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How the Budget Super changes are yet another blow to an adequate retirement for women

The super changes announced in the 2016 Budget threw up passionate responses from politicians, particularly during the election campaign. According to IOOF Senior Technical Services Manager, Pam Roberts, there were vehement objections to the retrospective provisions of the $500,000 lifetime cap (what happens if I want to put an inheritance into my super?); and fervent opposition to unfairness of the $1.6m cap on pension assets (which affects less than 1% of members).

But no-one appears to have noticed the elephant in room…and that she is wearing heels.

One of the key savings measures in the Budget super changes is to reduce the annual concessional contributions cap to $25,000 p.a. from 1 July 2017, and removing the higher cap of $35,000 for those aged 50 or more. This particularly affects women, who characteristically have irregular employment patterns and lower super contributions while raising families, and make catch up contributions later in life when family financial responsibilities reduce.

Although the changes will allow up to four years of unused cap amounts to be brought forward for those with account balances under $500,000, this will only commence on 1 July 2017, and is cold comfort for many women who will lose the higher concessional contribution rate.

Yet only a few days before Federal Budget was handed down, the Senate Economics Committee released its report "A Husband is not a Retirement Plan: Achieving Economic Security for Women in Retirement".

Australia's retirement income system …. structurally favours higher income earners who work full- time, without breaks, for the entirety of their working life. The women (and men) who do not fit this pattern of work face a significant handicap when saving for their retirement.

The committee recommends that the Australian Government ensure that any changes to the retirement income system… should:

. Deliver a decent standard of living for both men and women in retirement;…..

. Recognise the diversity of experience and outcomes in retirement incomes for different groups in society, particularly but not restricted to women;

Association of Super Funds Australia (ASFA) estimates that for a comfortable income in retirement a couple will need annual income of $58,922 and a single person will need $42,893 income. This equates to a super accumulation at age 65 of $640,000 for a couple or $545,000 for a single person (see note 1).

Now let us look at the real situation. The HILDA (note 2) survey is a longitudinal survey that has been conducted each year since 2001. It surveys the same group of 9,432 Australian households comprising 17,325 persons on a range of subjects covering issues such as family life, employment, health issues, household wealth and superannuation.

The results for the gender gap in superannuation are damning. For the group who aged around 51 years (note 3) in 2001, the mean super balance for women was $74,912 and for men was $154,769. For the same group in 2014, now aged around 62 years, the mean super balance has grown to $187,327 for women (2.5 times) and $284,312 for men (1.84 times). The next (younger) group, aged around 464 in 2001 and 58 in 2014 have similar results: the mean super balance for women grew from $66,701 to $149,497 (2.24 times) and for men: $120,858 to $232,804 (1.92 times).

What does this tell us?

Firstly the gender gap in superannuation at retirement between men and women is appalling. On the 2014 survey, the mean account balance for females aged around age 62 is only 66% of that of males. Sadly the pre-retirement situation is worse: with mean account balances for females currently aged around 51 only 52% of their male counterparts.

Also both women and men are trying to improve their retirement savings by contributing more in the "empty nest" years during their 50s and 60s. The trends indicate that women, in particular, are trying to improve their situation with a higher rate of increase in their account balances than men of the same age. The Government should be encouraging women to improve their superannuation outcomes when they can. Certainly not act to discourage these savings.

There is no doubt that the reasons for the gender gap in superannuation between men and women are wide and complex. Women are more likely to be paid less; have broken working patterns; and work part-time or casually. Therefore they do not have the same opportunity to accumulate adequate superannuation savings throughout their working career as men.

So for all those in the room in high heels- the Government should not be acting in any way that will reduce the opportunity for women (and men) to contribute more to super when they can to improve their retirement savings. Reducing the concessional contribution cap for those over age 49 from $35,000 to $25,000 does just that. Let's at least try to close the gender gap and deliver a standard of retirement that women rightly deserve, and have earned.