

# Financial Security for Women: The Effects of Early Access to Super

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# The Gender Superannuation Gap

## Mean and median balance (June 2019)

Characteristics	Age	Mean \$	Median \$
Males	15+	162,275	57,883
Females	15+	128,068	45,118
Males	30-34	51,175	38,764
Females	30-34	42,240	32,904
Males	60-64	359,870	178,808
Females	60-64	289,179	137,051

Source: ATO Covers those with balance greater than zero.  
Around 17 million Australians currently have a super account.

- Why is this important?
- Women have a longer lifespan than men
- Women retire earlier than men
  - Most people retire as a couple BUT
  - Women are more likely to enter retirement single
- Gender superannuation gap is declining as it reflects changing female workforce participation rates
  - Eg superannuation coverage rates are increasing as more women participate in workforce
- Measures to support low balance funds particularly relevant to women

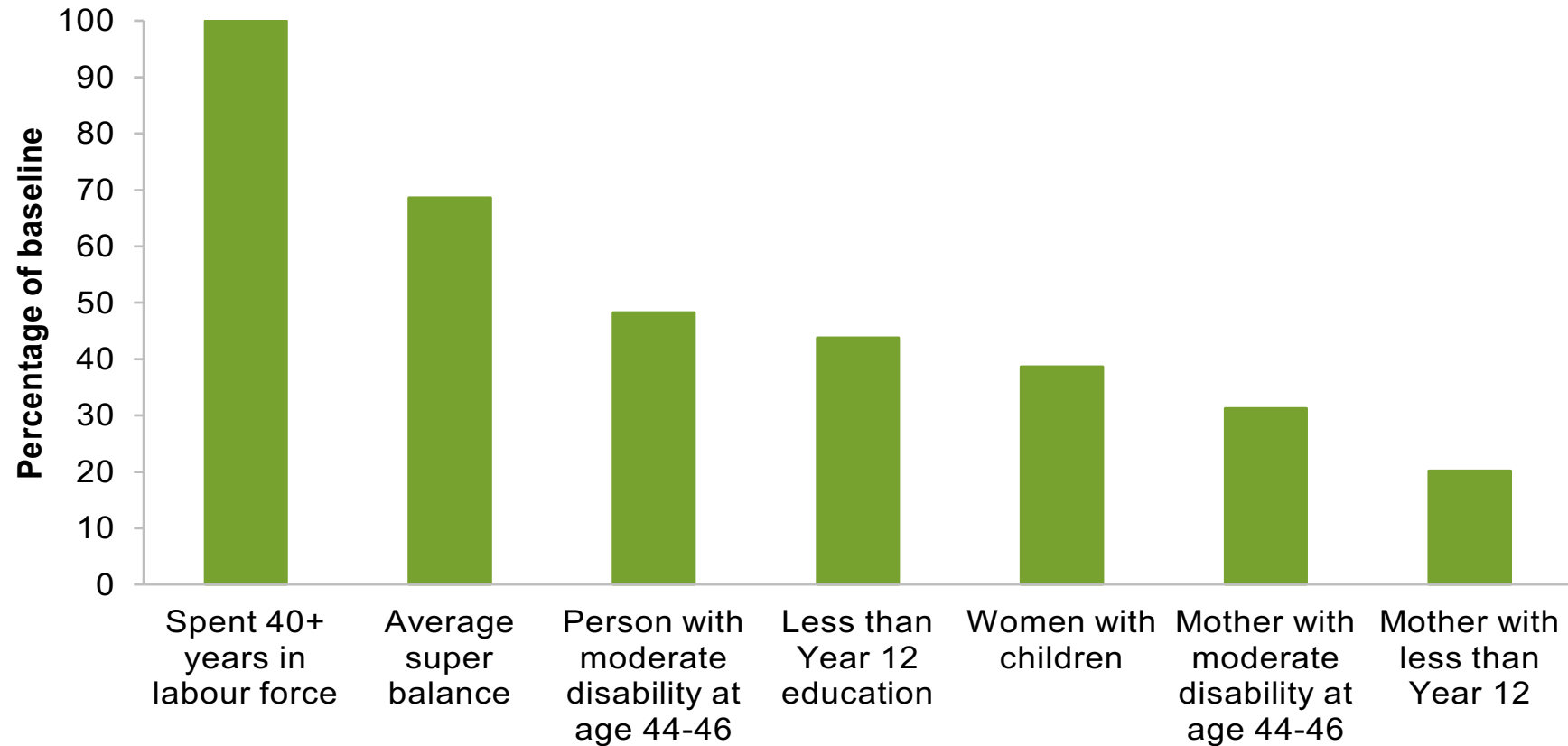
## The Gender Superannuation Gap: Factors

- Gender Pay Gap: Superannuation guarantee explicitly linked to earnings
- Pay and Superannuation balance differences emerge before age 30
- Feminised work patterns of part time / casual work
- Career Breaks
- Marital/Parental status: Single mothers consistently recognised as having low savings in all categories
- Note that shortfall in superannuation partially made up by increase in age pension

	Working Life Earnings Gap (%)	Superannuation Balance at Retirement Gap (%)	Average Annual Retirement Income Gap (%)
Full Time Workers	16.9	17.4	8.4
All Workers (including Part Time and Casual)	31.4	32.6	9.6
One Child, no part time	28.0	29.6	10.3
One Child, part time	30.2	32.6	11.1
Two children, no part time	38.5	41.2	13.4
Two children, part time	41.2	44.7	14.5
Part time to care for parents	26.8	25.2	9.5

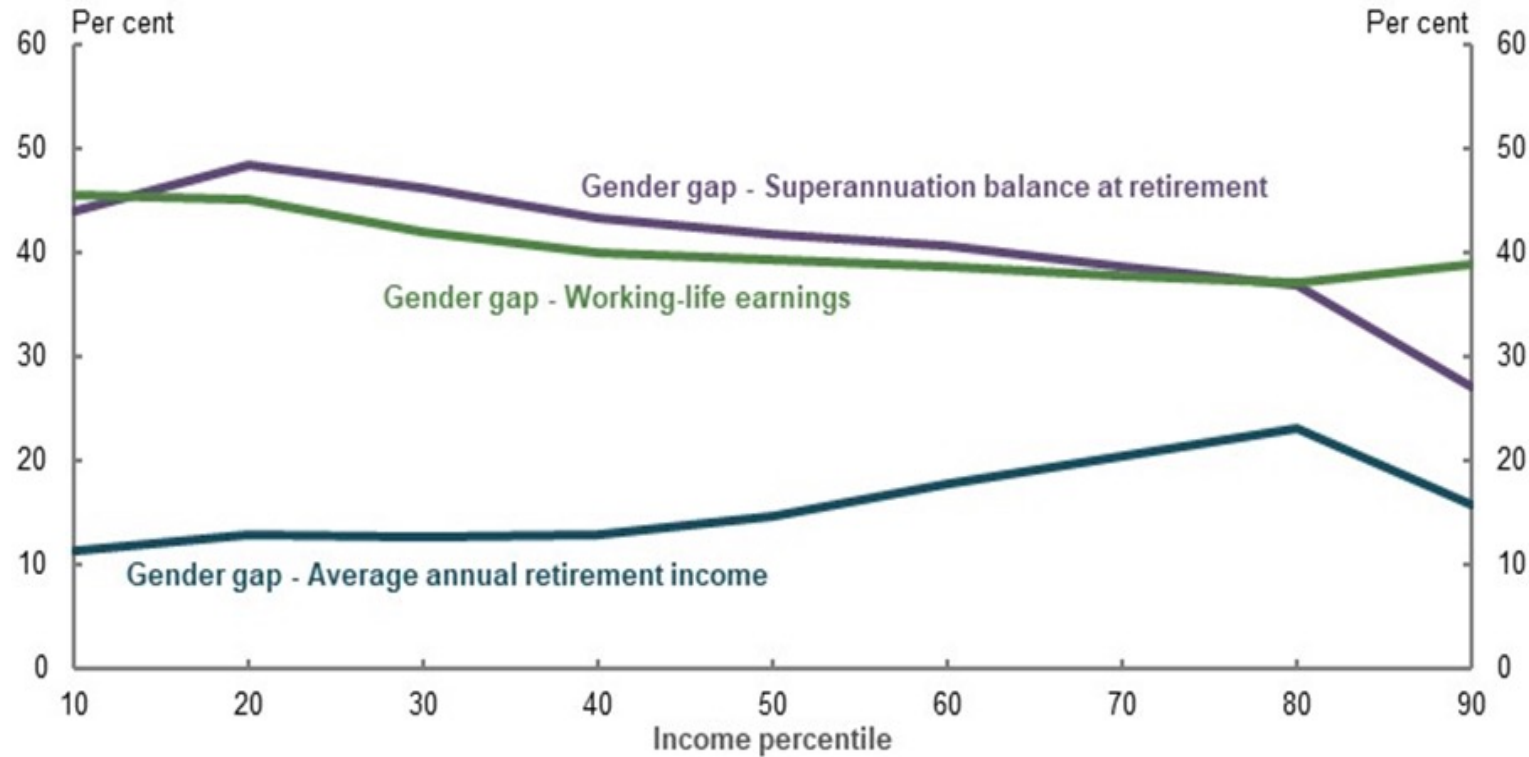
**Table 3B-1 Projected gender gaps between men and women & Table 3B-2 Projected effect of career breaks on gender gaps**

# Estimated mean superannuation at age 64-66 as a percentage of baseline in 2051



Source: Productivity Commission 2015: Superannuation Policy for Post Retirement, Supplementary Papers Table 2.28

# The Gender Superannuation Gap: Distribution



**Chart 3B-1 Projected gender gaps in working-life earnings, superannuation balances at retirement and retirement incomes, by income percentile**

Treasury, 2020 Retirement Income Review

# Early Withdrawal Provisions

- Preservation: withdrawals limited until a condition of release is met
- Retirement or death are most common
- Hardship Provisions: apply to trustee
  - Severe Financial Hardship: is currently receiving income support and has for at least 26 weeks and cannot meet living expenses: max \$10,000 OR
  - Has reached preservation age, is not employed, is on income support, and has been for at least 39 weeks: no limit
- Compassionate Grounds: apply to regulator (ATO) who approves amount

Medical + transport      Must be certified by 2 medical practitioners. Includes illness, injury, pain, mental disturbance

Mortgage      Where foreclosure is imminent. Limited to 3 months payments + 12 months interest

Palliative care      Impending death

Dependant      Palliative care, death, funeral burial

# COVID Early Withdrawal

- Special category to accelerate hardship applications
  - Two application periods: April to June 2020, July to Dec 2020
  - Between \$1,000 and \$10,000
  - Unemployed, eligible for income support OR 20% reduction in hours or turnover
  - Included temporary residents: student visa holders & New Zealanders for first tranche only
- Conditions for application were self assessed: concerns about eligibility of applicants
- Total \$37.8 bn withdrawn: 1.25% of total superannuation holdings @ Dec 20



# COVID-19 Early release of super report (20 April – 31 December 2020)

Eligible individuals financially impacted by COVID-19 were able to apply online through myGov between 20 April 2020 and 31 December 2020 to access up to \$10,000 of their super during the 2019–20 financial year and up to \$10,000 between 1 July 2020 and 31 December 2020. Eligible temporary residents were able to access up to \$10,000 of their superannuation in 2019–20 only.



## Requests by fund type



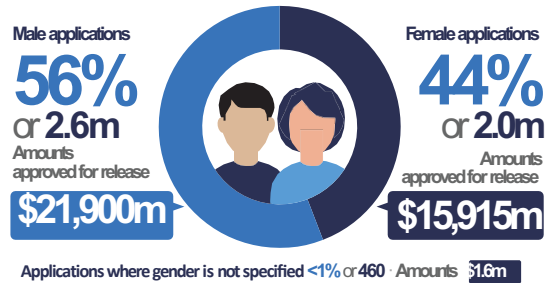
## Individuals who applied in one or both financial years



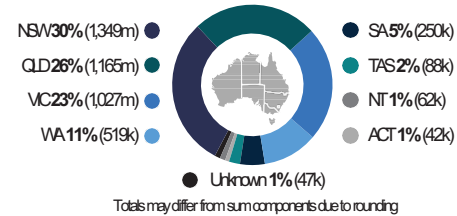
## Approved applicants by request category

Resident	%	\$m
Had a reduction in working hours	44	18,135
Unemployed	19	6,880
Eligible for government benefit	18	6,645
Sole trader – significant reduction in turnover	7	2,980
Been made redundant	3	1,025
Sole trader – suspended operation	1	455
Eligible for youth allowance	1	150
Eligible for farm household allowance	0	60
Non-resident	%	\$m
Other temporary resident visa holders who cannot meet immediate living expenses	3	665
Held a student visa for 12 months or more	3	505
Temporary skilled work visa holder	1	320

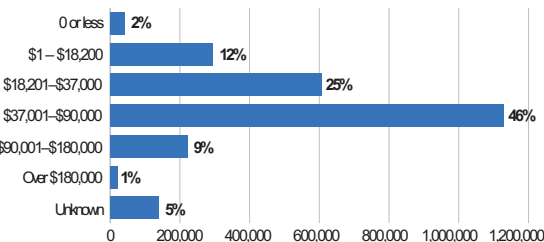
## Approved applicants by gender



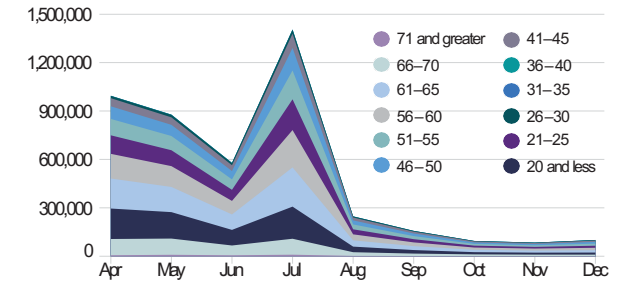
## Approved applicants by state and territory



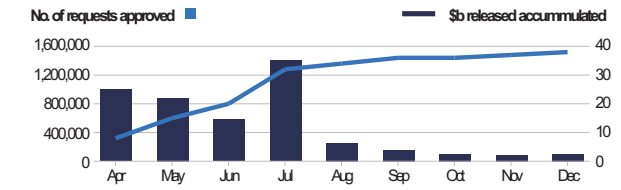
## Approved applicants by income range 2019–20



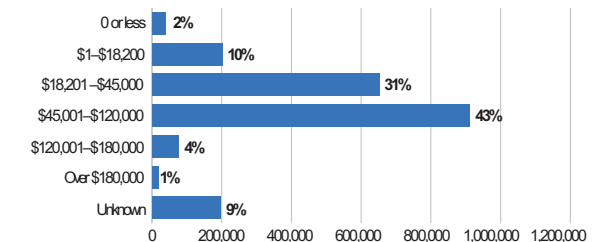
## Approved applications by month and by age



## Monthly approvals and accumulated value approved for release



## Approved applicants by income range 2020–21



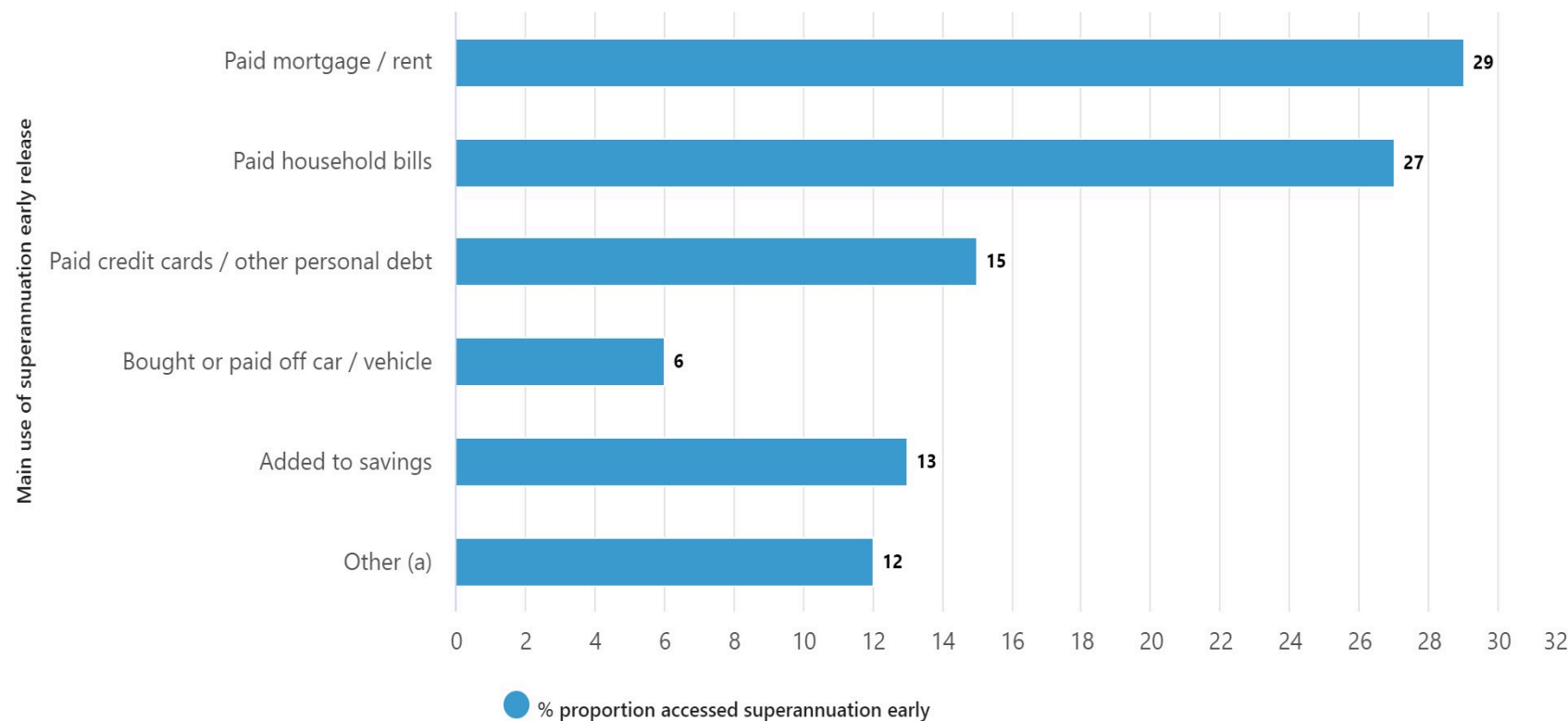
**Notes:** Amounts approved for release by the ATO may differ to the amounts released by super funds. This is because super funds only released amounts available in the super fund account. For example, if an individual requested \$10,000 and they only had \$7,000 in their super fund account, then the super fund only released \$7,000. Rejected applications are where an individual attempted to submit more than one application in the same financial year. Applications may have been suspended where errors were made. In some cases, these applications were later cancelled, rejected or approved.



# How were COVID withdrawals Used

- Generally used to pay bills and debt
- 13% added to savings,
- 12% “Other”
  
- Consistent with evidence on lump sum withdrawals in retirement (Productivity Commission, 2015)

Main use of superannuation early access scheme payment, September quarter 2020



a. Includes purchased food or non-alcoholic beverages, medical services or supplies or other household services / supplies, and assisted family members

Source: Australian Bureau of Statistics, Household financial resources September 2020

# Effects of Withdrawal

- Estimated that around 5% of claims were total account balance
  - As at 14 May 2020, Evidence to Standing Committee Inquiry into Banks
  - Note consequences for low balance account re insurance if account falls below \$6,000
- Withdrawals by young people will have a more significant effect than withdrawal by person close to retirement age
  - Compounding effect: \$10,000 over 40 years > \$10,000 over 10 years
- Retirement Income Review Modelling:

Table 2C-5: Projected change in retirement incomes from a hypothetical economic downturn	20 <sup>th</sup> percentile	50 <sup>th</sup> percentile	80 <sup>th</sup> percentile
Change in replacement rate (percentage points)	-9	-5	-7
Change in annual average retirement income (\$)	-2,500	-2,300	-5,800
Change in annual average working-life income (\$)	-2,500	-5,100	-8,600
Change in superannuation balance at retirement (\$)	-69,300	-104,000	-147,200
<i>Change in balance due to early release only (\$)</i>	<i>-38,600</i>	<i>-38,600</i>	<i>-38,600</i>

- 32 yo;
- Withdrawal \$20,000;
- unemployed 2 years;
- underemployed 5 years

# Post COVID Recovery

- Reported increase in voluntary contributions post COVID (AMP study)
  - 27% more likely to make voluntary contributions
  - 14% of people who made COVID withdrawal
  - Average \$296 in July-Sep 2021
- Contribution Caps:
  - Limitation on recontributing if person likely to exceed contribution cap
  - Withdrawn tax free, tax implications if recontributed
  - Tax law amended to allow COVID contributions to be recontributed without affecting the caps:
    - Must not exceed the amount withdrawn, but may be in instalments
    - Personal contribution not subject to contributions tax; excluded from non-concessional cap
    - Not tax deductible
    - From 1/7/21 to 30/6/2030

# Early Access for Family Violence

- Proposed by Government in Women's Economic Statement 2018
- Included new ground under compassionate release, up to \$10,000
- Treasury Consultation 2018
- Abandoned in May 2021
- Proposals to obtain superannuation information in separation proceedings passed Aug 2021 effective April 2022

## FOR

- Hardship overrides preservation principle
- Allows access to a woman's personal savings
- Limited red tape
- Last resort measure: specify eligible expenses

## AGAINST

- Penalising retirement outcomes: "traumatising twice"
- Discriminates against women without superannuation
- Would need evidence of abuse (eg police reports)
- Women's services should be appropriately funded to provide support
- Risk that women coerced to return to abuser would be forced to handover funds

# Policy Proposals to address Gender Gap

- Removal of exemption for workers earning < \$450 per month: commitment in 2021-22 Budget, introduced October 2021
- Carer contributions:
  - Superannuation Guarantee payable on ALL parental leave
  - Gov't Contribution into superannuation on behalf of people registered as carer
  - Rebate of contributions tax (KPMG 2021)
- Encourage spouse contributions:
  - currently offset at 18% maximum of \$540
- 5 year catch-up contribution caps of limited benefit
- **Gender pay gap is the biggest factor: must be addressed**

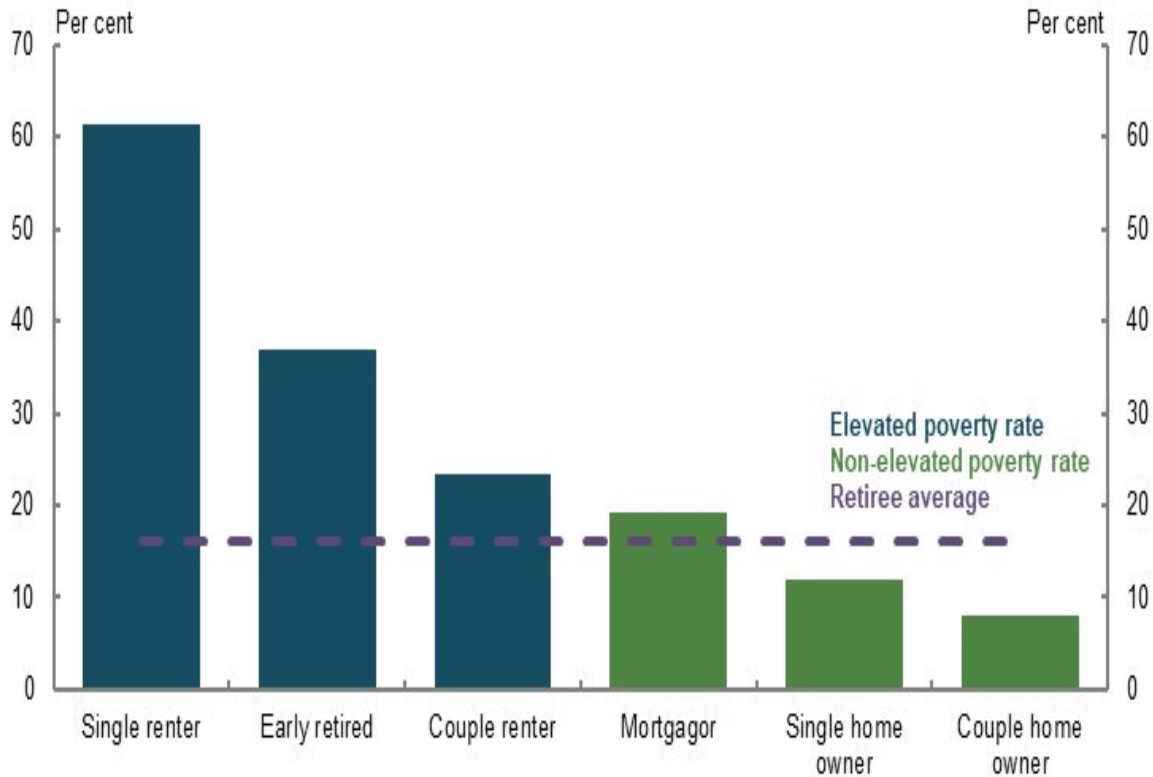


Chart 1: Income poverty rates of retirees (Treasury 2020)

## Super not in isolation

- Superannuation is one component of the retirement income system
  - Savings may be in super as voluntary contributions, or diversified
- Age pension partly substitutes for lack of superannuation:
  - For many people with low balance, superannuation is the safety net
- Housing is becoming recognised as the biggest risk factor in retirement
  - More people are entering retirement with housing debt
  - Trade-off between mortgage payments and super contributions
  - Should early withdrawals be authorised for deposits?
  - Increase in support for renters?



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