MEDIA RELEASE
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What's hers is hers and what's mine is hers

Analysis released today by Author and Chartered Accountant Wayne Wanders, shows that the Grattan Institute's latest proposals to close the gender gap in retirement incomes will actually hurt more women than it helps.

Mr Wanders said "the key concepts of married life, being "happy wife, happy life" and "what's hers is hers and what's mine is hers" seem to have been forgotten by the Grattan Institute in its latest paper on the gender gap in retirement incomes".

In this paper, presented to the Australian Gender Economics Workshop 2018 in Perth, the Grattan Institute put forward a proposal that one of the best ways to close the gender gap in retirement incomes, is by better targeting superannuation tax breaks. The changes proposed by the Grattan Institute include:

- Reducing the maximum annual contributions from pre-tax income to $11,000 a year (a drop of 56% of the current limit of $25,000).
- Limiting lifetime contributions from post-tax income to $250,000, or place an annual cap on post-tax contributions of $50,000 a year (a drop of 50% on the current annual limit of $100,000, assuming your superannuation balance is below $1.6 million).

"The Grattan Institute's theory behind this, is that because men are by far the greater beneficiaries of the tax breaks from the current higher contribution levels, it will result in men having lower superannuation balances at retirement" said Mr Wanders.

"Now this technically does close the gender gap in retirement incomes, as women would have about the same superannuation as they do have now, but men would have less."

Mr Wanders said, "But how does this help women in the long run, it doesn't".

Let's start with married women. It comes down to the simple wedded bliss concepts of "happy wife, happy life" and "what's hers is hers and what's mine is hers".

"The reality is that the married women would have all of her own superannuation and a chunk of her husband's" said Mr Wanders.

According to the Grattan Institute in 2015-16, a man aged 60-to-64 would have an average superannuation savings of $270,710, and a woman of the same age would have $157,050. The total household balance superannuation balance is $427,750.

Mr Wanders said, "Let's look at the real world and understand that the wife's share would be at least 50 percent of the household balance. If we just split 50/50, the wife's share would equate to $213,880".

Now let's see what happens if after adopting the Grattan Institute's proposal, the husband's superannuation drops by 25 percent from $270,710 to $203,032 and the wife's superannuation does not change.

This is now a gender superannuation gap of $45,982. This is much less than the current gender superannuation gap of $113,660. So the Grattan Institute have achieved their stated aim of closing the gender superannuation gap.

But what does this really mean for the wife?

Mr Wanders said, "That as the total household balance superannuation balance is now only $360,082, the wife's 50 percent share is now only $180,041. The wife now has access to $33,839 less superannuation, a 16 percent drop".

"So this is why the Grattan Institute's proposal will actually lower the retirement income of married women" said Mr Wanders.

Let's look at single women or women in a same sex marriage.

Mr Wanders said, "As it is mainly men that this proposal targets, it will would not significantly change the superannuation balances of single women and women in same sex marriages. So they are really no better off. But as men have less, the gender superannuation gap is closed."

But another part of the Grattan Institute's proposal is to tax earnings in retirement at 15 percent when this is currently nil.

"And this extra tax will actually result in all women, whether married or single, having lower retirement incomes" said Mr Wanders.

So the Grattan Institute's latest proposal to close the gender gap in retirement incomes, will hurt more women than it helps.

About Wayne Wanders

Wayne Wanders, author of the book "Avoid the Poverty Trap", and The Wealth Navigator believes that the concept of retirement is about to be "retired". And because of this, most people are on the treadmill to work till they drop!

So Wayne made it his mission to help hard working Australians to improve the health of their wealth and get off the treadmill of working till they drop. All so that they have the time and /or money to make a difference to themselves and others.

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High res images and interviews available on request

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