morningstar research – *Superfunds*, September 2015

Graph 6. Asset allocation based on gender



6. Potential solutions

Ensuring the economic security of women in retirement is a complex issue with no universal solution that will accommodate all circumstances. It will take ongoing commitment from many parties within the community. Some solutions will require additional funding and the government will need to ensure that this is targeted efficiently to those most in need.

6.1 Parties

Many parties will play a part, including:

- Government - through sensible tax policy and social programmes
- Superannuation funds - through education and advice as well as sound investment strategies
- Employers - through flexible workplace practices and support for female staff
- Individuals - who must take responsibility for their own future
- Society as a whole, particularly in areas such as caring and sharing

6.2 Targeting concessions and benefits

It is important to target those most in need. We need to consider

- Different cohorts – women have different challenges and needs at different times in their lifecycles
- Intergenerational equity – many younger people will support their parents' retirement through taxes but will be expected to fund most of their own retirement too
- Innovative solutions – how can we get the community to work cohesively to support females in areas such as caring?

7. Government

7.1 Helping women already retired

We have observed how single pensioners who rent are the most vulnerable retirees. More females than males fall into this group, particularly at older ages.

The optimum strategy for helping this cohort is to provide support with accommodation. This includes assisting retired women to enter public housing or to subsidise private housing costs.

We recommend increasing the rent assistance supplement to the Age Pension. This should be varied by location, recognising the variation in rental costs by region.

There is a shortage of public housing. Could older women share accommodation in the same way that younger people do to provide personal companionship as well as reduced costs per capita?

7.2 Government - Superannuation tax changes

The optimum support from government would be to target tax concessions to those who need them. The savings should be redeployed to other means of helping those most in need – either through improved welfare benefits or a contribution to supplement superannuation.

7.2.1 Retain LISC or provide rebate?

The retention of LISC will benefit females. However, Rice Warner has suggested an alternative flat tax rebate of 20% of concessional contributions made in the individual's tax return.

Effectively, concessional contributions would be added to assessable income for personal tax purposes. If the tax adjustment is made in the personal tax return, the contributions to the fund will not be assessable income for the fund. This has two advantages:

- Low income earners will benefit more than they do with LISC (at the expense of high income earners)
- The employer contribution to superannuation will be an effective 9% and not 7.65% (9% less 15% tax).

This rebate would also remove the need for the extra tax on those earning more than $300,000 (Division 293).

7.2.2 Remove $450 threshold

Individuals earning less than $450 per month from any employer do not have an entitlement to Superannuation Guarantee contributions. This is detrimental for women (and some men), who often work part-time or casual whilst raising a family. To make matters worse, the threshold applies to each employer separately. In some industries where female participation on a part-time or casual basis is high, and working for multiple employers is common (for example, nursing), many women are excluded from the SG system.

When the SG was introduced in 1992, the process for paying contributions was less efficient and many individuals did not hold superannuation accounts. Hence, the justification for the threshold. However, with the introduction of SuperStream, contribution processing is now more efficient and most employees have a superannuation account. Therefore the burden on employers today, particularly small businesses, would be far less.

According to ASFA, abolishing the threshold would benefit around 250,000 individuals, the majority female, and the cost to employers would be very modest[17].

7.2.3 Tax deductibility of financial planning

Many organisations, including the Financial Planning Association of Australia, have argued that financial advice should be tax deductible. This would encourage more Australians to obtain advice on their financial affairs.

This should be targeted properly. One way of structuring it would be ensure the advice is delivered through their superannuation fund. Potentially, a tax rebate for the advice could be paid into their superannuation account.

7.3 Joint Accounts

Australian families usually pool their finances and have joint bank accounts for running the household. When we retire, most Australians will receive a full or part Age Pension and the benefit will be based on our marital status. Yet, when Australian families save for their retirement, they are required to have separate superannuation accounts. Why can't the 6.6 million families of working age pool their superannuation into a joint account? This already happens for 450,000 couples who have set up SMSF arrangements.

We don't expect a significant reduction in fees, so the direct impact on improving retirement savings would be modest. Administration would be simplified by the reduction in accounts so there should be some saving in costs for the industry.

However, joint accounts will produce higher levels of engagement and therefore encourage more people to save for retirement. Further details can be found in a newsletter we produced in 2014.[18]

7.4 Child care

It is critical to free up time for women to return to work. That means affordable child care needs to be available. We consider the government could look at two initiatives from the UK.

The first is the provision of 15 hours a week of free child care for 3 and 4 year old children. Such a system in Australia (perhaps replacing some of the current Child Care rebate) would allow women to return to work at least 3 days a week which would make a material difference to their careers.

The second idea is to develop child care (early education) structures within primary schools. This would provide a source of income for the school, a safe environment for the children and a combined drop-off for mothers with a pre-school and primary school child.

[17] http://www.superannuation.asn.au/ArticleDocuments/1089/ASFA_Equity-and-super_Sep2012.pdf.aspx
[18] http://ricewarner.com/joint-superannuation-accounts/

These facilities would also ease pressure on some grandmothers, who might be able to stay part-time longer in the workforce if they were not needed as carers for their grandchildren.

7.5 Life insurance

All superannuation funds have default life insurance. For many Australians, life insurance is unnecessary below age 30. If the cover was optional until that age, the premiums saved would be invested and go towards the retirement benefit.

A system of needing to opt in for life insurance would be better at young ages. Those Australians who get married or want cover should be able to opt in at any time up to age 30 without underwriting.

8. Superannuation funds

8.1 Education and advice

Over time, financial advice will become a key engagement and retention tool for superannuation funds. To compete in this environment, funds will need to raise awareness of the services available to members and be able to clearly articulate the value proposition of financial advice. Funds with highly engaged members will be at a distinct advantage.

We estimate that less than one in ten superannuation fund members today are advised by their fund. Further, close to half of all superannuation fund members have not used their fund's advice services because they are largely unaware that their fund offers financial advice for superannuation. Within this, industry fund members typically demonstrate a lower rate of take-up of advice services than their *retail* counterparts which is a reflection on the disparity in engagement between the two sectors.

There appears to be a strong link between member education and financial advice and subsequent engagement by the member. The most successful education programs include the opportunity to obtain financial advice. Currently, super funds tend to deliver traditional education seminars through employers and advertise fund services to members through direct correspondence or on the fund's website. The extremely low uptake of advice across the superannuation industry reinforces the notion that existing strategies are ineffective.

We consider the key to the success of engaging and retaining members through the use of financial advice is member segmentation and fund flexibility. Funds will need to make better use of data analytics and tailor their education programs for specific member demographics. A best practice strategy which leverages knowledge of members' needs, preferences and attitudes is the most likely to be successful.

Some superannuation funds have suggested that education of women should be conducted separately to men. They are more likely to feel comfortable within a peer group of females and are more likely to ask questions.

8.2 Investment earnings

The Australian superannuation industry has done remarkably well with collective investment earnings of 8% a year over the last 25 years. This high real rate of return is due to the long-term investment strategies adopted by the trustees of the major funds. Unfortunately, the industry is too conservative when it comes to investing pension money. Even though a newly retired pensioner will have a life expectancy of more than 20 years, the funds are more concerned with 'sequencing risk', the chance of losing money at the time of retirement or when withdrawing pension payments. This psyche actually reduces members' retirement income.

Some commentators (including the Henry tax review) suggest annuitisation of pensions in order to pool mortality. However, this is an inefficient means of pooling as it reduces everyone's retirement income.

As women live longer on average than men, they have a longer period of consumption and need their investment to last longer. Arguably, it is more important for females to have a growth strategy.

Graphs 7 and 8 (page 35) examine two options for investment in retirement in support of an account based pension. The first is an investment in a common 70/30 Growth/Defensive managed fund plus a cash account with earnings paid in cash and optimised management of the cash account. The second is investment in a common Lifecycle fund. This fund moves from an 80/20 Growth/Defensive allocation at young ages to a 50/50 split at retirement and then reduces further to a 40/60 allocation.

In the example, the retiree accumulates their superannuation assets from age 60 to retire at age 65. They then draw down an income of 5% of the balance at retirement increased with inflation each year. The comparison shows the resultant account balance each year and specifically how long the money will last. The option that lasts longer is the better option. The results are shown in comparison to life expectancy (LE) at the 25th percentile, median (50th percentile) and 75th percentile.

Two investment scenarios have been selected using historic periods. The first is one in which investment markets fall significantly at the point of retirement – a worst case scenario. The second is one in which investment markets are positive in the early stages of retirement, but do suffer major dislocations later.

These results show that the Lifecycle approach produces the worst results for both investment scenarios. The reasons for this are:

- The volatility de-risking is not sufficient when faced with a significant market fall.
- The reduction in earnings capacity from moving significant proportions to defensive assets results in material long term underperformance.

In summary, the risk premium given up is too high for the protection provided.

A growth oriented portfolio operating in conjunction with an optimised cash account is a better proposition:

- It provides a material improvement in a negative investment scenario.
- It does not materially affect outcomes in a positive investment scenario.

The risk premium is much better value for money.

To conclude, the superannuation industry needs to maintain its long-term investment strategy for pension accounts in order to make members' money last longer.

8.3 Use of superannuation assets

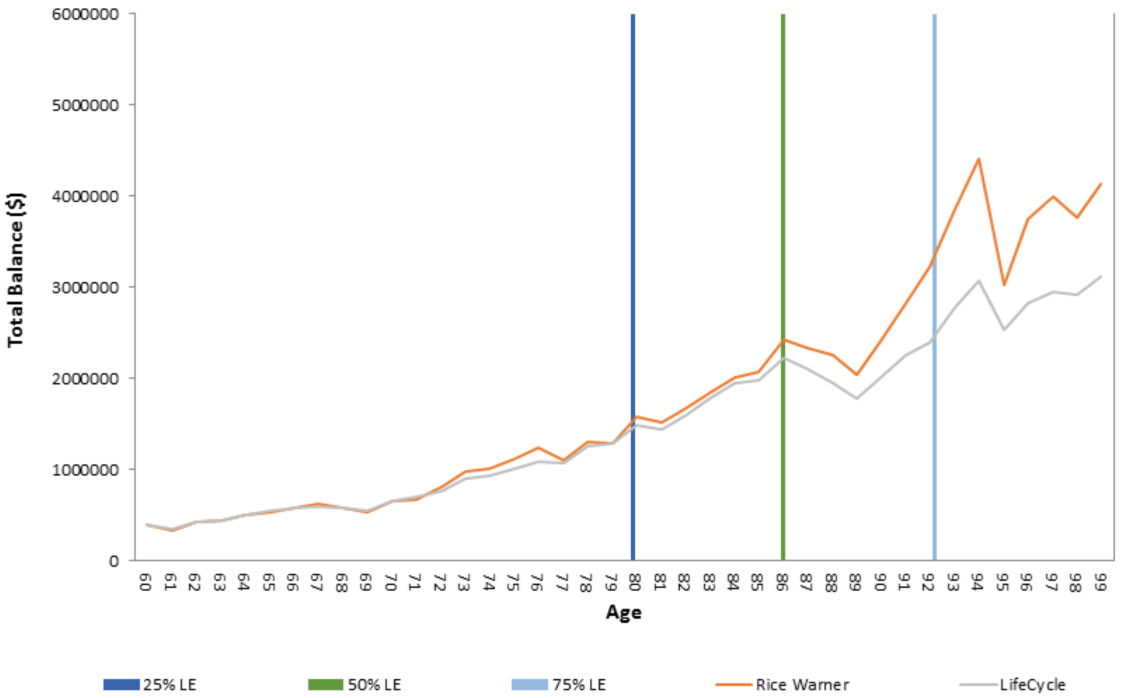
The superannuation industry will have strong cash flow for several decades. It is innovative in seeking good investments to provide strong returns for members.

As the population ages, there will be opportunities to invest in areas of growth created by the changing demographic structure of society. This includes public housing for older people, aged care facilities, retirement villages as well as businesses and research within the health industry.

The government and industry should be thinking of how funds could efficiently invest in these areas.

Graph 7. 1969 Investment in a common 70/30 Growth/Defensive managed fund plus a cash account with earnings paid in cash and optimised management of the cash account

Graph 8. 1974 Investment in a common 80/20 Growth/Defensive allocation at young ages to a 50/50 split at a retirement and then reduces further to a 40/60 allocation



9. Employers

Employers can, independently of any legislative requirements, implement policies to support female participation in the workforce. This will in turn, allow females to save more for their retirement.

9.1 Rice Warner case study – Valuing Females

It is instructive to consider a case study of Rice Warner's own staff.

9.1.1 Objective

On 1 July 2013, Rice Warner implemented a package of benefits known as our Valuing Females policy. The policy was a voluntary and innovative approach to assisting our female employees to achieve higher retirement incomes.

The two key drivers for developing our policy were:

- To improve the retirement savings of our own female employees
- To bring awareness to our own staff of the challenges facing women in saving for a comfortable retirement.

The full details of our policy are set out in Appendix A. In summary the benefits include paid parental leave, SG on paid and unpaid parental leave, long service leave accrual whilst on parental leave, flexible working conditions, an educational programme and an additional superannuation payment of 2% of salary.

Some organisations have suggested that this initiative could backfire. It has been said that the additional contributions would end up being borne by the female staff as part of their package and simply force them to save more than males. However, it is very easy to separate these contributions from packages, as we do for the life insurance benefits we provide.

It has also been stated that employers would not recruit females as their cost of remuneration would be higher. We regard this as fallacious since the benefit is voluntary for employers; those who introduce it will see the benefits of retaining good female staff through this initiative.

9.1.2 Difficult process

Few other employers have copied our initiative. We consider one reason for this is the difficulty in gaining official approval to ensure they are not in breach of Sex Discrimination laws.

We first wrote to the Human Rights Commission in January 2012 seeking a temporary exemption from the Sex Discrimination Act. This led to an 18 month period of correspondence and negotiations. We were required to provide substantial evidence to demonstrate the disadvantages women face, including complex modelling.

The final outcome was that rather than the Commission granting a temporary exemption (which has a time limit of 5 years and cannot be challenged in Court), it deemed the initiative to be a Special Measure. Importantly, a Special Measure can be challenged in Court should a case ever arise. As a business, we decided that the risk was low and the benefits of introducing the Valuing Females policy outweighed the risk.

Whilst the Commission was very supportive throughout the process, it is our belief that this process would act as a barrier for many employers for the following reasons:

1. The current process is unclear. It appears that Rice Warner and the two other organisations which have introduced similar initiatives (Unions NSW and ANZ bank) followed different processes.
2. The drawn out process would deter many employers.
3. Some might believe the risk to be too high around the lack of certainty for Special Measures being challenged in Court.
4. Many would lack the capability to support their application with suitable evidence.

It is for these reasons one of our recommendations in this submission is to amend the Sex Discrimination legislation to ensure employers who voluntarily choose to pay their female employees more superannuation are not in breach of the legislation.

9.1.3 Response from staff

Two years on, and the response to our policy has been very positive. Recently, we surveyed our employees to seek their feedback. 75% of males and 80% of females completed the anonymous survey. It showed that:

- 95% of male employees believe Valuing Females is a good initiative for our female employees.
- 81% of males and 87% of females reported that Valuing Females has increased their awareness of the challenges women face in saving adequately for retirement.
- 81% of females reported that Valuing Females has encouraged them to make voluntary contributions in the future.
- 100% of females and 67% of males have told people outside Rice Warner about Valuing Females (therefore building awareness).

By itself, our initiative won't close the retirement savings gap for our female staff. However, the increased awareness will help them to think of the issues early in their careers.

Our male staff are now aware of the challenges facing their female colleagues – and their sisters and daughters.

9.1.4 Amend Sex Discrimination Act

Currently, the Sex Discrimination Act is a potential barrier to those employers which may wish to pay their female employees additional superannuation contributions to support them to save for an adequate retirement.

Based on Rice Warner's experience in implementing our Valuing Females Policy[19] it would be beneficial to amend the Act to provide certainty to those employers who want to pay more super to women.

[19] http://ricewarner.com/about-us/valuing-females/

9.2 Parental leave

Most new mothers are the primary carers and they get a period of up to 12 months unpaid parental leave. They can also request a further 12 months unpaid leave. Many will spend an extended time out of the workforce.

Paid parental leave will support them financially while they transition to a life with children. We believe the government-funded paid parental leave scheme is useful. As an employer which tops up this benefit, we are concerned that this has been deemed to be 'double-dipping'. We would encourage government to leave the current system unchanged.

9.3 Flexible working conditions

Employers can provide other support, including maintenance of regular contact while on parental leave and providing them with the opportunity to remain voluntarily involved in some work events and on general email distribution lists. Upon return to work, support should be provided to ensure the continuation of the individual's chosen career path.

In keeping with the philosophy of measuring outcomes rather than input (that is, hours worked in the office) employers can offer working conditions that will meet the requirements of women seeking various degrees of flexibility.

Examples of flexible working conditions include:

- job sharing
- part time work (very valuable for mothers and older women)
- working from home
- flexible working hours.

Of course, such conditions should also be made available to male employees. Further, employers need to be supportive of male employees who want to share child caring duties.

9.4 Career Opportunities

Research indicates that in general, women are less likely to put themselves forward for a promotion. Employers can assist women to reach their career goals by:

- encouraging managers to identify women seeking promotion
- providing opportunities for high potential women to demonstrate their ability
- developing a mentoring programme to assist employees in their professional development.

9.5 Wage Equality

Employers should formally track remuneration of all employees and ensure that females as a group do not fall behind their male peers. The mandatory reporting process through the Workplace Gender Equality Agency (WGEA) for all employers with more than 100 employees and the publication of the results will help to achieve wage equality.

10. Individuals

10.1 Voluntary contributions

The key to a comfortable retirement is to start young. If a woman can make additional contributions in her twenties, these contributions will go some way to compensate for the likely pause in contributions during her thirties. She will also have the benefits of compound interest on her higher benefit over many years.

As an example, consider a woman who turns 20. Commencing on a salary of $40,000, she will build a balance of $166,142 by age 40[20].

However, if she were to have her first child at age 30, she might take a 6 month break, work 3 days a week until age 32 when she has a second child. After another 6 month break, she works 3 days a week for three years before returning full time. In her case, the balance at age 40 will be $141,980.

If she were to pay additional contributions of $39 a week from age 20 to age 30, she will be no worse off at age 40 than the female who did not have children. This is the case even though we have assumed $6 of the $39 (15%) is taken as a tax on the contributions.

If her employer paid SG while she is on maternity leave, she would get $143,923 at age 40. She could make this up by paying $35 a week additional contribution from ages 20 to 30.

10.2 Co-contribution

For those females earning less than $35,454, 50% of any voluntary contributions will be matched by the government, up to a maximum of $500. For females earning more than $34,454 but less than $50,454 the matching rate reduces by 3.33 cents for every additional dollar earned.

10.3 Work longer – retire later

The benefit of working longer (by retiring later) is threefold, it extends the period of contributions, earns income for longer on the accrued benefit and defers consumption of retirement savings which will be needed for a shorted period.

[20] Calculations from Rice Warner's Phoebe maths engine (assumptions available on request).

11. Society

Societal changes could improve the circumstances of retirees. It is unclear how this might occur but changes could include:

- Retirees sharing accommodation in retirement to save rental costs
- Society revaluing female-centric occupations and paying higher salaries
- Society putting a higher value on unpaid work such as caring
- Volunteers to support child care in primary schools
- Sharing domestic duties in the family home
- Educating girls at school on financial matters, including superannuation

Appendix A Valuing Females Package

Rice Warner is committed to assisting its female employees to improve their retirement savings and has developed a package of measures as outlined below.

The objective of this package is to create an environment and culture that encourages female employees who choose to have children to return to the workforce. Increased workforce participation will benefit the individual's career and Rice Warner in terms of its diversity policy and retention of experienced female staff. The package also partly compensates for the impact of lower retirement savings for females.

Table 10. Valuing females package

Measure	Comments
Paid parental leave for up to 18 weeks at full pay	Scale based on number of years of service
Superannuation Guarantee contributions payable on parental leave for up to 12 months	
Long service leave accrual throughout parental leave (capped at 12 months)	If the employee is working part time prior to taking parental leave, then the long service leave accrual will be pro rata.
Flexible working arrangements	Part time employment Flexible hours Ability to work from home
An additional 2% superannuation payment whilst employed at Rice Warner (including periods of parental leave)	Payment is separate from employee's salary package.
Life Insurance Cover	Death & TPD and Salary Continuance cover funded by Rice Warner
Payment of SG irrespective of the $450 monthly earnings threshold	
Option to purchase up to 2 weeks additional annual leave to assist with caring duties	
An educational program to build awareness of the unique challenges facing females in saving adequately for retirement.	Include actions individuals can take over and above Rice Warner's initiative to improve their retirement savings

These measures are an additional staff benefit for female employees and are not taken into account in setting each female employee's remuneration package.