

TITLE: Let's not pretend the 'bad decisions' of women are to blame for the gap in super balances

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The gap between the retirement incomes of men and women will never be solved by information campaigns, decision-making tools or new websites.

Better information may help some women (and men) avoid the exorbitant fees charged by many of Australia's best known super funds by empowering them to switch to cheaper funds, consolidate lost super accounts, and make additional contributions, but this will not overcome the underlying structural flaws in the superannuation system which disadvantage women.

Women earn around 17% less than men who perform similar work. Women are far more likely than men to take time out of the workforce early in their lives to raise children. Women are far more likely to take time out of the workforce to care for elderly parents. And women are far more likely than men to work part time in order to make their households work smoothly. All of these factors have a massive impact on the ability of women to accumulate retirement savings.

Calculations by The Australia Institute show that an average woman who worked full time would have around \$200,000 less in their superannuation savings than the average man, a hypothetical nurse who took time to care for her children and parents would have around \$538,000 less and a hypothetical lawyer who took time out for caring would have around \$457,000 less.

It gets worse. The way that superannuation is taxed greatly exacerbates the gap between the superannuation savings of men and women. Low income earners actually pay more tax on their retirement savings than they do on their ordinary income. High income earners, on the other hand, pay far less tax on their superannuation contributions than on their salaries. While the introduction of punitive rates of tax on the retirement savings of the poor might be expected to result in low income earners avoiding saving, the compulsory nature of super means that no

escape is possible. While the poor pay penalty taxes on their super, the wealthiest 5% of the population reaps more than \$10 billion per year in tax concessions.

The wealthiest 1% of income earners, around 140,000 people, receives more taxpayer support for their superannuation than the poorest 3.5 million people.

The current superannuation system makes the gap between rich and poor far greater in retirement than during a person's working life. But it wasn't always like this.

Once upon a time there were much tighter restrictions on the amount of money that could be put into the tax haven of super. Once upon a time the Liberals introduced the 'high income earner surcharge' to reduce the inequity in the system and, once upon a time, superannuation was taxed on withdrawal in the rare situation that a couple had so much money in their super that income tax was payable. Today people can, and do, withdraw a million dollars per year in income from super and pay not a cent in tax on it.

The idea that letting people with multi-million dollar superannuation savings pay no tax is 'taking pressure of the age pension budget' is as laughable as it is widely believed. Just how giving tax breaks to people who would never have been eligible for the age pension is supposed to 'save money' is typically left unsaid. Indeed, Treasury estimate that the tax concessions given to the wealthiest 1 % of income earners is far more expensive than simply paying them the age pension.

If Australia is serious about improving the retirement incomes of women then tinkering with superannuation has a very small role to play. Millions of Australian women have already made 'bad decisions' such as having children, working part time and caring for their elderly parents. Indeed, all women made the mistake of being born into the gender that gets paid 17% less. Nothing, repeat nothing, that is done to the super system will deliver significant benefits to the millions of women aged over 50 who, with up to 50 years of life ahead of them, can do nothing to fundamentally increase their retirement savings.

The only way to help women in retirement, as opposed to make them feel guilty for having made 'bad decisions' is to increase the age pension. While such an increase would be expensive, the cost is trivial compared to the enormous, and rapidly growing, cost of the existing tax concessions provided for superannuation. By 2016 the cost of tax concessions for super will have risen to \$51 billion up from \$30 billion in 2011-12.

Despite the enormous and rapidly rising cost of the tax concessions for superannuation, not only are such costs never blamed for 'putting pressure on the budget', the government has committed to making no structural changes to this most structurally broken of systems.

Australia is one of the richest countries in the world and we are at the richest point in world history. If we wanted to spend money to help boost the retirement incomes of women, or all retirees, we could do so. Instead we have chosen to direct tens of billions of dollars in tax concessions to those with the most, most of whom are men. We can change that if we want, or we can run seminars for women about how to make better decisions. The choice is ours to make.

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