

## Ready Reckoner: Gender Gap Analysis

### Background

In late 2017, Women in Super (WiS) launched its 'Make Super Fair' campaign. The objective of this campaign is to illustrate the differences in retirement savings between men and women and to advocate for greater gender equity within the superannuation system. Rice Warner has been heavily involved in this campaign through the provision of analysis on the gender gap in superannuation, including the Ready Reckoner research on which this report is based.

The Ready Reckoner research aims to help market participants further understand the retirement savings gap and how it can be influenced by analysis of individual member records. These member records allow for analysis of the:

- Current balance of superannuation members as at 30 June 2017.
- Contributions made in the financial year to 30 June 2017.
- Investment preferences of superannuation members, both those of a default and choice nature.

In aggregate this allows projected estimates to be made of superannuation balance and retirement incomes to compare adequacy and assess equality between outcomes.

### Data used

The analysis contained in this newsletter and in the Ready Reckoner research is based on member level data submitted by participating not-for-profit superannuation funds for their membership as at 30 June 2017. This information pertains to over four million members and is broadly representative of the superannuation industry.

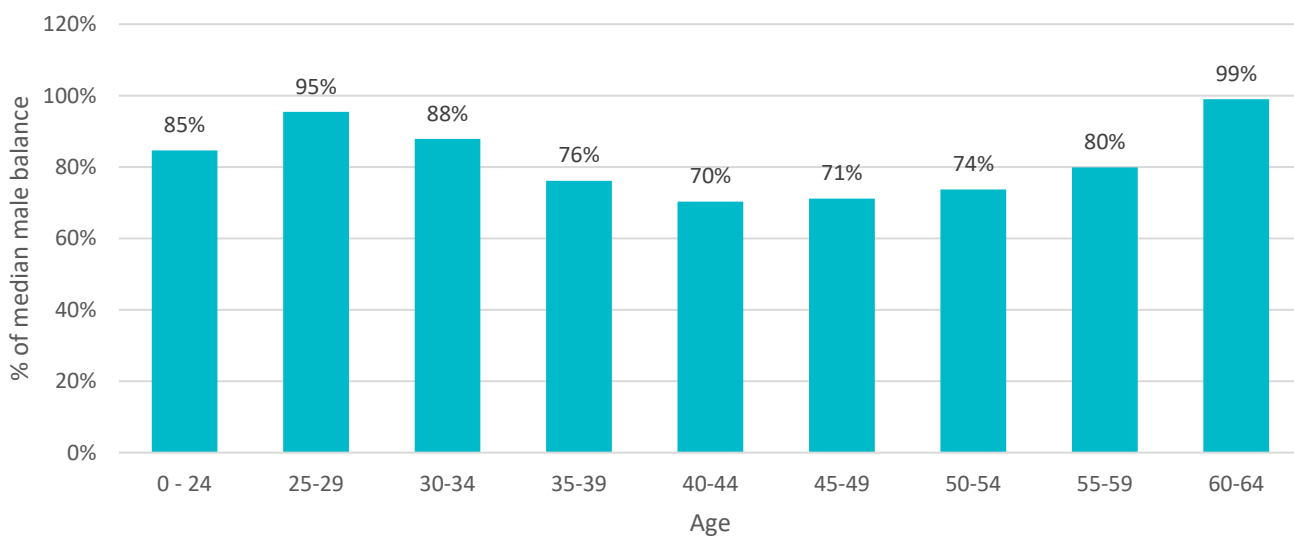
Rice Warner has contrasted the information included in this sample with its broader Super Insights research database, which contains over 10 million member records across the retail, not-for-profit and public sectors. While there exist some differences between this sample and the broader peer group, the trends and themes contained within this research are broadly consistent with the wider the industry.

## Modern balances

Graph 1 reflects the ratio of median female balances to their male counterparts of the same age as at 30 June 2017. The chart shows that relative to their male counterparts, women have lower median account balance across all ages, with:

- Women under 35 and over 60 having the least discrepancy in superannuation assets, with gaps between 1% and 15%.
- Women aged between 35 and 60 having the greatest discrepancy between their superannuation assets and that of their male counterparts, with this discrepancy ranging from 20% to 30%.

**Graph 1. Female median balances as a percentage of males**

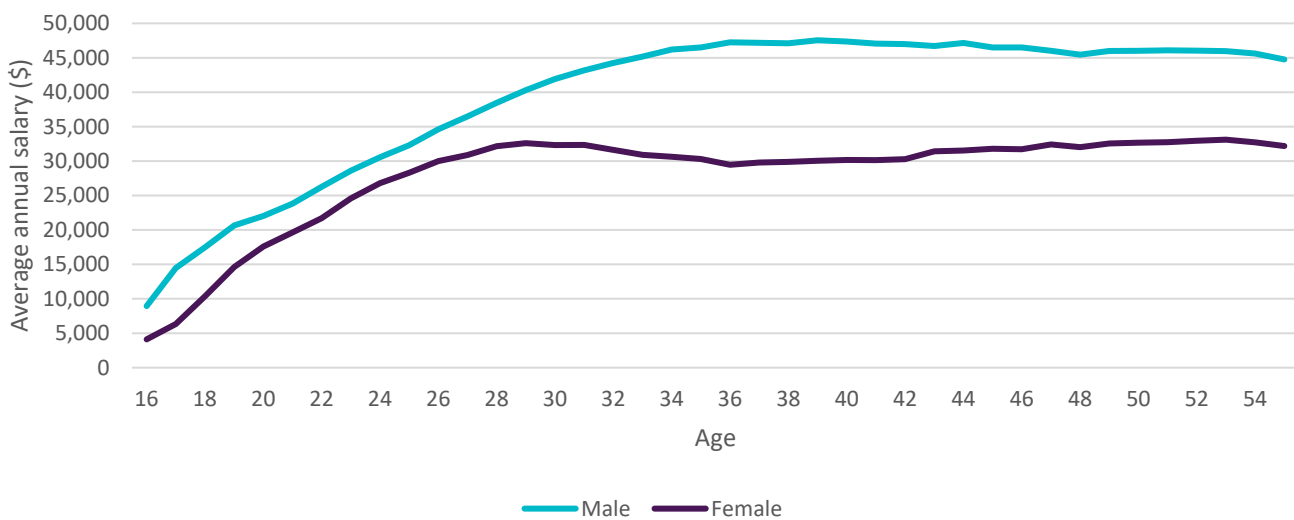


## Contributions

### *Superannuation Guarantee contributions*

Graph 2 reflects Rice Warner’s estimation of the average salary paid to individuals based on the Superannuation Guarantee (SG) contributions paid into their accounts. Graph 2 reflects that our estimation of male and female salaries, notwithstanding a pronounced difference at all ages, is broadly consistent in the early years of an individual’s career, before it then begins to deviate markedly in an individual’s late twenties. This trend is driven by the fact that the average salaries of women grow very slowly, indeed, may even plateau, after their late twenties whereas male salaries continue to grow rapidly until their late thirties.

**Graph 2. Estimated salaries by age**



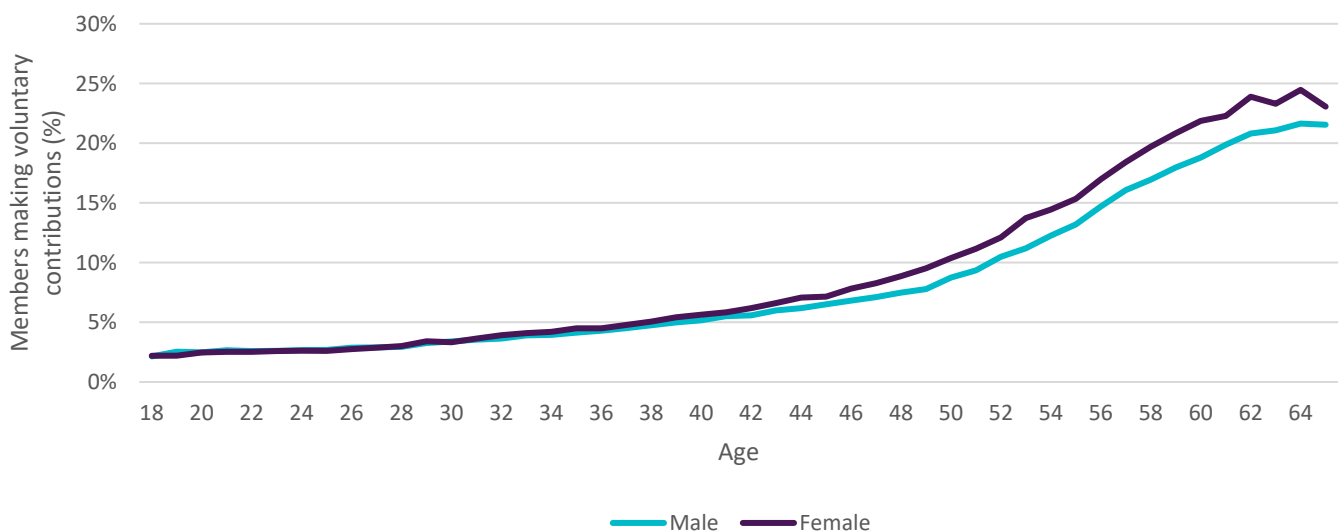
### Additional contributions

Despite the inequitable nature of the salary and superannuation balance gap, Rice Warner’s data shows there is evidence that women are making more frequent additional contributions to their superannuation relative to their male counterparts.

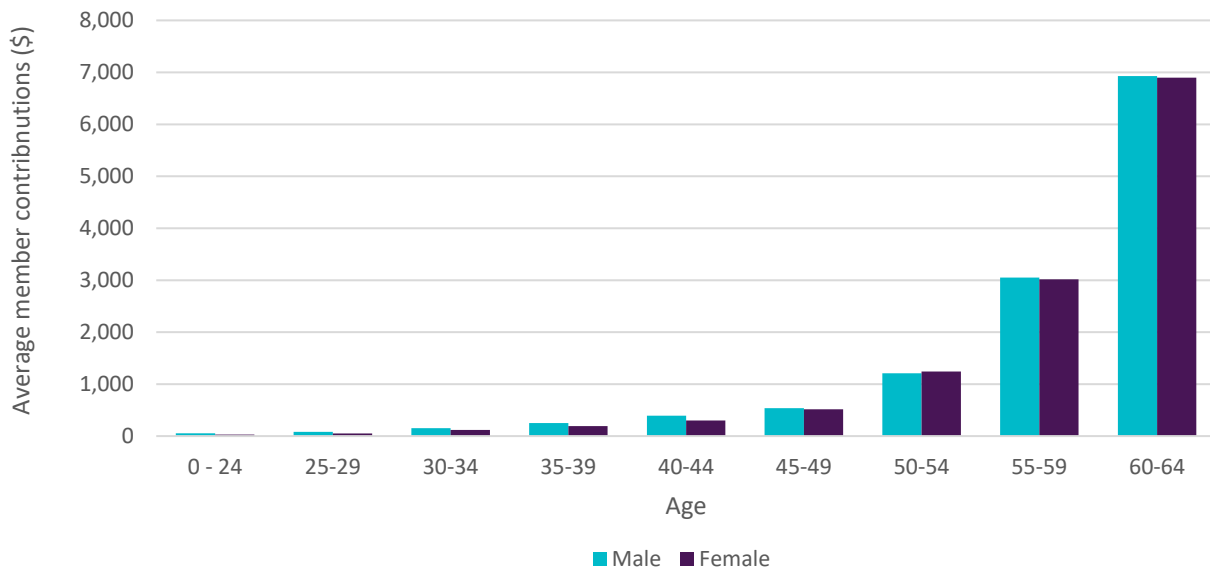
Graphs 3 and 4 chart the proportion of women making additional contributions to their superannuation account and the average value of these contributions. In aggregate it reflects that:

- Until their late forties men and women are equally likely to make additional contributions. After this point women become more likely to make additional contributions to their superannuation relative to men.
- On average women contribute similar amounts overall to men, despite the aforementioned salary gap.

**Graph 3. Percentage of members making voluntary contribution**



**Graph 4. Average member contributions**



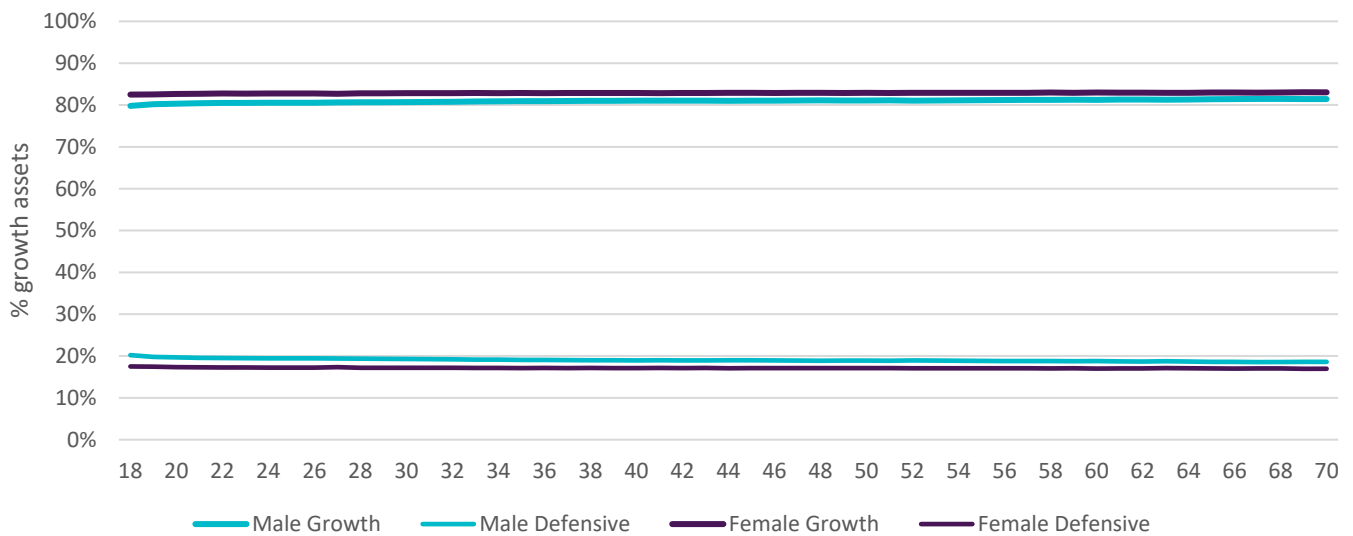
## Investments

Aside from taking direct financial actions (such as contributing), one alternative approach to bridge the retirement gap is to increase one's exposure to growth assets if a member's investment horizon is long enough. In this aspect, anecdotal evidence typically suggests that men invest more aggressively than women and if true, would result in men achieving higher long term returns on average relative to women.

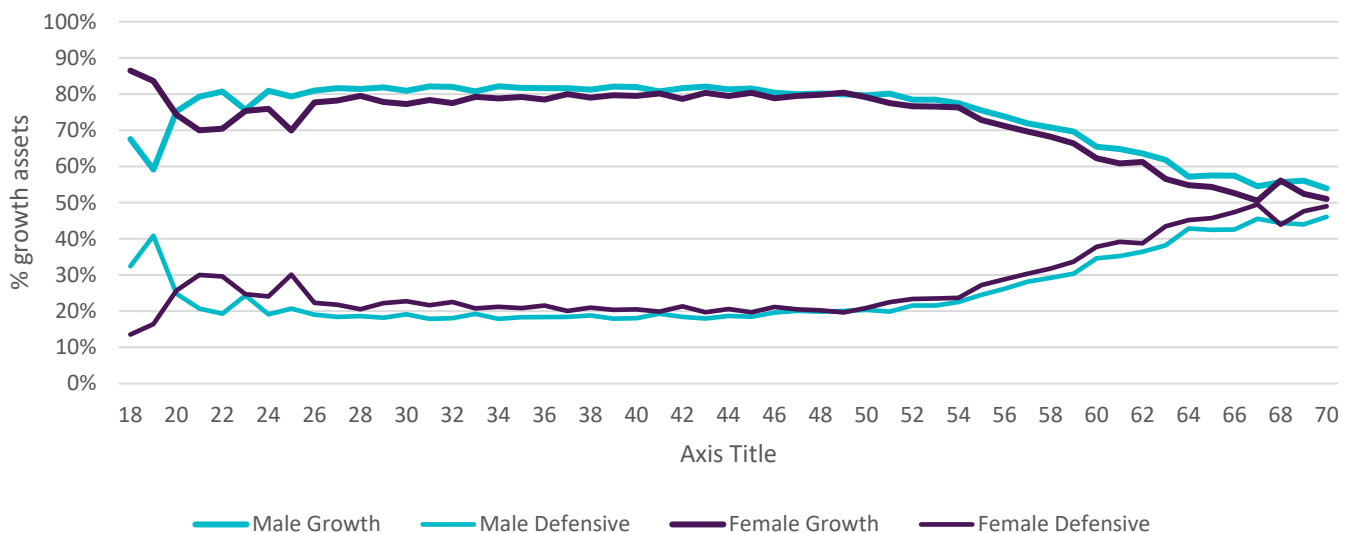
Graphs 5 and 6 chart the proportion of a member's account balance invested in growth assets, by age, for both men and women who invest in their superannuation fund's default and choice options respectively. Together, they reflect that the:

- Default (MySuper) investment options do not distinguish between males and females, so it is curious that our analysis identifies women in the default having a slightly more aggressive exposure than men (by 1.9% on average). This is simply a function of the more female dominant funds in this study having a higher exposure to growth assets (and the more male dominant funds having a lower exposure to growth assets).
- Men who invest in choice options tend to adopt a slightly more aggressive investment strategy than women (by 1.9% on average).

**Graph 5. Asset allocation glide path by gender (default)**



**Graph 6. Asset allocation glide path by gender (choice)**

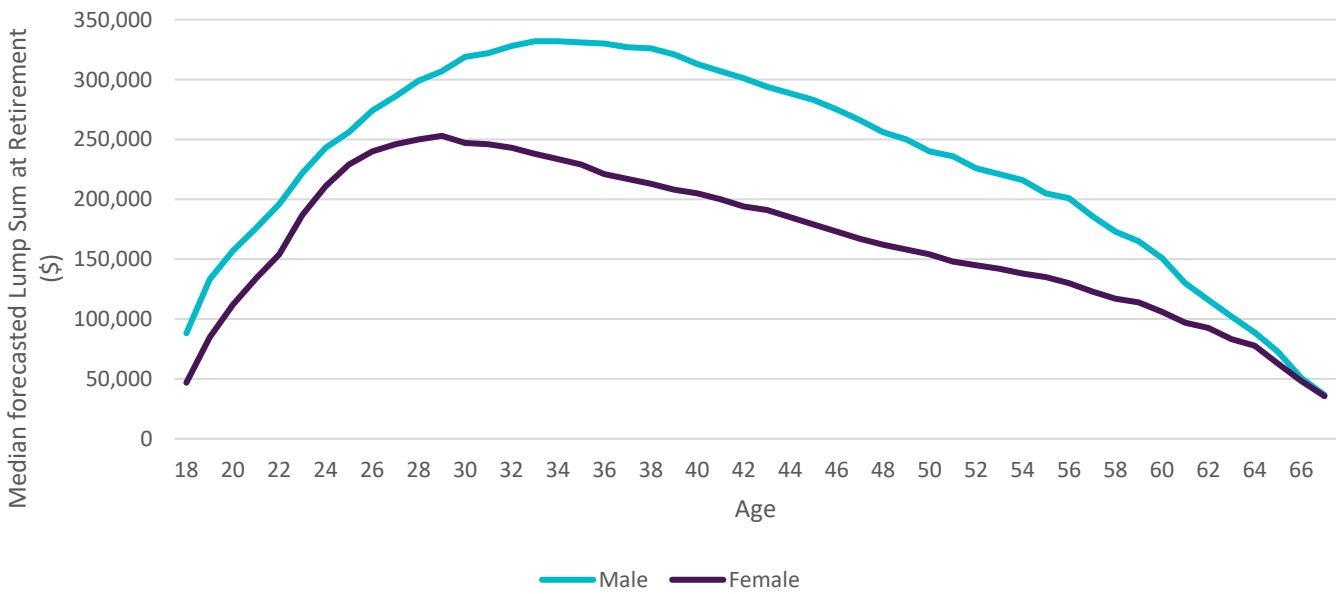


## Balance projections

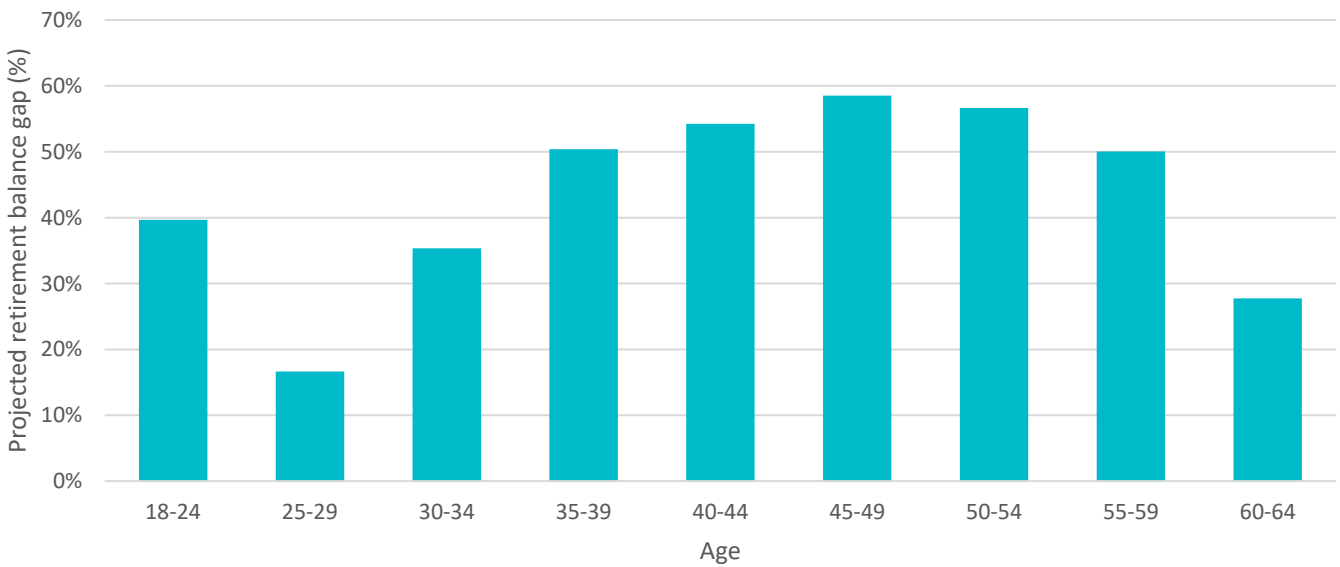
Based on these statistics, graph 7 and graph 8 depict the projected superannuation balance of both men and women at the point of retirement, alongside the projected size of the gender gap at retirement. These projections use the safe harbour protection of ASIC Class Order CO 11/1227 which projects a member’s balance at retirement based on their current balance and contributions over the past year. These graphs reflect that:

- Males have higher projected retirement balances than women across all ages
- For those aged between 30 and 60, median balances are 51% higher on average. This is driven by the larger gap in median account balances across these ages and the similar contribution behaviour in this age band.
- At younger ages (less than 30), females still have lower projected median lump sum balances than men, although the discrepancy is less obvious with males having a median that is 30% higher than their female counterparts). This lower gap may be attributed to the smaller pay gap (as observed in Graph 2).

**Graph 7. Projected median lump sum balance at retirement**



**Graph 8. Projected median lump sum balance gender gap at retirement**



## Conclusions

Based on this analysis, Rice Warner considers there to be significant evidence of a gender gap both in current and projected superannuation balances.

As a result, we consider there to be a compelling argument for continued work towards closing the gap through member engagement, advocacy work and social change.

# Contact Us

**If you have any questions, comments or you would like to use information found on this site, please contact us.**

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