



New shoes or new steps? What is the difference?



ANNETTE
SAMPSON

Sisters are doing it for themselves. Or so the song goes. But recent research has shown a disturbing trend for younger women to count on a bloke doing it for them when it comes to retirement planning.

Yes, for all the efforts of the feminists and talk of the independent modern woman, four in five young Australian women plan to live off their partner's income after they turn 50. And most of them would much rather save for a new outfit than their long-term future.

Recent weeks have seen the release of several research studies looking at the vexed issue of women and retirement planning. Galaxy research commissioned by BT Financial found 51 per cent of women believed their partner would earn more than them, and 40 per cent believed they would earn the right to live off their partner's income by looking after the kids. A study of 500 women by a marketer, The Heat Group, found almost 80 per cent of women had no idea how much super they had and 77 per cent didn't know how much they would need to maintain a modest lifestyle in their post-retirement years.

To be fair, super isn't a top-line priority for the young of either sex, given that retirement is a far-off concept after their real lives have ended. But the surveys suggest women in particular are ignoring the lessons of earlier generations, when a little interest now could make a huge change later.

According to research by Citibank, the average monthly retirement income for women is \$802 less than for men. More than 40 per cent of retired women surveyed wish they had started saving earlier for retirement and 56 per cent say the age pension is their primary source of income.

The message to younger women should be clear. But both the BT and Citibank research found very few of them had given much thought to what they'd need in retirement, let alone made tentative plans to achieve it. Citibank found only 10 per cent of women knew what they'd need to be comfortable in retirement and were on track to achieving it. BT found only 8 per cent of young Australians had calculated how much they'd need, with men (10 per cent) more likely than women (6 per cent) to have calculated their savings needs.

Louise Biti, head of technical services for the financial services group Asteron, says many younger women feel they can catch up on their super savings later on – if Prince Charming doesn't look like turning up. But

compound interest is a powerful thing; they'll have to contribute much more later to be in the same position achieved by putting aside a little now.

Biti crunched the numbers on three scenarios. In the first, Dorothy Do-Good started saving at 25. She contributed \$2000 a year to super for 10 years, then stopped contributing as she left work and spent the rest of her work years raising a family. If her super fund earned a net 8 per cent a year, Biti says, Dorothy would have \$145,846 for retirement at age 55.

In the second scenario, Delilah Do-It-Later didn't contribute to super until she turned 35. She then contributed \$2000 a year for the next 10 years, so she put aside the same amount as Delilah. At 55, says Biti, Delilah would have just \$67,555 in super. Her \$20,000 wouldn't have brought nearly as much benefit from compounding as Dorothy's investment.

In the third scenario, Carrie Catch-Up also put off contributing until she turned 35. But then she put aside \$4000 for 10 years – giving her double the investment of the other two.

Unfortunately for Carrie, at 55 she would still have less money for retirement than Dorothy – \$135,116. Even doubling the amount invested wouldn't make up for those 10 early years of compounding.

"It's often a struggle to balance your priorities, but getting some money in early can make up for gaps [in savings] later in life," Biti says.

For many women on lower to middle incomes, you can't go past the super co-contribution to kick-start a retirement kitty. Eligible investors can get \$1.50 from the government for each \$1 they put in, up to a maximum government contribution of \$1500 a year. This is one of the few super strategies that is both affordable and persuasive enough to tempt younger people and probably the only strategy more popular with women than men. In 2005-06 692,000 women were paid a co-contribution (compared with 512,000 men), 114,000 of whom were 30 or younger.

Biti says strategies like the spouse super offset (which provides a tax break for contributions made for a low-earning or non-working spouse) and super splitting (where a higher-earner can salary sacrifice into super to get a tax break, and then transfer some of that super to their spouse) can also be used to tax-effectively boost the female partner's retirement savings.

Saving early may not be as appealing as splashing out on new shoes, but the long-term benefits are compelling.