

CHAPTER 9:

IT'S TIME TO GET A SUPER EDUCATION!

Education about schemes is vitally important for families ... one woman we have seen had access to State super and the minimum employer contribution was made. Her husband had been contributing longer to his super scheme and so they put as much of his salary into his scheme as they could afford (thinking it would yield the most) and lived on her salary. Subsequently she finds if she could have contributed something like one per cent more her super at State super would have been worth twice her husband's.¹

9.1 A consistent theme through many submissions presented to the Committee was that women be educated and informed, not just on the issue of superannuation but, on financial issues generally. Ms Keenan of the Australian Federation of Business and Professional Women's Association summed up the position when she argued that 'women have to start learning about [superannuation] and trained to look after their own future'.²

9.2 There was also concern expressed that women should achieve at least a minimum degree of financial independence.

Why the fuss?

9.3 Reasons underpinning the need for financial understanding and independence include:

- female longevity compared to that of men, requiring women to plan for a potentially longer period in retirement;
- possibility of marriage breakdown, and the subsequent need for many women to seek alternative sources of support from that which was previously provided by their spouse ;
- possibility of unequal participation in decision-making and the benefits accrued from family income which may disadvantage women; and
- lack of knowledge about entitlements which may result in financial disadvantage and potential hardship.

¹ SW Sub No 58

² Evidence, p 549

Female longevity

9.4 In 1993, Australian women had a life expectancy of 80.9 years compared to 75.0 years for Australian men.³ Yet, because of societal expectations, women tend to marry men who are older than themselves. Women are, therefore, likely to have an extended period of widowhood during which they will have to manage financially.

9.5 Currently nearly 70 per cent of women aged over 70 are single primarily because of widowhood and 41 per cent of older women live alone. The figures of age pension uptake by widowed women suggest that this is often without a pension or annuity left by a spouse.⁴

Marriage breakdown

9.6 As has been outlined in Chapters 2 and 13, many women have expectations that they will be supported in retirement by income accruing to their spouse. However, the reality is that women can no longer assume that their partners will provide for them.

9.7 Whilst property settlements resulting from the splitting of family assets in the event of marriage breakdown may provide some support, they cannot guarantee a level of income or support in retirement equivalent to that achieved during the period of co-habitation.

Unequal participation in benefits accrued and decision-making

9.8 It is clear that single women, whether or not they may expect to retire as a member of a couple, need some form of independent provision. However, it is less obvious that women with partners have a similar need to make plans to maintain and manage their finances to ensure a dignified standard of living.⁵

9.9 Research undertaken in Australia and overseas challenges assumptions that resources are pooled and shared equitably, and indicates that there is considerable variety in couples' financial arrangements.⁶

³ Australian Bureau of Statistics, *Australian Women's Year Book 1994*, p 49

⁴ Rosenman L, and Winocur S, *The Issue of Equity in Superannuation in The Super Rich and the Super Poor: New Directions in Retirement Incomes Policy*, Evatt Foundation Nov 1991, p 12

⁵ SW Sub No 97

⁶ *ibid*

9.10 Even when both members of the partnership work, and receive income, access is not always equitable. Ms Betty Johnson, Convenor of the Older Women's Network, related to the Committee the following:

One of my past workmates ... she had been working in a job - she was superannuated, so was her husband - but, because of the way in which their salaries are pooled, superannuation will be the first time she has actually got ... an income that she will be able to pinpoint as her own.⁷

9.11 As Rosenman and Winocur, of the University of Queensland, point out in their paper *The Issue of Equity in Superannuation*, despite the convenient assumption that family income and superannuation entitlements are shared equally, there is no requirement upon a married couple to share superannuation entitlements nor to make any provision for the surviving spouse.⁸

9.12 There are no indications whether the lack of equity in the financial decision-making of a couple is directly attributed to lack of understanding about the financial system. However, the Committee believes that knowledge of financial matters will improve women's confidence, as well as ability, to participate actively in financial decision-making and planning where this does not already occur.

Lack of knowledge resulting in disadvantage

9.13 It is also possible that a lack of awareness of the retirement income support system generally, and financial entitlements specifically, can result in substantial disadvantage and financial hardship.

9.14 The Committee's attention was drawn to the circumstances of a group of women whose existence was described as 'genteel poverty'. They are asset rich but living in poverty. As explained by Ms Johnson, Convenor of Older Women's Network:

They live in genteel poverty because their husbands who provided for them have died and the women kept on drawing on what was the income that the husband left. They do not know they can get a supplement to the pension there are quite a lot of people living like this. They have big homes quite often, but they are living very poorly.⁹

⁷ Evidence, p 184

⁸ Rosenman L, and Winocur S, *op cit.*, p 9

⁹ Evidence, p 188

9.15 Alternatively, some women are unnecessarily losing access to a spouse's superannuation contribution as a result of marriage breakdown. Lack of knowledge about the appropriate processes or their entitlements can lead to a situation where an equitable share of assets are not realised.¹⁰

9.16 And yet another example drawn to the attention of the Committee was that many carers are not aware of either the fact that the carer pension exists or of any of the other benefits that are available to them.¹¹ They may suffer unnecessary financial hardship as a result.

General financial education

9.17 A number of contributors to the inquiry expressed concern about women's appreciation of matters financial and argued for efforts to be made to remedy the situation.¹²

9.18 This concern is supported by figures compiled by MLC Investments from two of their investment products - a diversified unit trust and a rollover fund. The MLC advised in 1992 that, compared with their male counterparts, women (even those earning substantial salaries) were lacking in awareness, confidence and long-term vision in relation to arranging financial plans for themselves. The findings indicated that women tended to place a high priority on securing a debt-free home and meeting short-term expenses, particularly where children were involved.¹³

9.19 In response to a request from the Committee, the MLC provided additional and updated information. In 1992, women accounted for only 33 per cent of the trust investors and 23 per cent of the approved deposit fund client base. As at October 1995, these figures had increased respectively to 40 per cent and 36 per cent. However, it was pointed out that, in 1992, the average dollar amount of investments was likely to be significantly less for females compared to their male counterparts. This was particularly so in the rollover funds.¹⁴ This has remained the case in recent times.¹⁵

¹⁰ Brown K, Evidence, p 324

¹¹ *ibid.*, p 326

¹² For example, Young Labor Women's Committee, SW Sub No 46; CS Superannuation, SW Sub No 68

¹³ Lampe A, *Changing the Way Women Save* in *Sydney Morning Herald*, 9 December, 1992

¹⁴ SW Sub No 100

¹⁵ SW Sub No 100 (Supp)

9.20 Earlier, in 1989, Georgina Carnegie, General Manager, Development Capita Financial Group, had argued at the Australian Association of Gerontology Conference that the tendency for women to live for short-term needs and leave their futures to chance, coupled with their poor knowledge of investment and financial matters, needed to be addressed if society was to avoid a major increase in the number of older women living in poverty.¹⁶

9.21 The issue still has great currency. Business and Professional Women's Association Australia argued in its submission that skills in financial management were necessary for women who were getting ready to retire, and for those who entered the workforce or re-entered it later, for example after child raising activities or further education. Although there is a great deal of information available there still seemed to be a need for specific training in this area.¹⁷

9.22 In response to the more specific concern that there were many women who did not have an adequate understanding of the implications of reaching retirement age and of not having a financial plan in place, the submission from the Queensland Council of Carers argued for:

- education at an early stage (preferably high school followed up at tertiary level) with on going media awareness raising;
- an education package to offer a framework of a plan with choices/options as to how financial independence could be achieved at retirement; and
- the plan to address the issue of financial self sufficiency and how to make the best of what is available.¹⁸

9.23 At the public hearing in Brisbane, Ms Brown of the Queensland Council of Carers also stressed the importance of liaising with people in communities and the use of word of mouth to spread information. She argued that people were more inclined to use a service which they knew had actually been of assistance to someone else.¹⁹

¹⁶ Carnegie G, *Women, Money and Ageing: Strategies for a Secure Retirement in Rights, Respite and Resources in the '90s: Proceedings of the 24th Annual Conference of the Australian Association of Gerontology*, 1989, pp 49-50

¹⁷ SW Sub No 47

¹⁸ SW Sub No 51

¹⁹ Evidence, p 326

9.24 The Committee notes that the Victorian Government, through the Victoria Women's Council, is proposing to develop an information package which will provide information for women on economic security issues at differing points in their lives.²⁰ The Committee commends this action.

9.25 However, it is important to distinguish between the complementary concepts of education and information. Information is a significant resource for use in the education process; it provides content. An example of information is the computerised Superannuation Ready Reckoner which enables Australian Public Service staff to work out their own projected benefits.²¹ Education is a targeted, interactive process which focuses on providing people with the skills to assess the merits of the information provided and the ability to translate this knowledge into action.

9.26 It may be that other programs specifically targeted at improving women's understanding of the importance of financial independence and security have been developed elsewhere but these have not been drawn to the Committee's attention. None of the government departments that appeared before the Committee, including the Office of the Status of Women, identified government programs that address the issues of women's financial education and independence.

9.27 The Committee notes that this theme has been taken on board as part of the current 'Super: It grows on you' campaign being run by the federal government. However, given that many women do not contribute to superannuation schemes or may not consider it of relevance to them, the Committee believes that it is insufficient to rely on the 'Super: It grows on you' campaign to address this issue.

Recommendation 9.1:

The Committee recommends that the Office of the Status of Women develop a comprehensive educational strategy to raise understanding and awareness amongst women of the components of, and the imperative to engage in, financial planning.

²⁰ Reynolds J, Evidence, p 123

²¹ Department of Defence, SW Sub No 14

Getting a super education

9.28 An issue of concern during the inquiry was the need for women to understand the importance of superannuation as a component of retirement planning.

9.29 As the Association of Superannuation Funds of Australia (ASFA) pointed out, until the introduction of the Superannuation Guarantee Charge many workers were denied access to superannuation and therefore women did not consider it an issue with which they should be concerned. However, as access to superannuation has been significantly improved, it is appropriate to ensure that women are aware of recent changes in access to superannuation and to address any misconceptions that women may still hold that superannuation is not important to them.²²

9.30 Research undertaken by Professor Linda Rosenman and Dr Sharon Winocur at the University of Queensland, and detailed in their paper *The Issue of Equity in Superannuation*, indicated that the large number and complexity of choices that have to be made in relation to superannuation were not well understood, and were in fact resented by many workers. They suggested that this was particularly likely for women whose discontinuous employment meant that they were confronted with frequent decisions about joining, rolling over and claiming or preserving entitlements.²³

9.31 Ms Johnson of the Older Women's Network presented the view to the Committee that argued that 'so many people talk about superannuation in terms of money and figures and so on that it basically means nothing' and that the messages had to be relayed in more user-friendly terms.²⁴

9.32 The University of Queensland findings are supported by research being undertaken by AMP in relation to superannuation and retirement income policy issues. Whilst the research is only in its early stages, and hence the findings so far cannot be taken as conclusive, the following are some of the points which have emerged from focus groups:

- there was widespread ignorance amongst women workers in relation to the operation of the superannuation system;

²² SW Sub No 43

²³ Rosenman L, and Winocur S, op cit, p 7

²⁴ Evidence, p 181

- many participants believed that superannuation was so heavily taxed that it was not worth making additional contributions; and
- many participants believed that the system was unstable.²⁵

9.33 Just one example of an issue which might not be widely known, but would be particularly significant for many women, is that SIS permits an individual to remain a contributing member for up to two years after leaving the workforce and for up to seven years if the leave is for parental duties and there is a right to return to your job.

9.34 Ms Freeman of the Business and Professional Women's Association also pointed out that there are many misconceptions about superannuation that might be resolved by improved education. One was that people were unaware of the different types of superannuation in the market and perceived that the returns were poor. Education was required to alter these perceptions.²⁶

9.35 The Department of Immigration and Ethnic Affairs submitted that it is likely that the level of confusion and ignorance is even greater amongst those who are not proficient in the English language. As a consequence, women of non-English speaking background are likely to have significant deficits in their knowledge of superannuation provisions.²⁷

9.36 This view was supported by comments from the Muslim Women's National Network of Australia that some Muslim women were concerned that superannuation might be *haram*, that is, religiously forbidden. In Islam, gambling and investments of a speculative nature are forbidden and, if superannuation is considered analogous to life insurance, it would be forbidden. The Network submitted that, 'while there does not seem to be any basis for this belief, if it is widespread it may require some educational program to dispel it'.²⁸

9.37 The need to be very specific about target groups was highlighted by Ms Pamela Brown of the Social Justice Co-ordination Section of the Department of Immigration and Ethnic Affairs. She drew to the Committee's attention the difficulties of getting information to women of the non-English speaking background community.

²⁵ SW Sub No 55

²⁶ Evidence, p 553

²⁷ SW Sub No 54

²⁸ SW Sub No 27

9.38 Ms Brown informed the Committee that the Department had been 'looking for creative ways' to provide information because migrant women 'will never come to a big government department or booth, but almost everybody goes to baby health and health care centres. It is a matter of trying to find out where they come into contact with other sectors of society for other reasons'.²⁹

9.39 The Committee is aware that the recently launched Superannuation Community Education Campaign 'Super: It grows on you' has specifically targeted groups including women and people from non-English speaking backgrounds. The Committee commends these efforts.

9.40 A number of submissions suggested the need for education and information programs with a specific focus. For example, the New South Wales Cabinet Office submission supported the development of an information and education strategy which included measures to promote understanding of the purpose of superannuation, the available options and obligations.³⁰ Mrs Keenan of the Australian Federation of Business and Professional Women's Association submitted that financial management education should be provided to women as part of the curriculum in the last years of schooling, years 10 through to 12.³¹ Mr Kevin Hudson argued that there should be easier access for members to information which would disclose errors made by employer sponsors.³²

9.41 ASFA argued for education and information packages which focused on the partnership between superannuation savings and the age pension which together should deliver a worthwhile retirement income.³³

9.42 The need for educational programs has also been raised in a number of other fora. Rosenman and Winocur, in their paper to the 1989 Conference of the Australian Association of Gerontology titled *Financial Security and Independence for Women*, argued for a public education program which:

- encouraged women to exercise their option to participate in superannuation;

²⁹ Evidence, p 427

³⁰ SW Sub No 41

³¹ Evidence, p 552

³² SW Sub No 102

³³ SW Sub No 43

- encouraged women to preserve such benefits upon leaving an employer or upon workforce withdrawal for family or other reasons; and
- highlighted the necessity of being aware of a husband's entitlements, and their rights to a share in the event of marriage dissolution.³⁴

9.43 Based on research undertaken in 1993, which amongst other things identified that lack of information was a major concern, the Australian Consumers' Council (ACC) recommended that the Federal Government provide funding for a far reaching national superannuation education strategy which aimed to help consumers:

- determine their retirement income needs;
- determine how those needs might best be met;
- calculate the value of their existing retirement benefits;
- assess the degree, if any, to which they will continue to rely on the age pension; and
- assist consumers, and particularly those who have not been in full-time work or who have limited savings capacity, to perceive superannuation as involving a potential to improve the quality of later life rather than as a mechanism to remove the safety net of the age pension.³⁵

9.44 The ACC also recommended that the education strategy needed to specifically cater for the needs of women with a view to increasing their opportunities for independent retirement planning. Issues covered should include access to income, managing superannuation during periods of part-time or intermittent labour force participation and the advantages of independent rather than shared superannuation investments.

9.45 When discussing the role of women as trustees, the Sex Discrimination Commissioner drew to the Committee's attention the concern that most women have other (more immediate) demands on their time. Encouraging women to be active as trustees required information to be made available to them in a way

³⁴ Rosenman L, and Winocur S. *Financial Security and Independence for Women in Rights, Respite and Resources in the '90s: Proceedings of the 24th Annual Conference of the Australian Association of Gerontology*, 1989, p 48

³⁵ Australian Consumers' Council *Super Day, Super Say: The Results of the Consumer Superannuation Phone-In 23 November 1993*, AGPS 1994, p7

that is more acceptable.³⁶ This is equally relevant to attempts to inform women about superannuation generally.

The need for a strategy

9.46 The Committee has some concerns that efforts to date to inform the community about superannuation have focussed only on the provision of information, with little attention to the development of broader education strategies.

9.47 The Committee believes that awareness of superannuation could be enhanced through:

- working closely with community members to identify their understanding and awareness of superannuation and their specific needs;
- the development of suitable programs and delivery mechanisms to meet these identified needs (the 'Super: It grows on you' campaign would be one such mechanism); and
- building on programs already provided in the formal education sector or by community, business or industry groups.

9.48 The Committee believes that a diverse and comprehensive range of educational approaches is required to achieve improved awareness and understanding of superannuation and, in turn, increase willingness to contribute. Without this increased willingness to contribute, the substantial self-funding of retirement incomes will never be realised.

9.49 The Committee notes that the federal government has recently commenced a two year mass media campaign titled 'Super: It grows on you!' The Committee understands that extensive consultation with industry groups, government agencies and the community took place in the development of the campaign and it commends the campaign organisers for this.

9.50 However, the Committee is concerned that this broad 'scatter gun' approach will continue to miss the many members of the community who either have many years until they reach retirement (and therefore consider such planning irrelevant and thus ignore it); do not understand financial planning generally (and therefore have no context in which to assess the information); or

are constrained by lack of time, skills or other difficulties which prevent them fully considering the information presented.

Recommendation 9.2:

The Committee recommends that the government, in conjunction with the superannuation industry, develop an education strategy to promote understanding and awareness of superannuation which goes beyond the provision of information only and which involves active participation of the community. In particular, the strategy should address the needs of women, both in terms of the type of information they receive and the mechanisms by which this information is delivered.

Recommendation 9.3:

The Committee recommends that, simultaneously with the development of an education strategy, the effectiveness of the 'Super: It grows on you campaign' be closely monitored, especially in relation to its impact on women.