

Women in retirement



What's so different about women in retirement?

Many people won't save enough money for a comfortable retirement, but women generally have a higher risk than men of falling short at retirement age.

Statistics show clearly that on average, women are way behind:

'Are Retirement Savings on Track?'	Men	Women	% Women / Men
average super fund balances 2004	\$56,400	\$23,900	42%
average retirement payouts 2004	\$110,000	\$37,000	34%
average retirement payouts 2006 (estimated)	\$130,000	\$45,000	35%

Now let's look at what the average person will need in retirement. This data from Westpac-ASFA shows how much you will need to have in your super account to fund your desired level of retirement income:

'Westpac-ASFA Retirement Standard'	Annual Retirement Income	Balance needed at Retirement
Modest standard of living	\$18,375	\$100,000
Comfortable standard of living	\$35,668	\$260,000

Note that this is the minimum retirement balance needed at retirement, and it assumes the retiree has access to a full or part Age Pension. You will need more if you have unpaid debts, rent or mortgage payments, or if you have any big expenses such as medical expenses, or even if you intend to hang around for a few extra years! Most men are on track for a modest standard of living in retirement. But most women seem to have a lot of catching up to do.

The impact of the gap is even greater when you consider that women typically live seven years longer than men. Add to this the possibility of divorce or widowhood, and the corresponding financial catastrophe that can go with it, and women clearly head into retirement with far less wealth and greater needs than men.

Why is the average women's super fund balance so much less than men's?

Investment choices may contribute to the lower balances. Psychological studies of risk-taking by men and women have found that women generally perceive more risk, and are more risk-averse. Investors that take a conservative approach over a long term will, on average, get a lower return on their funds and hence will have a lower average super balance.

Of much greater impact though is the time that women normally devote to their loved-ones. Over a working lifetime, most women take time out of the workforce to have children, raise families and increasingly, to care for ageing parents and grandchildren. When women return to work, it is often in a reduced capacity, and not at the same income level. Because employer contributions are a percentage of income, less income means less money going into the super fund, and a lower average super balance.

What's the impact? Let's say you start working at age 20, work full-time for 10 years, then take 5 years off to raise the little-ones. You then return to work for the equivalent of a 3-day week for the next 5 years. You step up to a 4-day week for another 10 years (to knock out the mortgage, send the kids to school/Uni etc), then step back to 3-days for the remainder of your working life (allowing time to care for your parents & your in-laws, the eventual grandchildren etc). You retire from paid work at 60, to care for your grandkids so your daughter can return from maternity leave. You will have only worked for 27 of a possible 45 years! That's why you've got 65% less in super!

This is a common scenario for today's middle-aged women approaching retirement. There are some obvious generational changes happening that will improve the future super balances of the next generation of female retirees, including work flexibility, greater access to childcare and after-school care, improved health of older generations and superannuation law changes.

What can women do now to catch up?

Your super doesn't have to suffer if you take time off work for family commitments.

If you have a spouse, they can make contributions into your super fund. Spouse contributions currently receive an 18 per cent tax offset. The super contributions that your spouse puts into your fund will also be tax free when you withdraw them at retirement. Your spouse is eligible to claim the maximum tax offset if you are earning \$10,800 or less in a financial year. A reduced tax offset may be payable if you earn \$13,800 or less in a financial year.

Super co-contribution

If you make personal super contributions, you can boost your super savings by obtaining the super co-contribution from the government. This is in addition to what you or your employer contributes. Generally, you may be eligible for a super co-contribution of up to \$1,500 a year if you:

- are either an employee or self-employed,
- earn less than a specified amount a year, and
- make after-tax contributions to your super fund before 30 June.

Salary Sacrificing

When you salary sacrifice into super you can increase your super account whilst reducing your taxable income, which means you pay less tax. Make sure that you are aware of all of the terms of your salary sacrificing agreement and that they are fully outlined and clearly documented. You can obtain more information on the tax implications of salary sacrificing from the Tax Office or you may wish to discuss your salary sacrifice options with a financial adviser.

Other things you can do

Find any lost super from previous employment, educate yourself, take control of your financial future ...and get good financial advice.

Source: Are Retirement Savings on Track - Associated Super Funds of Australia (ASFA)
Australian Bureau of Statistics 2003-04 Survey of Income and Housing
Westpac-ASFA Retirement Standard
ATO website

Abound Lifestyle Planning
AFSL: 238370 ABN: 31 005 946 109
Level 1/416 Mt. Alexander Road, Ascot Vale, Vic 3032
PO Box 393, Flemington VIC 3031
ph: 61 (3) 9373 3500 fax: 61 (3) 9326 2171
www.aboundlp.com.au

Financial planning and risk insurance advice is offered through the AFS licence of Abound Financial Planning. Any financial advice given here is general advice only as it has not taken into

account your needs, objectives and or financial situation. You should always take these matters into account and obtain a copy of a Product Disclosure Statement before acquiring a financial product.

lifestyle planning
abound