2011

SUPER-POOR, BUT SURVIVING

EXPERIENCES OF AUSTRALIAN WOMEN IN RETIREMENT

aist

SUPER-POOR, BUT SURVIVING

EXPERIENCES OF AUSTRALIAN WOMEN IN RETIREMENT

Cover image: Alissa Harnath
Weekly exercise class conducted by Lois, Doncaster, Victoria

Australian Institute of Superannuation Trustees
Ground Floor 215 Spring Street
Melbourne VIC 3000

/P 61 3 8677 3800
/F 61 3 8677 3801
/E info@aist.asn.au

www.aist.asn.au

Janet de Silva & Alissa Harnath
Australian Institute of Superannuation Trustees

Qualitative survey, data collection & analysis completed
by Forethought Research

CONTENTS

FINDINGS

The data for this study was collected through a survey, conducted by *Forethought Research*, of 800 Australian women between the ages of 50 and 80 who had retired from the workforce. A further 12 detailed qualitative interviews were conducted with women who had participated in the initial survey, living in the Melbourne metropolitan area.

Working life

Most women (four out of five) took a career break during their lives to raise children, with the average length of the break being 13 years. Older retired women of the 'veteran' generation spent longer out of the paid work-force than the younger 'baby boomer' cohort, indicating a generational shift towards higher workforce participation. The average time spent in the paid workforce was 22 years. Single women were more likely to have received superannuation (81%), and widows were the least likely (55%).

Age of retirement and reasons for retiring

The average age at retirement was 56 years, at least several years earlier than the Age Pension qualifying age for women born before 1964. Two out of five women retired earlier than expected with lower educational qualifications and ill health contributing factors. Ten per cent of women cited 'inability to find a job' or 'being made redundant' as their main reason for retiring early.

Financial situation

The income distribution across retired women was uneven, with only a small proportion of women living in households where the annual income was above $50,000. More than half of the women surveyed lived in a household where the average annual income was less than $30,000 and this includes some partnered women. The level of home ownership was a high 84%. In terms of assets and net financial worth, 65% of retired women said they lived in a household where the estimated net worth was less than $500,000. Divorced or separated women were almost three times more likely to live in a household with a low net worth - $200,000 or less.

Retirement funding

Government pensions were the main source of retirement funding, with 77% of women reliant on some form of Government pension. While two-thirds of women stated they had received superannuation during their working lives, the median balance at retirement was low, with more than 50% of women having less than $31,000. Of those that had super, less than one-third had any remaining after 10 years; 43% said it had lasted less than one year. Single women were more likely to have received superannuation (81%), and widows the least likely (55%). Less than 2% of respondents indicated receiving an inheritance had played a major role in funding their retirement.

Effect of marital status

Unpartnered women fare worse in retirement, with divorced or separated and widowed women more likely to rely on the Age Pension. Unpartnered women were more likely to retire earlier than married women and more likely to retire for health reasons.

Non-financial wellbeing

They may have low incomes, but retirement appears to be an enjoyable and active time for most Australian women. Older Australian women are a resilient lot, with their frugal upbringings and a 'living within your means' ethos having prepared them well to make ends meet in retirement. Eighty-one per cent agreed they were happier in retirement, despite 52% agreeing their lifestyle was less comfortable since retiring. Twenty-six per cent strongly agreed they were worried about having enough money to fund the remainder of their retirement. Eighty-three per cent had done, or were considering doing, voluntary work in retirement.

Financial literacy

A significant number of women, particularly divorced or separated women (51%), said they did not know how much superannuation was required for them to live a comfortable lifestyle in retirement. Moreover, 63% agreed investing in a residential property was a better way to save for retirement than superannuation, although this was slightly lower (59%) amongst those with super balances greater than $50,000. Eighty-two per cent agreed with the Government's proposed lift in the Superannuation Guarantee from 9% to 12%.

OVERVIEW

Many studies have explored the issue of adequate retirement incomes – this issue has received much attention. However, few studies have explored in detail the actual experiences of people in retirement, particularly women, and how their incomes and other factors have affected their lifestyles.

This study aims to do just that. The Australian Institute of Superannuation Trustees (AIST) has sought to build on current research around the ‘gender gap’ in retirement incomes, particularly in terms of superannuation coverage, and to explore ways in which policies and products can better cater to women’s needs in retirement.

‘Retirement’ has traditionally been thought of as a male concept. In the past, women have spent significant periods out of the workforce, whether to raise children or take on other caring roles. The concept of retirement, therefore, has often not accurately described the manner in which women leave the workforce.

According to Diana Warren in *Aspects of Retirement for Older Women* (2006), the concept of retirement had little meaning for previous generations of women, except that their husbands had stopped work.[1] In fact, retirement has often been thought of as a doorway through which one passes as they leave the paid workforce, and as women often transition in and out of the workforce over their lifetimes, this concept does not necessarily apply to them.

Obviously, workforce participation is the single most significant factor affecting women’s abilities to accumulate superannuation and savings for retirement. A seven year career break will affect a woman’s retirement balance by as much as 23%[2], which then requires her to play catch-up when she returns to the workforce. With a much higher fertility rate among older generations and far more women having chosen to stay home to look after their children, the ramifications of the so-called career break on retirement income is particularly marked among older retired women.

Equally, previous generations have not had the benefit of a working life of compulsory superannuation, if at all. Indeed, it will be another 30 or so years before we see the first retirees with a working lifetime’s worth of superannuation at the current rate of 9% of salary. That said, current retirees and the ‘baby boomer’ generation 3, the first wave of which will turn 65 in 2011, will have likely accumulated some superannuation, though in most cases, the amount falls well short of what is required for a ‘comfortable’ retirement.

This is unsurprising, given women’s broken workforce participation patterns, their generally lower rates of earning and the types of jobs they have traditionally performed. However, this significantly impacts on the ability of women to provide for themselves in retirement, particularly those living alone. Women are therefore more prone to living in poverty in retirement, or on very low incomes.[4]

Education has traditionally affected women’s participation in the labour force. Those with a tertiary education have often remained in the workforce longer, and have been more likely to have higher-paying, full-time or permanent jobs.[5] Women are also more significantly affected by limitations such as the $450 monthly earning threshold before superannuation must compulsorily be paid. If a women has three part-time jobs but they each fall under the $450 monthly threshold, she may still miss out on superannuation altogether. Issues such as this must be re-examined.

Studies have shown that single women remain in the workforce longer than partnered women, and also longer than single men, most likely due to financial limitations and lower wages.[6] Unmarried women have often been found to have a significantly lower probability of leaving the labour force and a higher probability of exiting retirement – that is, they are more likely to return to the workforce after having ‘retired’.[7]

Women have traditionally had lower rates of financial literacy and economic participation than men, as well as lower levels of financial security and a higher reliance on government pensions. Given the higher rates of labour force participation amongst Generation X and Gen Y, and even baby boomers, it is likely these trends will change slightly but not enough to significantly close the gender gap in retirement savings.

It is well established that women have longer life expectancies than men.[8] In fact, current averages show that women live around five years longer than men. Women therefore need to accumulate more savings, as they will likely spend a larger portion of their lives in retirement. Given a large majority of women will take some sort of career break, they will need to make extra contributions to their superannuation and their savings to make up for time and money lost as a result of taking that break.

According to Rice Warner, a woman must save an estimated $469,000 in order to have an ‘adequate’ retirement income of around $35,000 per annum.[9] Under current policy settings, many young women starting out in the workforce today will struggle to accumulate a super balance of this magnitude.

Recently, the Productivity Commission released an important study into workforce participation of women aged over 45.[10] The study — released in December 2010, while this research was underway — uses 2007 data from the Australian Bureau of Statistics (ABS) and the Household, Income and Labour Dynamics in Australia (HILDA) survey to analyse and compare different women’s experiences in retirement as well as their experiences in the paid workforce.

Importantly, many of the Productivity Commission’s findings are consistent with those in this study and they further enhance our understanding of the key factors that impact on Australia’s 1.7 million retired women.

AIST has long advocated for improvements in women’s retirement adequacy and their interaction with the superannuation industry, and this research builds on previous activities in that space.

1. Diana Warren, Women: Aspects of Retirement for Older Women (2006), Australian Government Office for Women, p7.
2. $259,638 versus $201,258 (today’s dollars).
3. In this study, ‘baby boomers’ are those born between 1946-1964. The ‘veterans’ generation are those born between 1930-1945; Generation X: 1965-1979; Gen Y: 1980- 1996.
4. Diana Warren, (2006), *Op. cit,* p8.
5. See House of Representatives Standing Committee on Employment and Workplace Relations, Making it fair (November 2009), Commonwealth Parliament; Australian Bureau of Statistics (ABS) website: http://www.abs.gov.au
6. Diana Warren, (2006), *Op. cit*, p7.
7. Diana Warren, (2006), *Op. cit*, p7. See also Peracchi and Welch (1994).
8. Australian Bureau of Statistics http://www.abs.gov.au
9. Rice Warner Actuaries for IFSA, Superannuation Savings Gap for Women (June 2009), p14.
10. Gilfillan, G and Andrews, L 2010. Labour Force Participation of Women over 45, (2010) Productivity Commission Staff Working Paper, Canberra.

INTRODUCTION

Retired Australian women make up a significant proportion of the Australian population. According to the latest data from the ABS, 1.7 million Australian women are retired, which is equivalent to nearly one in five of the total population of Australian women.

It is well documented that women face financial challenges in retirement; in particular, they have difficulty in achieving adequate savings and superannuation to fund their retirement.

It is also well known that women live, on average, five years longer than men, and therefore they spend more time in retirement, resulting in their higher dependency on government pensions in retirement.

We know that women spend more time out of the paid workforce caring for their own children and that they often retire early to look after grandchildren, ageing parents or their partners. Based on average weekly earnings, women earn 17% less than men and are also more likely to work part time.[11]

With reduced opportunities to accumulate superannuation during their working lives, women retire with significantly less savings than men. Using the latest available ABS data, AIST estimates that the median superannuation balance for women aged between 55 and 64 years is $53,000, compared to $90,000 for men in the same age group.[12]

The aim of this research is to explore what impact these and other factors – such as homeownership and debt levels – have on the financial wellbeing of retired Australian women.

We sought answers to some obvious questions, but also answers to questions that are rarely raised with retired women. Most research in the financial services sector tends to focus on those either in the workforce or those approaching retirement.

This research explores why women retire early, how they manage to live on the Age Pension or small part-pensions, and the role of homeownership in retirement. We looked at those women who had been fortunate enough to receive superannuation, how many took a lump sum and what they did with that money. We also investigated how many women still had super left a number of years into their retirement.

The research also seeks to answer the following question: has a small amount of superannuation made a big difference to retired women?

While women's superannuation balances are lower than those for men, they have been increasing for mature aged women, and this trend will obviously continue. Whereas 10 years ago one in four women aged 55 to 64 had less than $10,000 in super, by 2007 the proportion of women in this age group with a balance below $10,000 had fallen to about 1 in 10.[13] We also explored non-financial wellbeing in retirement and sought to gain a deeper understanding of how marital status affects retirement outcomes.

This study examines differences in superannuation coverage, retirement expectations and attitudes, and retirement funding between partnered (married or de facto) and unpartnered (widowed, divorced, separated or single) women.

As Australian policymakers confront issues associated with a rapidly ageing population, it is increasingly important to ensure that our retirement income policies are effective and that the gender gap in superannuation savings narrows.

METHOD

This study is comprised of two components:

- A quantitative 16-minute CATI (Computer Assisted Telephone Interviewing) survey conducted in November and December 2010 of 800 Australian women by Forethought Research; and
- 12 qualitative face-to-face interviews lasting approximately 90 minutes each conducted in January 2011.

To qualify for the study, each participant had to be aged between 50 and 80 years; they had to be living in a retired household[14]; and they had to have spent time in the paid workforce during their lifetime, whether in casual, part-time or full-time employment.

11. ABS, 6302.0 Average Weekly Earnings, (various years).
12. ABS, 6361.0 - Employment Arrangements, Retirement and Superannuation (2010).
13. ABS: http://www.abs.gov.au
14. For the purpose of this study, participants lived in a retired household if they were working less than five hours a week and, if partnered, their partner was also working less than five hours a week.

JENNIFER'S STORY

Jennifer was forced into early retirement 11 years ago after a work-related injury that left her wheelchair-bound for more than a decade.

Now much healthier, she "thoroughly enjoys" volunteering at a nearby community centre, up to five days a week.

Before her accident, Jennifer was working in a chicken processing plant, but had also worked in take-away food shops, and as a factory supervisor.

Jennifer took a 10-year career break to raise her children. She "loved" her time in the paid workforce and always thought she would work until at least 60.

Jennifer received a small amount of super during her working life and a compensation payout following her accident. She paid off her mortgage within six months of retiring and invested the rest of her money in superannuation.

Jennifer says she is financially worse-off in retirement, estimating the GFC wiped $35,000 off her savings. "I've really had to cut back," she says.

When her friends ring to invite her out, she has to think twice about whether she can afford to go.

But she was never a big spender. One of nine siblings, she grew up in a working class family and was always "extremely careful" with money. "I know how to budget - and stick to it!" she insists.

Jennifer cheerfully admits to being ignorant about finances and investments. "Watching TV and seeing money going up and down – I really have no idea what the friggin Dow means," she quips.

She sees a financial advisor who says that with prudent management her money should last until she is 78. Having travelled to New Zealand in 2009, her advisor recommended she delay further overseas travel plans until at least 2013.

Jennifer says she would consider a reverse mortgage only if she became "desperate" - she wants to leave her home to her children.

RESULTS

PART 1: Retirement funding

1 Working Life

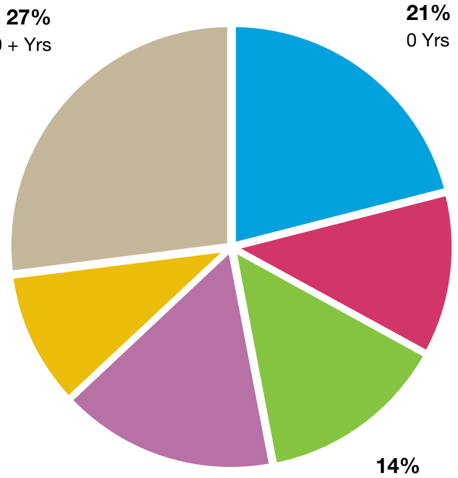
Every woman surveyed had, at some point, participated in the Australian workforce. More than half of the respondents left full-time employment to retire (56%), compared to 34% who had part-time or casual jobs immediately before retiring. Unpartnered women were more likely to have been employed full time immediately before retirement than partnered women.

Four out of five women surveyed (79%) took a career break during their lives. The average time spent out of the paid workforce was 13 years, and the average time spent in the paid workforce was at 22 years.

Generally, a career break was taken in order to have or raise children (71%). However, within the unpartnered segment, single women, who were less likely to take a career break overall, were more likely to take a break in order to travel or because of injury or illness. Among those who took a career break, those with tertiary education were more likely to take a break for travel.

Unsurprisingly, the more children a woman had, the longer her career break. Older retired women of the veteran generation spent longer out of the paid workforce than retired baby boomers. This may reflect a generational shift towards higher workforce participation and the fact that older women have higher rates of child birth.

Time spent out of paid work



DOROTHY'S STORY

Dorothy worked several full-time jobs over her life, retiring from an operator position with Telstra. A self-confessed '£10 pom', she migrated to Australia in 1977. She returned to work much earlier than she expected while her mother looked after her children.

After her divorce, she worried about her future, but she managed to get a decent job, and take control of her finances.

When she retired, she took a lump sum payment of her super, which she used to live on. She was lucky enough to have investment properties, one of which she sold to help fund her retirement. "That was my saving grace," she recalls.

She still has a small amount of superannuation left, although it's dwindling fast now. She's not interested in downsizing her home or moving to a retirement village. "If I ever got desperate I'd rent out every room in my house and sleep in the living room – as long as you've got a roof over your head that's all that matters," she says.

She never contributed extra to her super, although she had the opportunity. At the time, she recalls thinking, "what would an extra $5 really do?" Having the benefit of hindsight, she thinks she should have topped it up.

Fortunately, she's still able to do the things she wants – travel overseas, go to dance classes and socialise with friends. She still has one investment property, which she refers to as her "bonus for travelling".

As for inheritance, she's not in the slightest bit concerned about leaving anything behind. "I wouldn't even think about it," she laughs.

On making ends meet:

"If I ever get desperate I'd rent out every room in the house and sleep in the living room"

Dorothy, twice widowed

2 Financial situation

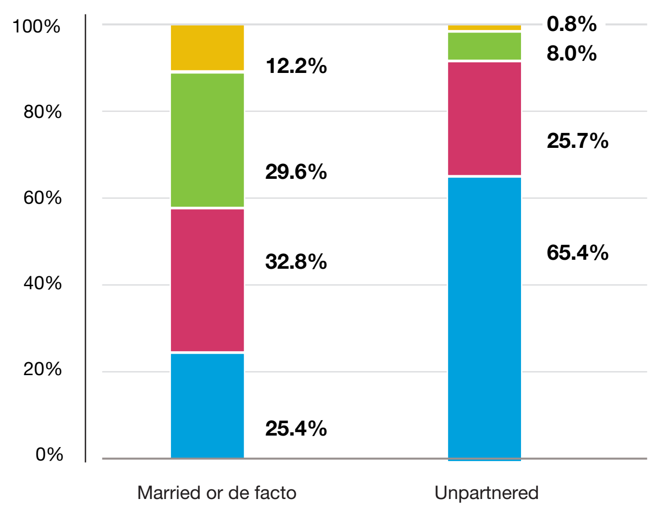
The distribution of income among retired women is uneven, with only a small proportion of women enjoying the high life. More than half of the women surveyed had an annual household income of less than $30,000 (55%), and less than one in six lived in a household where the income was above $50,000. Nearly two-thirds of unpartnered women lived in a household where the income was below $25,000 (65%), compared to 25% of partnered women.

KEY

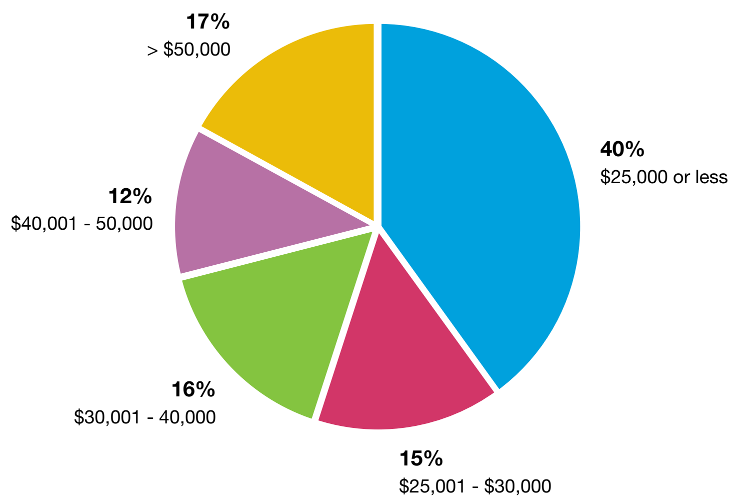
- $25,000 or less
- $25,000 - $40,000
- $40,001 - $60,000
- More than $60,000

Annual household income

- Partnered compared with unpartnered women



Annual household income



In terms of assets and net financial worth, 65% of the women in the study lived in households where the estimated net financial worth was less than $500,000. Furthermore, 42% of divorced or separated women lived in a household where the estimated net financial worth was $200,000 or less. This is almost three times higher than for married women (14%).

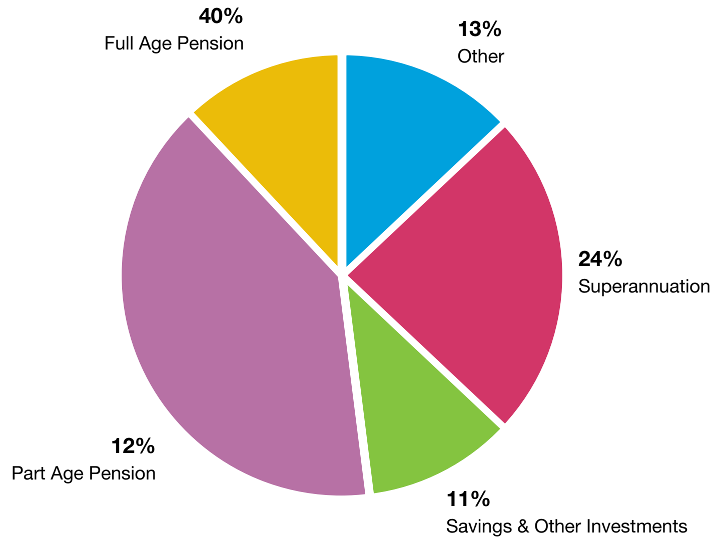
Within the sample, 91% had children and 52% of those had at least three children. At least 9% of respondents had children that were still financially dependent.

Overwhelmingly, 84% of women in the sample were homeowners and very few (2%) were still paying off their mortgages. Unsurprisingly, unpartnered women were less likely to own their homes.

Education levels varied across the sample, with 31% of respondents tertiary educated. Partnered women, however, were less likely to have received a tertiary education.

Within the sample, 66% of women were partnered, and 34% unpartnered – broadly representative of Australian population statistics within the age group sampled. Among divorced and separated women, 80% had been divorced for more than 10 years.

Main source of retirement finding



MARY'S STORY

A mother of seven, Mary spent 10 years out of the workforce to raise her children. She had several casual and part-time jobs after her break, retiring at 65.

"There were new systems and the computers were beyond me, and more hours were required, so I was happy to leave," she says.

Her last job paid superannuation and she took a lump sum when she retired. She received an inheritance, which she had also put into her super. "It's played a major role in funding my retirement – I've been able to go on overseas trips," she says.

Mary receives a pension, which accounts for about half her income. She sees a financial planner annually, who manages the bulk of her assets. She's worse off after the GFC, although says she's left her money where it was in the hope things will improve.

"I'm not worried about money running out, as long as and the financial planner doesn't stuff it up," she says.

She has no debt, and paid off her mortgage just before receiving her inheritance, not long before retiring. As for downsizing, a retirement village is out of the question - she needs space for when her children visit from interstate.

She would like to leave an inheritance, but it's not her key concern. "I really don't deprive myself of anything," she says. "But I think I'd like my kids to have the same pleasure that I got from my mother leaving me something," she says.

She spends a lot of her time now minding grandchildren, and when she has a spare moment, volunteers as an English teacher to Sudanese migrants. "If this is retirement, it's a busy one," she laughs.

On life as a retiree:

"If this is retirement, it's a busy one"

Mary, mother of seven

3 Retirement age and reasons for retiring

Based on the age brackets in our survey, the average age at retirement was 56 years.

This is likely to be slightly lower than the average retirement age for all Australian women as the survey excluded women aged over 50 who are yet to retire or who may have returned to paid work after some years in retirement.

More than 60% of retired women in the sample left the workforce before the age of 60, with more than half of those women under the age of 55. For many women retirement came sooner than expected. The data shows that 40% retired "when planned" and another 40% left the workforce "earlier than expected". Younger retirees (those aged under 65) were more likely to have retired earlier than planned.

Tertiary-educated retirees were less likely to have retired under the age of 50, compared with less educated retirees. While not surprising, it is important to realise that lack of education has contributed to an early retirement for many women.

Among those who had retired earlier than expected, poor health was a major factor and many of these women now receive a disability pension. The main reasons for retiring among all women surveyed were "problems with own health" (18%); "fed up with working" (13%); "partner/spouse retiring" (9%); and "financially able to retire" (9%). This was broadly consistent with the 2007 HILDA survey, which found the main factors driving retirement of women aged 50 to 59 years in 2007 were own ill health (23%) and financial reasons (11.6%).[15]

Despite a widely-held view that there are less job opportunities for older workers, lack of available work was not a major factor for women retiring earlier than expected. Less than 2% of women surveyed cited "inability to find another job" while only 8% cited "job redundancy" as their main reason for retiring. However, it is worth noting that many of the women who participated in the qualitative phase expressed the view that they felt pushed into early retirement either as a result of feeling too old in the workplace or an inability to keep up with new technology. Others commented that the job had "fizzled out" or become "too hard".

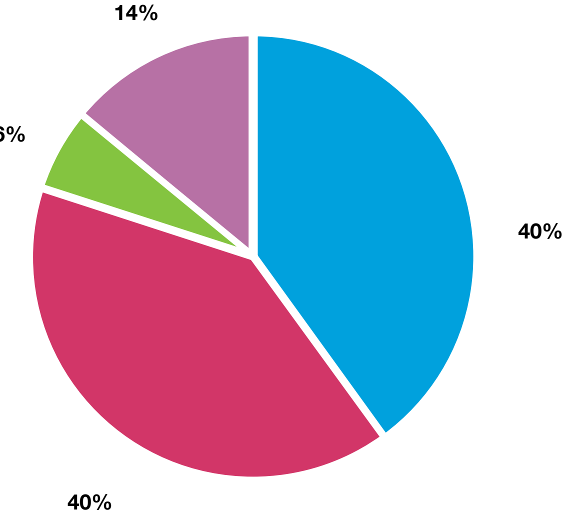
While existing evidence does not support the view that age discrimination or ageism plays a large part in the labour force participation of mature-aged women, there is some evidence to suggest that the perception of such discrimination can play a part in women retiring early.[16]

Our qualitative findings were consistent with this view.

Many partnered women in our study cited "partner retiring" as a reason for retiring. Again this was consistent with data that showed more than 60% of women aged between 45 and 54 years were not in the labour force if their husbands were not in the labour force.[17]

Furthermore, it appears that a significant number of women who consider themselves retired do in fact work part time, if only on an ad hoc basis. This was evident among the women who participated in the qualitative phase, some of whom retired to help their spouse run a business but don't consider themselves part of the paid workforce. There were also cases of retired teachers returning to emergency teaching and cases where voluntary work turns into paid work.

Timing of retirement



15. Melbourne Institute, Household Incomes and Labour Dynamics in Australia (HILDA) (2007).
16. Productivity Commission, Labour Force Participation of Women Over 45, (December 2010) Staff Working Paper.
17. *Ibid.*

JOY'S STORY

Joy worked part-time as an administrator in accounting firms and market research companies, always managing to be home when her four children arrived home from school. She waitressed at night, alternating childcare with her husband.

She retired at 50 when her job "fizzled out" after the introduction of new technologies. "Retraining wouldn't have made a difference, the hassle wasn't worth it," she says.

Joy confesses she would have continued working if she'd found a suitable job, but the couple had their own business so she did their bookkeeping.

They lived quite comfortably until her husband retired, when they suddenly realised they didn't have much behind them. Neither had superannuation – "we never talked about it, it never even existed when I was working", she says. Joy's husband was eligible for superannuation but his employer never paid it.

They've used their investments and an inheritance to fund their retirement, and they receive the full Age Pension. They worry about their finances, particularly after the GFC: "There's not much left, it's tighter than it's ever been", she says. But they're debt-free, and manage to take holidays in their caravan. They've both had health expenses that have further dwindled their savings.

"We can't afford to do everything we want – maintenance around the house, a new car," she says. "We'll probably downsize eventually – it's too big for us and it'd give the kitty a boost, but we need a step before a retirement village, we're not ready for that!"

She used to think leaving an inheritance was important, but knows her kids are better off than she and her husband ever were. "We're not going to deprive ourselves to give it to them!"

4 The effect of marital status on retirement age and planning

Does the presence of a partner or spouse make a significant difference to the retirement experiences of women? The data suggests that partnered women were more likely to have their retirement expectations met and are less likely to retire due to their own ill health (13.5%). Divorced or separated women, in particular, were almost three times as likely to cite their own health problems as a reason for retiring (39.7%).

Meanwhile, single women (9.5%) were about three times more likely than other women (3.2%) to have retired to care for another family member with health problems. This may reflect the historical trend for single women to bear a disproportionate burden of caring for elderly parents.

Single women were also more likely to cite being fed up with working as a reason for retiring (23.8%) compared with other women (16.8%).

Marital status also appeared to be a factor in the retirement planning of Australian women: 59% of single women retired earlier than expected, compared to married women (37%). Similarly, a sizeable portion of divorced, separated and widowed women (45%) retired earlier than expected. Married and de facto women were the most likely to retire because they were financially able to, and 44% reported retiring when they planned compared to 24% of single women.

More single women (24%) retired relatively young at age 50 or under compared with other groups of women (17%).

The effect of superannuation on retirement planning

The data showed that unpartnered women with superannuation tended to stay in the workforce longer than those who never received it. For example, an unpartnered woman without superannuation was more than twice as likely to retire before the age of 50. Nearly half of all unpartnered women without superannuation retired by age 55, compared to only 21% of unpartnered women with superannuation.

One possible explanation for this is that women who did not receive any superannuation were in casual and/or labour-intensive jobs, and were possibly more likely to have suffered health problems that forced them to retire early. Women who had never received superannuation may also have been less concerned about staying in the workforce to save for retirement, given that they always expected they would receive the Age Pension.

It is also possible that unpartnered women in white collar jobs, who were more likely to receive superannuation, were also more able or willing to stay in the workforce rather than retire early.

Retirees in households without super were more likely to retire earlier than expected compared to those with super.

5 Retirement funding

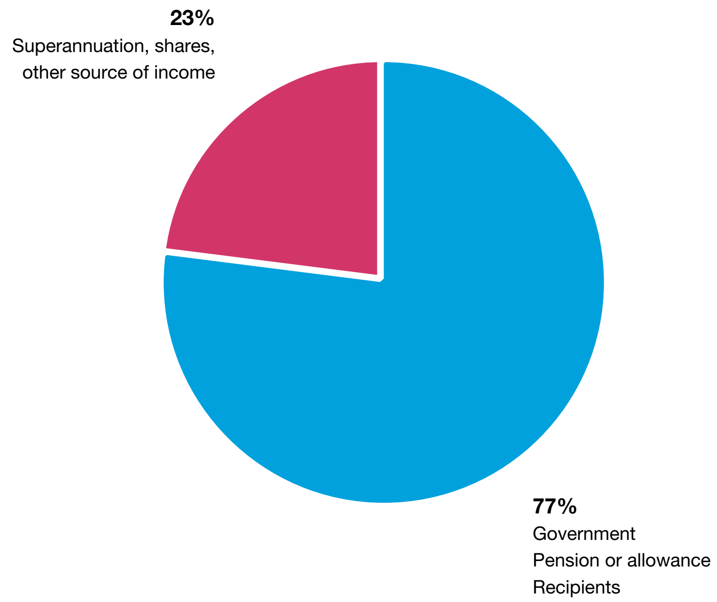
Prior to the introduction of the Superannuation Guarantee (SG) in 1992, women were more likely to work in jobs that did not pay superannuation in addition to base wages. Moreover, many members of the so-called veteran generation - now aged between 65 and 80 years - retired before superannuation became compulsory.

Many others worked in part-time or casual jobs that paid too little for them to qualify for compulsory super. It should also be remembered that prior to 1999, when preservation was applied to all superannuation contributions, it was possible for some workers to access their superannuation when they changed employment.

This scant and uneven coverage is reflected in the findings of this study, of which 75% of the respondents were veterans.

For these women in particular, the superannuation story is one of two different groups. The first group, which covers most women, either missed out on superannuation altogether or received very little superannuation. The second group, many of them partnered women, fared better, with some having as much as $500,000 or more at retirement.

Source of income



LINDA'S STORY

A stay-at-home mum, Linda didn't return to the workforce after her children were born and now receives a widow's pension in addition to a pension from her husband's former employer in the United Kingdom.

Linda says she is relatively comfortable in retirement but keeps a close eye on her savings, having "lived on rations" back in the UK during the war.

She admits to not taking much of an interest in how the couple would fund their retirement until her husband retired.

Linda now sees a financial planner about once a year, but is sceptical that she is getting value for money. She is paying upwards of $2000 to $3000 in annual fees. "I don't see the point when everything's invested – he seems to move things about".

Living in a modest but family-sized home with a sizable garden that she enjoys maintaining, Linda has no plans to downsize: "If you don't use it, you lose it," she jokes. "When you go into a retirement village you don't do anything".

Linda has previously worked as a meals-on-wheels volunteer. At one stage she was visiting the United Kingdom every two years but is less keen to travel overseas without the company of her husband. "It's no fun going out in the car or on a holiday when you've got no one to share it with".

She isn't overly concerned about leaving an inheritance to her children, whom she says all have good jobs and are better off than she was at their age.

On her reluctance to downsize:

"If you don't use it, you lose it. When you go into a retirement village, you don't do anything"

Linda, widowed

Overall, 66% of women surveyed had received superannuation. Of those, the average superannuation balance at retirement across the sample was $103,000, yet 75% of women had less than this amount. Fifty per cent of women had less than $31,000.

Super coverage was higher if respondents were married, de facto or widowed, with 80% of these women saying their partner or spouse had had money paid into their superannuation.

The average woman's partner had $148,000 in super at retirement.

The most common 'primary' source of retirement funding was the full Age Pension (40%), followed by superannuation (23%).

Overall, 77% of women received some form of government pension or allowance: 44% full Age Pension; 24% part Age Pension, 8% other pension (such as disability, Newstart, service or carer).

Divorced or separated women were most likely to be fully reliant on the Age Pension and least likely to be self-funded. Nearly two-thirds of divorced women (62%) were fully reliant on the Age Pension, followed by widows (49%). These findings are consistent with the 2005 AMP-NATSEM report on the economic effects of divorce, which found that while women tended to be asset-rich immediately after a divorce, they were more vulnerable than men to loss of disposable income, as men generally live without children following separation.

By contrast, roughly one-third of single and married women were completely reliant on the full Age Pension. Just 13% of divorcees and widows cited superannuation as their main source of retirement funding. We might expect that changes to the law regarding the division of superannuation assets in a divorce will mean this 'super divorce gap' will be less evident in future yet-to-retire generations.

The data also suggested that unpartnered women were at least three times more likely than partnered women to receive a disability pension in retirement. Between 8 and 10% of divorced or single women received the disability pension compared to 2 to 3% of married or de facto women, or widows.

Single women were more likely to be on a part-pension (19%) than divorced (5.1%) or married women (11%).

Tertiary-educated women were far more likely to have super than less-educated women, and less likely to take their entire super as a lump sum.

6 Role of inheritance

There has been, for some time, an assumption that baby boomers will inherit the earth and use their inheritance to help fund their retirement. But among the retired women interviewed in this study – of which 25% were part of the baby boomer generation - less than 2% cited inherited money as playing a major role in their retirement funding.

This suggests that either the anticipated large wealth transfer between baby boomers and their parents is yet to occur, or that only a relatively small number of very wealthy families will and are benefitting. While the parents of the baby boomers were frugal and generally saved more, it is also possible that longer life expectancies, higher health costs and the effect of the global financial crisis means they had less money to bequeath.

7 How super was used in retirement

While the superannuation balances of retired women may be low, this research sought to investigate whether having a little bit of super made a big difference to the current cohort of retired women.

Of those respondents with superannuation, just over half (54%) had taken a part or whole lump sum, and just over one-third (37%) had transferred all or part of their superannuation into an account-based pension stream or allocated pension.

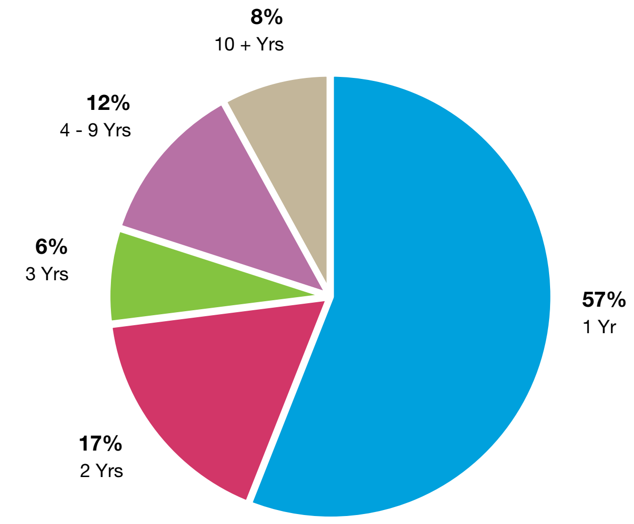
The reasons for taking a lump sum were varied and almost equally split between the following:

- Putting it in bank deposits or investing in shares;
- Travel;
- Purchasing new car/ caravan/boat; and
- Paying off a mortgage, renovating or purchasing a house.

Many of the women interviewed in the qualitative phase used at least part of their super to pay off their mortgage and any other debts.

More than half of the women who took a lump sum superannuation payout did not have any super left after two years, and 57% had no super left after one year. Only 8% said their super had lasted more than 10 years.

How long their super lasted



DORIS'S STORY

Doris didn't really have a career before having children, just a few part-time jobs. When her children were a little older she completed a teaching diploma and began her career.

A retired principal, Doris has a defined benefit pension. Her husband never had superannuation in Australia so they invested and saved for their retirement in other ways. They receive a pension from the UK, having lived and worked there before migrating to Australia.

They are debt-free in retirement, despite having taken a hit to their savings during the GFC. "We were very comfortable before the GFC and never worried about money. Now, we have to think a bit more carefully," she says, "but we should have enough for the rest of our lives."

Doris doubts she would have contributed more to her super if she'd been able: "I always thought what was going in would be enough," she says. They've seen financial advisors but now she's taken an active role in managing the household finances, reading the *Financial Review* and paying attention to what's going on in international markets.

She took a partial lump sum from her super at retirement and "splurged" on the children, travelling overseas together. As for leaving an inheritance – Doris believes it is important to have enough to be able to help her children if ever there was a problem – "what purpose do you have if you can't do that?" she laughs.

They've been on a few holidays to Europe, and eat out often – "we can still live the way we want," she says. "It's still affordable, and we know there are other options if we need them," she says.

On the impact of the GFC

"We never worried about money before - now we have to think a lost more carefully"

Doris, retired principal

8 Financial literacy

Women's financial identity has historically been tied to the home and they continue to take primary responsibility for the everyday management of household expenses, such as budgeting, saving, dealing with credit and managing debt. Indeed, many of the women interviewed in the qualitative phase reported that they, rather than their (former or current) male partners, were responsible for financial decision making in the home.

At the same time, existing research shows that women have lower levels of financial literacy than men, particularly when it comes to superannuation and investments.

This appears to be the case for many of the women in this study, who commented that they had little understanding of superannuation and financial markets. One woman put it succinctly: "What's the friggin' Dow?"

As stated previously, 66% of the women surveyed received money into their superannuation. Of these women, over a quarter (29%) did not know how much they had received.

Furthermore, 43% of partnered women did not know how much superannuation their partner had before retiring.

A significant number — particularly divorced or separated women (51%) – did not know how much super they would need for a comfortable lifestyle. When asked how much super a person needed to live comfortably, the most common answer was that they didn't know, with 20% suggesting $100,000 or less would be enough for their retirement. It is likely that the figure is based on a top-up to the existing Age Pension – that is, the pension would satisfy living expenses and superannuation would just be something extra to fund travel or other activities.

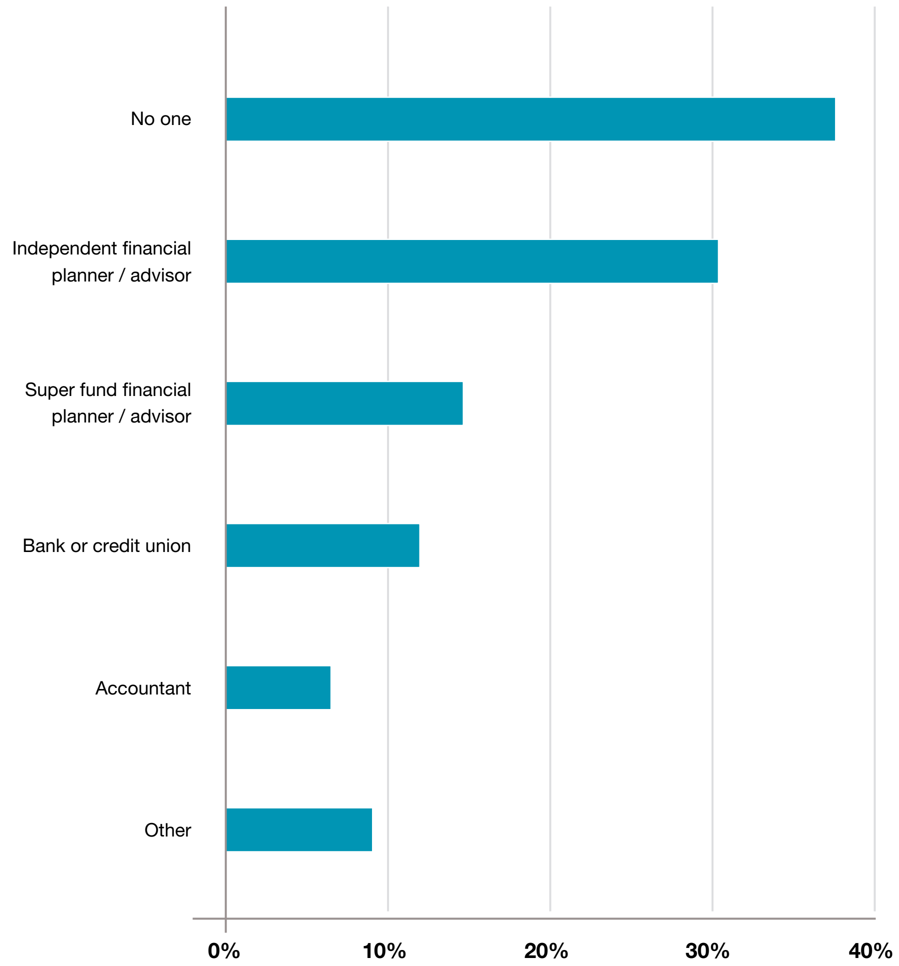
These findings suggest many working women would benefit from a better understanding of superannuation generally, but specifically from how much super is required to achieve a certain standard of living in retirement. Undoubtedly several of the women interviewed in the qualitative phase were keen to learn about financial issues now that they had retired, and lamented the fact that such information was not readily available to them during their working lives.

Nearly two thirds of women (63%) sought financial advice for their retirement. The most common sources were an independent (non-super fund) financial planner (30%), financial planner/advisor with super fund (15%) and bank or credit union employee (12%). However, 37% of women did not seek advice from anyone. Unpartnered women were less likely to seek advice than married or de facto women, but women with superannuation were more likely to seek advice than women without it.

Similarly, tertiary-educated women were more likely to seek professional advice from an independent financial planner or advisor compared to those who had not completed tertiary studies. The higher levels of income, assets and financial awareness attained by those who completed tertiary studies would have contributed to this relationship.

The data also showed that many younger retirees sought advice from a financial planner or adviser associated with their super fund compared with older retirees, which is likely the result of wider superannuation coverage amongst the younger cohort.

Who they turned to for financial advice



PAMELA'S STORY

A former primary school vice principal, Pamela retired six years ago but has recently returned to part-time emergency teaching.

Married with two adult children and four grandchildren, she regrets her decision to retire "abruptly", despite having given it some thought.

"I didn't realise how hard and different retirement would be; I wish I'd stopped more gradually," she explains.

She is happier now, working two to three days a week and also volunteering at her local church. "It keeps me in touch with everybody. I don't really feel retired because of this – I'm sort of in a twilight zone".

Drawing the minimum required from her allocated pension, Pamela and her retired husband – a former pilot with a defined-benefit Commonwealth pension - are "pretty well covered financially".

She says the couple began contributing a little bit extra to their super once their children had left school. Early in their retirement, they holidayed overseas but now prefer to stay in Australia and spend more time with family.

"I don't think we deny ourselves anything but that's because we realised we were going to retire some day and would have to look after ourselves," says Pamela.

The couple enjoy their lush garden surrounds and Pamela certainly isn't in any hurry to move to a retirement village. They have already downsized to a townhouse having tired of the maintenance of their former family home.

"I don't want to move, I don't want to have to get rid of things and I like a yard".

On contributing to superannuation

"I don't think we deny ourselves anything but that's because we realised we were going to retire some day"

Pamela, vice principal

RESULTS
PART 2: Attitudes towards retirement

Women were surveyed on their attitudes towards both financial and non-financial experiences in retirement. Attitudes were relatively consistent for both partnered and unpartnered women, regardless of their superannuation coverage. Further qualitative analysis conducted after the initial survey suggests factors other than income affect economic wellbeing. It seems that women in the age bracket sampled are a resilient lot and have learnt to live within their means.

Many of the women surveyed, particularly veterans, lived through years of rationing and economic difficulty in their early years, which taught them at a very young age to be frugal with money. Therefore, their overall happiness and financial wellbeing has not been particularly sensitive to any financial adjustment required as a result of moving into retirement.

Many early baby boomers, too, spoke of living within their means – although overall they have been financially better off than their forebears.

1 Attitudes to superannuation

One quarter of women with superannuation reported making pre-tax salary sacrifice contributions to their superannuation. There was no significant difference in the marital status of these women.

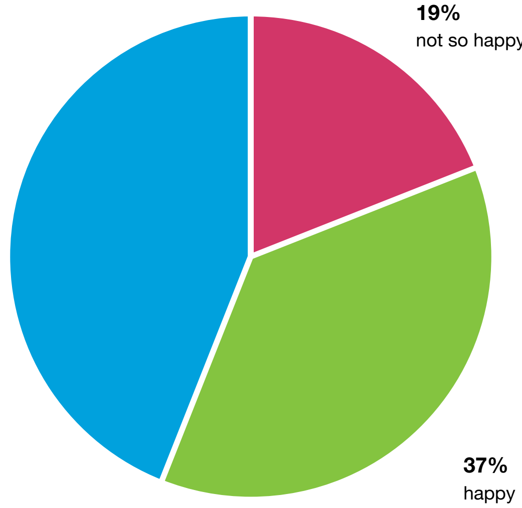
During the qualitative phase of the research, in particular, a number of women noted that there had not been an opportunity for them to salary sacrifice or make additional, tax-effective contributions to their superannuation. In fact, more than two thirds of women said their employer did not provide salary sacrifice opportunities and they had not taken advantage of government incentives to contribute more to their super.

An overwhelming 78% of the women surveyed agreed that they would have contributed more to their superannuation if there had been more incentives to do so, with 48% strongly agreeing.

Meanwhile, interest in annuity products remained fairly low, with only 17% strongly agreeing they had considered this as an option. It is likely this is the result of low superannuation balances among most retired women.

Those with superannuation were more likely to consider purchasing an annuity.

Retirement wellbeing



LOIS'S STORY

A former occupational therapist, Lois retired from part-time work at age 65 with a very small amount of superannuation. Her husband – a former minister of religion – receives a defined benefit pension and the couple are currently fully self-funded.

Lois says her husband did not fully retire from the workforce until 75, which made a big difference to their retirement financial security. "We wouldn't have managed otherwise."

The couple received an inheritance which "started them on the investment path" and helped pay for their children's education.

Lois describes the couple's retirement as "about what we expected life to be like. We are not wealthy but we are comfortable," she says. "Our needs are not extravagant and we are really happy with the way things are at the moment. We can do anything we need to do and we can also put money aside to cover a big medical bill if we need."

A mother of four, Lois returned to part-time work when her youngest child was 10. She enjoyed her career in occupational therapy and still runs a regular exercise class for older women.

A few years ago, the couple sold their home - which they paid off well before retiring - and downsized to a unit.

Lois says she would like to "leave something behind" for her children but adds they are "all pretty self-sufficient," though one married daughter is yet to buy a home.

Both Lois and her husband have health issues and may need home care eventually.

"It all depends on our health requirements as to whether there is enough to spare," she says. "We have to be prepared to pay".

On being self-funded:

"We are not wealthy but we are comfortable, retirement is about what we expected it to be"

Lois, who facilitates a weekly exercise class for older women

2 Attitudes to retirement funding

Less than half (43%) of participants agreed they would consider downsizing their home to fund their retirement. Among those most likely to consider downsizing are partnered women with superannuation. Most women were comfortable in the home they were living in, not seeing an immediate need to downsize to maintain their lifestyle in retirement.

Further, only 16% stated they had considered a reverse mortgage as a means of retirement funding. As with downsizing, those most likely to consider a reverse mortgage came from households with superannuation.

Many women also noted in the qualitative phase that the family home was an important consideration in terms of inheritance – several said they would like to leave it to their children to give them some sort of financial security.

Just 38% of those surveyed said they had considered moving into a retirement village.

Once again, leaving an inheritance seemed to be a key factor as to why people had not considered this option. Several women noted in the qualitative phase that the cost of moving to a retirement village outweighed the benefits of downsizing, particularly those that wished to remain in the same area or suburb. This was most prevalent amongst those women who lived in inner-city suburbs.

Interestingly, 63% agreed that investing in residential property was a better way to save for retirement than superannuation.

3 Lifestyle attitudes

A common thread to emerge from within both the quantitative and qualitative phases of the research is that while many women had experienced an income drop in retirement, their sense of wellbeing remained high. Generally speaking, this sense of wellbeing was not sensitive to age, superannuation coverage, mental health or income level.

For example, while 52% agreed that their lifestyle was less comfortable after they retired, the majority (81%) agreed or strongly agreed they were happier in retirement than when they were working.

On the one hand this is not surprising as most people look forward to their retirement after a lifetime of hard work. However, on the other hand it may be surprising to some that so many women living in households where the total income was less than $25,000 report being happy. Indeed, 37% of women indicated that their retirement income was lower than expected.

In particular, the qualitative phase of the research reinforced that retirement is a happy and active time for most women. The chance to travel, volunteer in community programs, spend time with partners or family, or even simple pleasures like gardening, satisfied respondents.

But being happy has not stopped some women from worrying about their money running out. More than half the respondents (52%) agreed they were worried about having enough money to fund the rest of their retirement, although only 26% “strongly agreed”.

Again this response was not sensitive to age or whether the household received superannuation. While it was previously noted that most women were able to live within their means, there was clearly a concern that increases in the cost of living and the relative inadequacy of the Age Pension might hamper them in maintaining a modest or comfortable lifestyle in retirement.

Many respondents relied on the Age Pension, which currently provides an annual income of around $25,879 for couples or $17,165 for singles, and this is likely a significant decrease for most retirees.

Several respondents in the qualitative phase admitted to very closely monitoring how their money was spent, although they also said they were able to do most of the things they wanted in their retirement.

58% of women surveyed agreed that leaving an inheritance was more important to them than using all their assets to fund their retirement.

Previous results, such as the low consideration of reverse mortgages and downsizing homes, support this.

However, in many of the qualitative interviews, partnered women said that providing an inheritance was far more important to them than it was to their partner. Very rarely had receiving an inheritance played a role in funding the retirements of veterans, and while many felt it was important, they were not often prepared to deny themselves in order to leave assets for their families. Many agreed they were part of the ‘SKI’ (spending the kids’ inheritance) group.

It was also clear from the qualitative phase that many participants felt their children and grandchildren were generally better off financially than they had been at similar ages, and so there was less concern about assisting them in building their savings.

Eighty-five per cent of respondents had considered doing more voluntary work in retirement. The type of voluntary work varied greatly, but it included caring for grandchildren and sick relatives, *Meals on Wheels*, teaching English to new migrants, caring for the aged in hospitals and homes, and working in community centres.

PAULA’S STORY

Paula retired from her full time role as a children’s services coordinator at 59 – much earlier than she expected. A mother of two, Paula took only one year off work to have her children, starting up a family day care program in her home, and then working at before- and after-school care programs when her children went to school.

Unfortunately, Paula’s health forced her into early retirement. She receives an allocated pension from her super and is fortunate to be covered by a defined benefit scheme. Her husband is also retired.

Paula is a strong advocate for superannuation, firmly believing people should contribute extra whenever they can. As she says, “it’s just savings that you can’t touch yet!”

Paula confesses she is responsible for most of the household finances, learning as much as she can about superannuation.

She’s seen several financial advisors at Centrelink and through her super fund, who she says are always surprised at how much she knows about her super. She thinks it’s important people understand their super.

“What I find interesting about many women is they don’t understand super, or don’t make it their business to understand super. One day you’ll regret your ‘why worry about it’ status” she says.

Having recently returned from a trip to New Zealand, Paula and her husband have plans to travel in their caravan. Although in between minding grandchildren, making jewellery, and volunteering in aged care who knows when they’ll fit it in.

A self-confessed ‘SKI’ (spending the kids inheritance), Paula says her children are far better educated and therefore earning much higher wages than she or her husband ever did, and they’re not worried about leaving anything behind.

On Super:

“It’s just savings that you can’t touch yet!”

Paula, married

OTHER STORIES

EUNICE'S STORY

Eunice retired at 60, after many years as a receptionist in full- and part-time roles.

She recalls being "really ready for retirement," feeling too old for her role. "I'd had enough. You needed to be younger on reception," she says.

Happily independent and living in a covered inner-eastern suburb of Melbourne, Eunice enjoys an active retirement, heavily involved with her local bowls club.

Married twice, she receives the pensions of both her former husbands and describes her situation as "very comfortable". "If it wasn't for my second husband's super I'd be watching my pennies more carefully but I can go out and buy something if I want it".

She is confident about managing her finances, but this wasn't always the case.

Her first husband – an accountant – was "the boss" when it came to money matters. "Even when I was working and had my own account… he was always looking over my head".

She sees a financial advisor and most of her money is invested "conservatively, in term deposits".

Asked about leaving an inheritance to her children, she says: "The children will be well off when I go – it's not the most important thing on my mind".

Her friends are considering moving into retirement villages, but Eunice isn't so sure. She recently inspected one of the plusher retirement villages nearby and came away thinking she was in no hurry to move.

"I thought what am I achieving? I'm just achieving 'company' and the people in there are much wealthier than I am and I'd just be out of place".

On retiring at 60:

"I'd had enough - you need to be younger on reception"

Eunice, twice widowed

LESLEY'S STORY

Lesley is a self-funded retiree in her late 50s living in a modest two-storey unit. She retired with a small amount of super but relies mainly on a compensation payment received after her husband's death in a workplace accident, and his allocated pension.

Lesley's working life was varied and interrupted, with stints as a home-based carer, baby sitter, retail assistant and administrator at an insurance company. She fostered several children and has helped care for her grandchildren.

Lesley returned to part-time work when her youngest child started primary school. She retired "about five years earlier than expected" to care for her ill mother.

Lesley has always been careful with money. While her husband "did not have a high-paying job", the couple "always lived within our means, always within our budget".

While she considers herself retired, Lesley cleans houses for extra money and is "saving more than I'm spending".

She volunteers at a local hospital and says she may seek out more paid work if necessary, but notes "there is not a lot around for people my age".

Having recently visited the United States, Lesley is now planning a trip to England.

She has no debt and does not envisage using a reverse mortgage to fund her retirement, despite her savings taking a hit during the GFC. She sees the Age Pension as a safety net "to fall back on" if her pension runs low. She visits her financial advisor yearly - "I just like to see there is something there" - and says her allocated pension is invested conservatively.

On her yearly visits to her financial advisor:

"I just like to see there is something there"

Lesley, widowed

ROSA'S STORY

A former Australia Post employee, Rosa retired 20 years ago at 50 with a work-related injury. Prior to this, she cared for her two children at home.

Both Rosa and her husband, a tiler, retired with superannuation, but Rosa's payout was "not a lot".

Born in Hungary, Rosa migrated to Australia from Germany with her husband in 1961. The couple use a combination of a part government pension, a small German pension and investment earnings to fund their retirement. They received a small inheritance, half of which they gave to their children. Rosa's mother is still alive, living in a retirement home in Germany.

Rosa says the couple lost a "fair bit of money" in the GFC and have since invested more conservatively.

When Rosa's daughter died, the couple inherited her superannuation, which Rosa says has enabled the couple to go on holidays. She says they "live comfortably" and their two-storey home in an outer Melbourne suburb, also home to their son, was paid off well before she retired. "That's why I went back to work. You pay off the house and then you can do what you like".

Rosa says they are not worried about their money running out but the couple haven't ruled out downsizing their home in the future.

Like so many of her generation, Rosa – who manages the household budget - says she has always been careful with money. "There was only cash – no credit cards! But we've saved lots and have lived modestly".

Importance of homeownership:

"That's why I went back to work. You pay off the house and then you can do what you like"

Rosa, married

CONCLUSION

This study has revealed that despite women living on what might be perceived as relatively low incomes, retirement has been a happy and active time for most. This was particularly the case for the women who took part in the qualitative research where there was a high level of optimism among participants and a general 'lust for life'. This was evident even among those women who had experienced tragic life events and episodes of ill-heath. Complaints were few and far between.

Despite the majority of women in the sample retiring with low superannuation balances, what they did have has made some difference to their lifestyles. Retiring with superannuation assisted women in paying off their mortgages, travelling overseas or around Australia, renovating their homes, or reinvesting in the share market.

The data shows starkly different amounts of superannuation between women, though most had very little if any. However, there was little correlation between having superannuation and the level of happiness in retirement – at least amongst this sample. While those that retired with some superannuation were grateful to have the extra money, those that had never had superannuation appeared to have accepted their situation in retirement.

A Factors impacting retirement

The study revealed that four out of five women took a career break during their lives, with more than half spending at least 10 years out of the workforce. Whilst many of these women would not, at that point, have been in jobs where superannuation was paid, a career break of that length would have impacted on their ability to accumulate any sort of savings, let alone retirement savings.

The so-called career break is arguably the key factor affecting the adequacy of retirement savings for women. According to AIST's own calculations, the average Australian woman who takes a career break of seven years, starting at age 30, will end up with a superannuation savings balance approximately 23% less than someone who does not take that break. This equates to a reduction in weekly income of between $50 and $66 throughout her retirement.

The study also found that many women retired before they had planned – whether due to ill health, having to care for a family member or partner, or simply because they no longer wanted to work. As has been shown in other studies, this study revealed that women with higher educational attainment retired later than less-educated women.

There has been some speculation as to whether there are issues of 'ageism' in the workforce, leading to older workers being forced into retirement. However, few women in this study stated that this was their reason for retiring. More often, and particularly in the qualitative phase, women said that the introduction of new technologies required them to undergo extensive retraining if they were to remain in their current jobs, and many felt it just wasn't worth the effort.

There was, however, a direct correlation between those with superannuation and workforce participation — that is, those with super tended to stay in the workforce longer. While there could be any number of reasons for this, it is probable that those who did not receive superannuation were more likely to be in casual or labour-intensive jobs, and therefore may have been more likely to suffer health problems or injuries that prevented them from continuing to work. These findings suggest that superannuation funds have a role to play in encouraging women to return to work and stay in the workforce longer.

According to 2010 estimates from the Productivity Commission, at least 7% of mature aged women could potentially enter the labour force. Policies that encourage older women to re-enter the workforce may be necessary to help manage longevity risk.

B Wellbeing in retirement

A large majority of the women surveyed agreed they were happier in retirement than when they were working, despite half agreeing their lives were less comfortable since retiring. This would indicate that these women have learnt to make do with what they have, to live within their means and to plan their spending carefully.

Retirement for most of these women appears to be active. Indeed, three of the 12 women interviewed for the qualitative research had returned from exercise classes or the gym on the day of their interview. As one woman noted: "If this is retirement, it's a busy one".

A number of women performed voluntary work in retirement, whether caring for grandchildren and other family members, teaching English to migrants, caring for the elderly in hospitals and aged-care homes, *Meals on Wheels*, or working in community centres. The vast majority of respondents agreed they were considering or already doing voluntary work, and this contribution to the greater community should not be overlooked. While we should encourage older women to remain in the workforce, as their contributions are valuable, we should not discourage them from retiring to make other valid contributions to society.

C Assets and income

The role of homeownership in retirement planning should not be overlooked. Amongst this sample there was a high rate of home ownership, which not only contributes to financial wellbeing but also to general happiness.

It goes without saying that homeownership is a major contributor to financial security at any stage of life, but particularly in retirement. While non-homeowners generally receive a higher Age Pension, this is not enough to compensate for the extra costs and financial insecurity involved in renting.

Nearly all of the women interviewed in the qualitative phase of this study commented that being a debt-free homeowner was important to their financial (and non-financial) wellbeing. Though most think it unlikely, they are comforted by the knowledge that they have the option of downsizing or using a reverse mortgage to release some of the equity in their home should they ever need to supplement their income.

Superannuation

Two-thirds of the women surveyed had some superannuation, although nearly four out of five still relied on some form of government pension to fund their retirement. This figure altered when the sample was divided according to marital status, with unpartnered women far more likely to rely on government pensions.

Due to Australia's rapidly ageing population, it is estimated that there will be two retired people for every five of working age in 40 years, compared with the present figure of one retired person to every five workers.[18] The pressure on the government to fund pensions in the future will therefore increase dramatically, although the superannuation system will have matured by this time and many retirees will have benefitted from a working lifetime of super.

For the veteran generation, superannuation was more likely to assist women in paying off mortgages, renovating their homes or to travel rather than actually play a significant role in funding their retirement in the long term. Very few had any super left after 10 years in retirement.

Inheritance

There has also been much discussion of the role inheritance has played, and will continue to play, in retirement funding, particularly for the baby boomer generation. For some time there has existed an assumption that the boomers will inherit the earth and that their inheritances will play a major role in funding their retirements. Although

18. IGR 2010 Appendix A

CONCLUSION
continued

there is no doubt that the boomer generation as a whole is financially better off than previous generations, less than 2% of the survey participants said inheritance had played a role in funding their retirement.

While this may in fact be because the predicted wealth transfer between boomers and their parents has yet to occur, it also may be that increased costs of health care and the GFC have lessened the amounts available for older generations to bequeath.

Salary Sacrifice

Salary sacrifice arrangements are not available to all Australian workers on an equitable basis. In many cases, information about this arrangement is only available to employees when they proactively seek it from their employers. Despite the tax advantages of these arrangements, they are taken advantage of by relatively few Australians. Salary sacrificing into superannuation is a sensible means for employees to supplement their provision for retirement. Greater access to salary sacrifice should increase the effectiveness of superannuation as a long-term investment vehicle.

D Financial literacy

Research has shown that women have lower rates of financial literacy, particularly in relation to superannuation, yet many women in this study claimed to be responsible for household finances. Although many women had sought financial advice leading up to and in retirement, many in the qualitative phase in particular agreed that their understanding was limited. Given those of the boomer generation are used to a less frugal lifestyle, they will demand higher quality products and a greater range of services from their funds. This is unlikely to change as Generation X and Gen Y retire in 30 to 40 years time.

This study also showed that most retired women do not know how much superannuation is required to achieve a certain standard of living in retirement. Again, this highlights the need for improved financial literacy and offers an opportunity for funds to engage with their older female members by providing more individualised retirement projections.

E Attitudes to retirement

In order to particularly understand the attitudes of older women in retirement, we must understand where they have come from and the lives they have led. These are tough women: many lived through the Great Depression and strict rationing during World War II, which has helped them to be careful with their own money. The veterans are a generation that take pride in their ability to budget and live within their means. Some women in the qualitative interviews noted that they didn't like to use credit cards – if they didn't have the money then and there, they wouldn't and couldn't spend it.

For most retired women, living on modest pre-retirement household incomes and learning to live within their means appears to have helped them cope with living in reduced circumstances in retirement.

In other words, being comfortable in retirement is relative to the lifestyle experience before retirement.

As one woman said: **"It was tough when I was working, and retirement is no different."**

F Retirement in the future

What can we learn from these women to better serve future generations of retirees? Most research and anecdotal evidence points to the next wave of retirees as having higher expectations than the current group. It is likely they will demand better products and services than their veteran predecessors, particularly as the later baby boomers and Gen Xers are characterised by their love affair with debt and a 'buy now, worry later' attitude.

Younger women are arguably less accustomed to 'living within their means'. This cohort grew up with increasing affluence and the rise of mass consumer credit. It is anticipated they will want to live an active lifestyle and continue to spend in retirement. In short, they are likely to expect more in retirement than their frugal forebears.

On the plus side, the next wave of retirees will leave the workforce with much more superannuation, although none will have had a lifetime of compulsory super at 9%, let alone at 12%.

However, there are no guarantees that having more super will deliver an easier retirement for the younger generation. It is likely they will be carrying higher rates of debt into retirement and increasing numbers will retire saddled with large mortgages or without the benefit of owning their own homes. They will also live considerably longer than current retirees. Having been late breeders, many may even have dependent or semi-dependent children to care for. Arguably there is the potential for younger generations to be more disappointed in retirement than the current cohort of Australian retirees.

In a 2008 report for AMP, NATSEM found that the number of people aged 60 and over and still paying off a mortgage had doubled in the last 10 years - up to 9.5% in 2005–06, from 4.2% in 1995–96. It is likely that a sizable proportion of women retiring in the coming decades will do so without the security of homeownership or a fully paid-off mortgage. It is possible some may use their super to pay off their debts or to buy their first home.

The vast majority of women surveyed supported raising the compulsory rate of superannuation from 9% to 12%, acknowledging the many benefits to future generations, including their children and grandchildren, and the reduction of pressure on government-funded pensions. The likely impact of rising debt levels and falling rates of homeownership on super's role in providing income in retirement for future generations adds weight to the need for this increase.

ACKNOWLEDGEMENTS

AIST thanks Forethought Research, particularly Peta Enbom and Timothy Gray, for the quantitative survey development, data collection and analysis. AIST also thanks Angela Baker (The Baker Group) for her input into the survey design. AIST acknowledges Damien O'Connor and Mark Li, for their contributions in relation to statistical analysis and design, respectively.

Australian Institute of Superannuation Trustees
Ground Floor 215 Spring Street
Melbourne VIC 3000

P 61 3 8677 3800
F 61 3 8677 3801
E info@aist.asn.au

www.aist.asn.au