



Senior Adviser  
Financial System and Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Tuesday 31<sup>st</sup> March, 2015

Dear Sir/Madam,

**Submission to the Commonwealth Government on the Financial System Inquiry Final Report**

**Women in Super**

Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and financial services industries.

WIS advocates on behalf of its members and women generally to government, politicians, unions, employer organisations, regulators, and superannuation funds to improve women's retirement prospects and access to superannuation.

WIS provides education and support to assist women in gaining opportunities to develop broader business, professional and personal networks, and aims to educate the greater community in order to improve their knowledge of superannuation. WIS strongly supports and encourages the appointment of women to superannuation fund boards, and works with other organisations to achieve this.

**Executive Summary**

WIS makes comments in the context of our objective of improving the retirement income outcomes of women.

There is significant systemic disparity in the accumulation of superannuation savings between women and men. Specific measures are required to improve the level of accumulation of superannuation savings by women. If the current accumulation levels continue, many women are likely to experience poverty in retirement.

Improving gender equity within the superannuation system should be an immediate policy priority.

A focus on gender analysis and modelling of all policy proposals is required to improve retirement outcomes for women.

The equity of outcomes for women should be included within the objectives of superannuation and included as a key measure of the success of the system.

**Women's Superannuation Outcomes**

The average superannuation account balance for women in 2009-10 was \$40,475, compared to \$71,645 for men<sup>1</sup>. At retirement, the average superannuation payout in the same period was \$112,600 for women and \$198,000 for men<sup>2</sup>.

Before the introduction of the Superannuation Guarantee (SG), only a quarter of women in the workforce received employer-sponsored superannuation and years later 34.6% still have no superannuation<sup>3</sup>.

Many women are excluded from receipt of SG payments by a \$450 per month earning threshold and there is no compulsion for the self-employed to pay SG. The slow increase in the SG to 9% in 2002 and its stagnation at this rate until 2011 has dampened the accumulation of super. The increase of the SG to 12% and the removal of the \$450 monthly threshold are required to enable women to save more through the current system.

Pay inequity is one of the most significant factors impacting women's abilities to save for retirement. Women earn, on average, 18.8% less than men and the Workplace Gender Equality Agency found that the gender pay gap between male and female graduates has doubled, standing at \$5,000 per annum<sup>4</sup>.

Women have a longer life expectancy than men, and will more likely spend longer in retirement, so they need more savings to last longer. Conversely, they earn less and spend less time in the workforce due to career breaks for raising children or caring for family members. SG is not currently paid on the Government Parental Leave scheme further exacerbating the accumulation problem faced by women.

Women are more likely to work part-time or casually, and are less likely to hold senior or managerial positions – which historically resulted in their exclusion from superannuation schemes, but also results in lower salaries and therefore less superannuation savings.

Research released in 2012 by the Australian Institute of Superannuation Trustees showed a 'flat-lining' of women's balances between the ages of 38-47 – a time when women typically take career breaks<sup>5</sup>. Current superannuation arrangements typically do not take account of women's often broken work patterns, which means women often miss out on crucial years of saving for their retirement.

Almost half the female workforce earns less than \$38,000 per annum. These workers are currently eligible to receive a rebate of the tax paid on their superannuation contributions through the Low Income Superannuation Contribution (LISC). The Government intends to repeal the LISC in 2017.

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<sup>1</sup> Association of Superannuation Funds of Australia, Developments in the level and distribution of retirement (2011)

<sup>2</sup> Association of Superannuation Funds of Australia, Developments in the level and distribution of retirement (2011)

<sup>3</sup> This is in contrast to roughly one in two men receiving employer-sponsored superannuation payments.

<sup>4</sup> Workplace Gender Equality Agency, Gradstats – Starting Salaries (January 2013)

<sup>5</sup> Australian Centre for Financial Studies, Superannuation over the past decade: Individual experiences, (2012) report prepared for the Australian Institute of Superannuation Trustees.

For the reasons outlined above, tax equity within the superannuation system is crucial for women and a focus on gender analysis and modelling of all policy proposals would improve retirement outcomes for women.

## Financial Systems Inquiry Recommendations

**FSI Recommendation 9:** The objectives of the superannuation system: *Seek broad political agreement for, and enshrine in legislation, the objectives of the superannuation system and report publicly on how policy proposals are consistent with achieving these objectives over the long term.*

Women in Super support the recommendation to seek broad political agreement for the objectives of superannuation. We believe there should also be a process which ensures there is broad community support and understanding of the objectives of superannuation.

The Inquiry recommends that the objective of the superannuation system should be "To provide income in retirement to substitute or supplement the Age Pension". Whilst broadly agreeing with this statement, WIS believes the objectives must be founded on core principles of certainty, adequacy, fairness, sustainability and equity.

Many women will be dependent on the Age Pension (AP). It is imperative that inclusion of the age pension within the objectives of superannuation reflects a commitment to maintaining the AP at an adequate income level.

Due to the nature of superannuation as a deferred wage, and a percentage of wages, it has delivered differential outcomes for women. This is for a variety of reasons, including different work patterns between men and women, career breaks, and wage disparities.

While the current parameters do not overtly discriminate against any particular group, the system has produced different outcomes for women. This is not equitable or fair and can be addressed through general policy, taxation and special measures. Future policies must address these issues, and so we believe the addition of an 'equity' principle would ensure that all policy recommendations or decisions are made in light of their impact on women.

Gender analysis and modelling the gender impact of any changes to superannuation should be mandatory and reported.

If objectives are established for superannuation there must be a system for assessing the success of the system as measured against the objectives. An example of such an assessment tool is provided by the 'Super Tracker' recently launched by the Australian Institute of Superannuation Trustees and Mercer. The 'Super Tracker' includes measurement of gender equity and is recommended by WIS.

## WIS Recommendation

Women in Super recommends that:

- the objectives of superannuation include consideration of the equity of outcomes for women;

- all proposed changes be analysed and/or modelled to ascertain their gender impact; and
- assessment of the success of the system includes data based measurement of the equity of outcomes for women.

**FSI Recommendation 11:** The retirement phase of superannuation: Require superannuation trustees to pre-select a comprehensive income product for members' retirement (CIPR). The product would commence on the member's instruction, or the member may choose to take their benefits in another way. Impediments to product development should be removed.

WIS notes that many women have low account balances (average \$40,000) and on average live longer than men. A CIPR will be irrelevant to them. The introduction of a CIPR at this time could be an expensive and an additional cost to members with relevance to few.

There are many factors which influence how a woman will draw on her super including health, caring responsibilities, home ownership, other savings and whether she is partnered.

WIS supports funds adopting retirement product strategies relevant to their members.

WIS believes that the adoption of a single default retirement option is, at this stage of the system's maturity, not desirable and unlikely to be useful to the vast majority of women.

### WIS Recommendation

WIS recommends deferring consideration of a requirement for funds to introduce an automatic default CIPR.

**FSI Recommendation 37:** Superannuation member engagement: Publish retirement income projections on member statements from defined contribution superannuation schemes using Australian Securities and Investments Commission (ASIC) regulatory guidance.

Debate regarding superannuation, especially media reports highlighting the need to have \$500,000 - \$1million in super, have discouraged and misled women. Whilst women currently have low average account balances, even a modest balance can make a significant difference to comfort and security to a woman in receipt of the Age Pension. And women sometimes enjoy a late career/employment period when they have less financial (and caring) obligations and can save more to their super. Being able to contribute to their retirement savings in this late career period can make a real difference for many women.

According to the Australian Bureau of Statistics, the number of women still working and aged in their early 60s has tripled from 90,000 to 268,000. Nearly one in five women aged 60-65 is working either full or part-time. While many of these women attribute their continued employment to the GFC and its impact on savings and super, there is also an attitudinal shift occurring – people are choosing to remain in the workforce longer.

WIS supports the publication of retirement income projections which include the Age Pension on member statements as an important mechanism to engage women and demonstrate the importance of superannuation. WIS recognises that this is not a simple exercise despite the ASIC regulatory guidance, and there should be industry consultation prior to any compulsion.

### WIS Recommendation

WIS recommends that there be industry consultation regarding retirement income projections on member statements.

**FSI Recommendation 40:** Provision of financial advice and mortgage broking: Rename 'general advice' and require advisers and mortgage brokers to disclose ownership structures.

Many women will need to take action to increase their superannuation savings over the coming ten to twenty years as the system was not mature during the bulk of their time in the workforce with lower contribution rates, tax inequities and features which excluded their full participation. This is in addition to the impact of the gender pay gap, workplace discrimination and greater part-time and casual employment. These women will be well served by the variety of free general advice mechanisms available through reputable funds. Women may be deterred from making simple and/or multiple enquiries about ways they can increase their savings if the general advice regime developed with ASIC guidance changes.

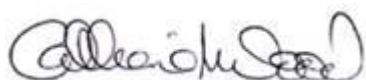
### WIS Recommendation

WIS recommends that the general advice regime continue with ASIC guidance and regulation.

### Contact

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Yours sincerely,



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