

## Chapter 10

### Financial literacy

10.1 Many submissions argued that improving financial literacy more broadly and targeting programs to address the particular circumstances women experience throughout their lifetime, could improve outcomes for women in retirement. This chapter summarises the various proposals put to the committee, including: targeted financial literacy campaigns for young people, especially women; specific financial literacy and education campaigns for women; and access to financial advice and financial counselling. A range of inquiry participants suggested that while Australian women typically had fairly good levels of financial literacy, they would benefit from targeted information to better understand their needs in retirement.

#### Current levels of financial literacy

10.2 Women in Super and the Australian Institute of Superannuation Trustees (AIST) organised a Women's Super Summit in February 2014. Women in Super noted that many of the Summit's participants emphasised the need for more financial literacy programs, employer initiatives and product innovation to help individual women lift their savings rates. At the same time, most of the participants acknowledged that:

...such developments have limited scope to significantly improve outcomes for low-to-middle income earners who typically do not have the capacity to make extra contributions into their superannuation or negotiate with their employer.<sup>1</sup>

10.3 Mrs Buckley, Women in Super, dismissed arguments that women do not have sufficient financial literacy, but nonetheless suggested there would be value in providing women with more information to prepare financially for retirement. She noted that Women in Super had done studies and found:

A lot of the current female working population will actually say—and we have done some studies into this—'We know about super. We might not know on a day-to-day basis what our balance is. We don't track it like that but we do know what we have. We are worried about how much we have, and the implications for that. We know we don't have enough.' So it is not that they do not know about it, or they do not understand it; they do. Women will always say, 'We could know more.'<sup>2</sup>

10.4 In its submission, Women in Super observed:

The majority of working women are responsible for managing family finances and are acutely aware of the problems they face in trying to accumulate more superannuation. Financial literacy has its place and there will always be a need for increasing education of what is a complex topic

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1 Women in Super, *Submission 50*, p. 6.

2 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 24.

especially given the interplay with the Age Pension, taxation and superannuation.<sup>3</sup>

10.5 The Victorian Women's Trust conducted research in 2014 to determine the functional superannuation literacy of 115 young women in their 20s and 30s. It found:

Overall, Super Young Women found that young women generally identified themselves as being accountable for their own retirement income but in the absence of targeted information, they did not possess the functional literacy to be able to make informed decisions about their own super or improve their superannuation.<sup>4</sup>

10.6 The AIST noted that Australian women have comparatively good levels of financial literacy compared with other countries, but that work was still needed to increase understanding and engagement with superannuation.<sup>5</sup>

### **Target financial literacy programs**

10.7 Submissions proposed a number of areas where targeted financial literacy programs may be beneficial.

#### ***Literacy programs for young people***

10.8 The Victorian Women's Trust pointed out that its research was consistent with larger studies into young Australian adult's knowledge, behaviour and attitudes towards superannuation.<sup>6</sup>

10.9 Many submissions supported high school education programs for both girls and boys.<sup>7</sup> For example, Women in Super supported an increased focus on financial literacy programs at school age and early in young people's working lives to raise awareness of the importance of contributing to superannuation early, before taking time out for caring responsibilities. It noted, however, that:

...like all young people, young women face competing claims on their salaries—socialising, travelling, renting, saving to buy a home, superannuation etc.<sup>8</sup>

10.10 Mr Marco Feltrin, PwC Australia, supported introducing financial literacy education in schools from a young age as there is a great deal of disengagement with superannuation across the whole community, and young people in particular.<sup>9</sup>

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3 Women in Super, *Submission 50*, p. 19.

4 Victorian Women's Trust, *Submission 33*, p. 6.

5 Australian Institute of Superannuation Trustees, *Submission 45*, pp. 24–25.

6 Victorian Women's Trust, *Submission 33*, p. 7.

7 See for example, Premier's Council for Women, Government of South Australia, *Submission 10*, p. 2; Mercer, *Submission 22*, p. 6; Women in Super, *Submission 50*, p. 18.

8 Women in Super, *Submission 50*, p. 8.

9 Mr Marco Feltrin, Partner, PwC Australia, *Committee Hansard*, 18 February 2016, pp. 16–17.

10.11 The Hon Susan Ryan AO, Age and Disability Discrimination Commissioner, observed that disengagement in superannuation continues:

You can talk to the 30-year-olds that you know and say, 'Are you making additional voluntary contributions to your super? Are you thinking about your super?' and they will say, 'No, we're not, and please don't bore us with this talk.' And I have bored many young people, including my own children, with this talk. Young people simply do not think, 'When I'm 65'—or it will probably be 70 for our young people now—I'll need a certain amount. Can I make some savings through super now?' It is very hard to get them to do that.<sup>10</sup>

10.12 The Tasmanian Government informed the committee that it has also developed financial literacy programs around subject choices in order to address the occupational segregation that contributes to the gender pay gap. The Tasmanian Government partnered with the University of Tasmania to produce a series of fact sheets with an emphasis on the gender wage gap, to be distributed to female students to highlight the importance of subject choice and empower them to negotiate for better pay as they enter the workforce.<sup>11</sup>

#### ***Targeted campaigns and information for women***

10.13 The McKell Institute recommended that greater emphasis be placed on campaigns to encourage the consolidation of superannuation accounts and inform the public of the risks of losing superannuation through accumulating multiple accounts throughout a working life. It noted:

Many employers require (or strongly suggest) employees use the superannuation fund recommended by the employer. Research has shown up to 70 per cent of Australian employees let their employer choose their superannuation fund. Considering the frequency of women changing occupations and careers, there is a tendency for many new superannuation accounts to be accumulated over a working career. Employers should be encouraged to stress the importance to all new employees of consolidating their superannuation accounts from previous periods of employment.<sup>12</sup>

10.14 Women in Super observed that there is already a great deal of targeted information available for women, but observed that there has not yet been a government led campaign targeted at the wider female population about the benefits of superannuation.<sup>13</sup>

10.15 The Australian Taxation Office (ATO) conducted a campaign in 2014 focussed on women and superannuation. The ATO's strategy was targeted at women aged 25–49 years using social media, proactive media and paid advertising

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10 The Hon Susan Ryan AO, Age and Disability Discrimination Commissioner, Australian Human Rights Commission, *Committee Hansard*, 12 February 2016, pp. 6.

11 Tasmanian Government, *Submission 3*, p. 3.

12 McKell Institute, *Submission 53*, p. 19.

13 Women in Super, *Submission 50*, p. 19.

encouraging women to do the '5-step super check'.<sup>14</sup> The ATO's 5-step check webpage outlines five simple things people can do to increase their superannuation savings: 'check your super statements', 'making sure your fund has your TFN [tax file number]', 'keep track of your super using myGov', 'consider government contributions', 'put extra money into your super'.<sup>15</sup>

10.16 The Australian Securities and Investment Commission's (ASIC) MoneySmart website also includes information on superannuation which is targeted at women.<sup>16</sup>

10.17 The Association of Superannuation Funds of Australia runs a campaign every year as part of International Women's Day to encourage employers to 'give their female employees 60 minutes to sort their super during work hours, not over lunchtime' to allow employees time to:

...ring call centres and, as a minimum, consolidate accounts; find any lost super and get it transferred; go on to our consumer website, Super Guru, and look at some of the calculators which are aimed a lot at women to help them understand how much they need in retirement and how much they can actually save in retirement.<sup>17</sup>

10.18 Women in Super noted that many superannuation funds have developed financial literacy campaigns that are specifically aimed at women. It provided two examples:

UniSuper's Super Women initiative which includes a website covering topics as broad as career breaks and super, gender equality, a financial health checklist and the benefits of putting extra super aside. Since 2004 they have run presentations to members which are routinely the most popular and subscribed and have reached over 12,000 women. Campaigns are also run on International Women's Day reaching 100,000 members with a focus on educating, empowering and explaining the benefits of super.

VicSuper's Super Woman Money Program which runs twice yearly, is free of charge and 4,500 have accessed it since its launch in 2012. The program includes detailed wide range of financial topics—like goal setting, emotional spending, super, money and relationships, investing and taxation tips. It also includes seminars and has a dedicated website where women can post questions to financial planners.<sup>18</sup>

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14 Australian Taxation Office, 'Women and Super', <https://www.ato.gov.au/About-ATO/Access,-accountability-and-reporting/Informing-the-community/Our-effectiveness/Fostering-willing-participation/Women-and-super/> (accessed 15 April 2016)

15 Australian Taxation Office, 'The 5-step check', [https://www.ato.gov.au/individuals/super/in-detail/keeping-track/your-5-step-super-check/?anchor=Step\\_check#Step\\_check](https://www.ato.gov.au/individuals/super/in-detail/keeping-track/your-5-step-super-check/?anchor=Step_check#Step_check) (accessed 15 April 2016)

16 ASIC, 'Superannuation & Women', <https://www.moneysmart.gov.au/life-events-and-you/women/superannuation-and-women>, (accessed 15 April 2016).

17 Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Committee Hansard*, 6 October 2015, p. 32.

18 Women in Super, *Submission 50*, p. 18.

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### ***Targeted literacy programs based on life stage event triggers***

10.19 The Association of Financial Advisors recommended specific superannuation-focussed financial literacy programs and education addressing various life-stage triggers with government funded or subsidised advice being made available upon marriage, divorce, retirement or the death of a spouse.<sup>19</sup>

### ***Financial advice***

10.20 The Workplace Gender Equality Agency noted that women, who may have had career interruptions for various reasons, including family and caring responsibilities, may need particular financial advice on matters such as superannuation.<sup>20</sup>

10.21 The National Australia Bank and the Commonwealth Bank of Australia recommended simplifying the rules for tax deductions to make financial advice more accessible.<sup>21</sup> Rice Warner noted that any such proposals should be targeted properly. It suggested:

One way of structuring it would be to ensure the advice is delivered through [a person's] superannuation fund. Potentially, a tax rebate for the advice could be paid into their superannuation account.<sup>22</sup>

10.22 The ASU was mindful that the nature of advice being provided is important. It reasoned that 'the original intent of the Future of Financial Advice (FOFA) reforms that would protect women from poor financial advice must be maintained and not watered down'. It emphasised that financial advisers and superannuation funds must always be required to act in the best interests of their clients and members as a condition of their licensing terms.<sup>23</sup>

### ***Financial Counselling***

10.23 The Australian Bankers' Association recognised the importance of government funded financial counselling services that assist clients to deal with addressing multiple debts as well as managing often complex financial and social problems. It considered that financial counselling services are 'vitaly important to help individuals and families take control of their financial and personal situations by helping women become more financially resilient and putting them in a stronger financial position to save for their retirement'.<sup>24</sup>

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19 Association of Financial Advisors, *Submission 77*, p. 13.

20 Workplace Gender Equality Agency, *Submission 79*, p. 13.

21 National Australia Bank, *Submission 63*, p. 10; Commonwealth Bank of Australia, *Submission 64*, p. 11.

22 Rice Warner, *Submission 82*, p. 31.

23 Australian Service Union, *Submission 81*, p. 7.

24 Australian Bankers' Association, *Submission 70*, p. 3.

***Committee view***

10.24 The committee believes that financial literacy tools and programs could have an important role in encouraging women, particularly young women, to engage with their superannuation and think carefully about planning for their retirement. The committee acknowledges that government and industry have already developed a range of targeted programs and tools.