Retirement Income

THE GENDER CARD IN RETIREMENT

Women are still playing catch-up to men when it comes to retirement income and it is seemingly not getting any easier. **Jassmyn Goh** finds out what can help half the population close this gap for a better retirement.

THE TRADITIONAL EXPECTATIONS and views of women are not doing them any favours as gaps in pay and career are hindering their retirement income.

Recent reports regarding pay and retirement income have pointed to a large discrepancy between men and women, highlighting the need for the financial services industry and Government to rectify these issues.

At the same time, the Government's 2015 Intergenerational Report pointed to both men and women living longer to 95.1 and 96.6 years respectively, for those born in 2055.

However, the latest Australian Bureau of Statistics (ABS) figures found the gender gap in superannuation is worsening.

The figures showed the median superannuation balance gap between men and women in the 55-64 age group was 47 per cent in the 2013/15 financial year, compared to a gap of 39 per cent in 2011/12.

The ABS also found 90 per cent of Australian women will retire with inadequate superannuation savings, and 37 per cent had no personal income at the age of retirement.

Colonial First State's executive general manager, Linda Elkins, said a lot, if not most, women were likely to have retirement income funding issues, due to factors such as caring needs, divorce, widow-ship, or tax issues.

Despite these disadvantages, ING Direct's "Women and Finance" report found 93 per cent of women were either the sole or joint decision maker in a household.

WHAT WOMEN NEED

ANZ's chief executive of global wealth, Joyce Phillips, said when it came to financial decision making, women had different needs and aspirations to men, and thus made their decisions differently.

"These differences mean financial planners must take a different and tailored approach with their female clients," Phillips said.

"We know that women want to establish a connection with their planner and they want to talk about their financial goals with someone

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LINDA ELKINS

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who understands what they need."

Phillips noted that women tended to focus on life goals rather than returns on investment.

Association of Financial Advisers' (AFA) national president, Deborah Kent, said as an adviser she tailored strategies in line with lifestyle visions for her female clients.

According to ING, women tended to choose more conservative investments such as at-call and term cash savings, cash and balanced super options, and owner-occupied mortgages as their core financial assets.

However, this could be counterproductive in the current record low interest rate environment.

"If I have a female client that has a low tolerance to risk, it is my job as an adviser to help move her out of her comfort zone," Kent said.

Elkins said this was tied to confidence, and that advisers would need to support and build confidence in their female clients.

"Give them the confidence during this punitive volatility. This is a really great example of a time when a woman really needs an adviser to be in a lot of contact with them and support them through staying the course of volatility," Elkins said.

"When a woman feels confident in her decisions she is more likely to stick through volatility than a man."

Currently, only 31 per cent of women received professional financial advice, but according to ING, women who received advice were more likely to be high income earners, and own their own home, mortgage free.

Kent said only about 20 per cent of financial advisers were female but did not think this was the main issue stopping women from seeking advice.

"Certainly getting more women giving advice will help lift the profile of women to seek advice because there are a lot of women that only want to see a female adviser… I think more female advisers can increase the effectiveness of women getting advice," Kent said.

She said it was important for clients to feel comfortable with their advisers, and if they did a good job, their clients would feel they understood them.

"The amount of times I've been told 'the adviser wasn't interested in me, the adviser didn't listen to me, I felt intimidated because I felt like I was being judged for not having gotten myself in a better financial position and I needed to talk to somebody that was sympathetic to that.'"

Elkins said part of the poor advice issue was unconscious bias, as women were not traditionally perceived as the main financial provider.

"When financial advisers are in family situations, we also teach them to make sure they are including the women," Elkins said.

"Some women feel when they come with their male partner in an advice scenario, the adviser refers to the male partner. So one of the things is to make sure they're being inclusive of the female partner, and of course in many situations she'll actually be the decision maker."

Elkins also noted that women's perceptions of themselves were a major hindrance in their ability to increasing their retirement income.

At ANZ, Phillips said their advisers undertook specialist training to help planners connect with their female clients.

"The training covered the wealth gap between women and men in Australia and

explained the different approaches to finance and financial decision-making," Phillips said.

"The training taught planners how they could apply these insights to their interactions with female clients and covered unique financial strategies planners should consider when developing a plan for them."

However, clients should also become educated, as financial literacy is the key to saving for retirement and navigating risk, Kent believed.

"They [female clients] need to be educated and they want to know how to mix a portfolio together to get a conservative outcome, but also give ability to meet their goals.

"There needs to be continual education around the changing environment and how the risk fits in to that," she said.

Kent said the top three points advisers needed to raise with their clients when looking at how much they needed in retirement were their lifestyle goals, budgeting, and investment styles.

Superannuation and wealth management research house, Rice Warner, found in their 'Female Voluntary Contribution Research', that many women did not have basic retirement knowledge.

Of the women surveyed, 31 per cent did not know what their retirement income needs were, and 24 per cent were not aware of co-contributions.

Rice Warner's deputy chief executive, Melissa Fuller, said it was surprising many women did not know about the co-contributions and factors like the low income super contribution (LISC).

"Basic education and what they're entitled to, how the co-contribution works, and spousal contributions, all those things that can improve their own situation, many didn't know about," Fuller said.

Fuller noted the Government needed to repeal its plans to abolish the LISC and needed to stop the $450 threshold as it would benefit many women in low paying jobs.

THE HELP

To help their female employees, Rice Warner introduced a package of benefits designed to bring their expected retirement savings outcomes in line with their male counterparts, and was the first company in the world to do so.

The package includes an additional two per cent superannuation for females, superannuation on parental leave for up to 12 months, flexible working arrangements, educational programs, and an option to purchase an additional two weeks annual leave.

"We went through a process of going to the human rights commission to get an exemption from the sex discrimination act to make sure we weren't discriminating against men and they were very supportive of that," Fuller said.

"Since then, there have been a couple of other companies that have introduced similar measures – the most recent was ANZ. We worked behind the scenes with ANZ to share with them what we did to get our program implemented."

ANZ's package is designed to offer female employees additional employer superannuation contributions to help close the gender gap in retirement savings.

On the product side, Kent said there were none that were specifically designed to help women.

This is despite figures from Challenger, and consumer lobby group, National Seniors Australia, showing 70 per cent of women thought they needed different products to provide retirement income that lasts longer, and just over half the male respondents agreed with this proposition.

However, one product that has seen a noticeable growth and popularity with women is annuities.

Challenger chief executive of life, Richard Howes, said according to research house Plan for Life, the annuities market inflows have grown from $1.1 billion in 2010 to $2.6 billion in 2014. It currently has over $10 billion in immediate annuity funds under management.

"Retirement income has been getting more focus recently, there's a building consensus and recognition that retirement is different to accumulation and it is important to recognise the difference," Howes said.

At its core, an annuity is a series of regular payments in return for a lump-sum investment. The rate of return is fixed at the outset and is not affected by share market or interest rate movements.

Howes noted that at Challenger, 55 per cent of lifetime annuity sales from the 2015 financial year were from female clients and this reflected longevity risk.

He said annuities were popular with female clients due to the lower risk tolerance behaviour.

"So strategies like income layering resonate well with female clients because of their risk awareness and their realistic expectations on market returns. They recognise the portfolio needs to cope with poor outcomes as well as good outcomes," Howes said.

"So an income layer which is immune from market shocks which hedges against inflation and lasts as long as a female client lives is attractive in through that lens."

From policies and products, to employers, there is still a long way to go in helping women catch up to men in their retirement income, and advisers play a major role in closing this gap.

"From an industry point of view it's important to recognise high quality advice and that's true irrespective of your balance," Howes said. MM