

Media Release

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As International Women's Day approaches, what's top of mind for female advice clients?

As part of International Women's Day, BT is sharing the top advice themes advisers are discussing with the BT technical team, which particularly relate to female clients.

"Increasingly more women are becoming engaged in their finances, and empowering themselves so they can plan to be financially independent and secure," said Sarah Conte, Senior Manager, Technical and Regulatory, BT. "And while women are typically less confident in making investment decisions, many are seeking to engage the services of a financial adviser."¹

The number one technical topic that's top of mind for financial advisers with high net worth female clients is the imminent double indexation of the transfer balance cap and the total super balance threshold.

"However, double indexation may not be relevant for people who have a super balance below one million dollars – and female clients, especially younger ones, are more likely to be in the mass affluent segment, not high net worth," said Ms Conte.

Other technical topics that are popular among advisers with female clients relate to the Age Pension, tax considerations stemming from what some refer to as the 'great wealth transfer', increases to the childcare subsidy and rules regarding SMSFs.

"International Women's Day reminds us to pause, reflect and celebrate. While there's more work to be done to help more women achieve financial independence, there is also a lot to be positive about," said Ms Conte. "The gender pay gap in Australia has generally been narrowing in recent years (prior to COVID).² Notably, younger women are becoming more financially savvy. And significantly, between the ages of 35 to 69, female members of self-managed super funds (SMSFs) outnumber males."³

"We expect more women to take greater control of their finances in the future. However, overall, women typically have lower superannuation balances compared to men. Yet women are living longer – so making the most of advice opportunities is even more important."

Financial advisers regularly contact BT's Technical Services team on technical topics regarding superannuation, tax and social security. The team fields over 8,000 queries from advisers each year. The most popular advice themes raised by advisers in relation to female clients during the past 12 months are below.

1. For high net worth clients – male or female – opportunities arise from high inflation

On 1 July 2023, the general transfer balance cap will increase by \$200,000 to \$1.9m, double the normal increase due to the high inflation rate. The transfer balance cap is the amount of superannuation that can be transferred to tax-free retirement income streams.

Clients who are yet to receive a retirement income stream and plan to start one this year will most likely be better off delaying the commencement of the income stream until after 1 July 2023, so they can gain the maximum indexation benefit.

The total superannuation balance threshold (TSB) will also increase to \$1.9m, effective from 1 July 2023. The TSB is used, amongst other things, to determine the level of non-concessional contributions that can be made by a client into super in a particular income year.

"Advisers with high net worth clients are asking BT about how the new thresholds apply to their client's circumstances, so they can achieve the best outcome for their clients," said Ms Conte.

2. Critical financial decisions for older women as the great wealth transfer unfolds

When one partner in a couple passes, the surviving partner typically takes control of their assets. Women tend to outlive men and so need to have a plan to manage these assets.

Recent data shows that one in five Australians still have super within four years prior to death, with a mean balance of approximately \$500,000.⁴ “The wealth transfer between couples as a result of superannuation death benefits is something that will require forensic examination,” said Ms Conte. “Given the interaction of the superannuation caps, trigger events, as well as the taxation consequences, getting it wrong can be costly.”

Ms Conte continued: “The surviving person may inherit not only their partner’s superannuation balance, but real estate and other assets as well. Couples will invariably have differing risk profiles, levels of financial literacy and levels of confidence about investing. Add to this the fact that, in a time of grief, making important financial decisions can be overwhelming. Financial advisers can play a critical role, guiding clients to the right outcome.”

3. Age Pension increases coming soon

While Australians are accumulating superannuation at a faster rate, largely due to the increasing rate of superannuation guarantee and longer workforce participation, women are still retiring with lower superannuation balances than men.

“The average superannuation account balance for women at retirement is around \$70,000 less than the average for men,” said Ms Conte, citing recent research by the Association of Superannuation Funds Australia (ASFA).⁵ “Meanwhile, women’s life expectancy is four years longer than men. Therefore women generally rely more on the Age Pension in retirement.”⁶

Financial advisers with clients who are not self-funded in retirement are asking questions regarding the upcoming increase to the Age Pension, according to Ms Conte. The Age Pension upper thresholds are indexed in line with the consumer price index twice per year. With the next round of indexation due to occur on 20 March 2023, some pensioners may receive more Age Pension payments, while others may receive a part-pension for the first time.

Rent assistance is a support payment that may be available for people who are in receipt of certain government payments. This payment is also due to be indexed on 20 March 2023.

4. Increases to childcare subsidy to assist working mums

Parents with young children may benefit from the upcoming increases to the Child Care Subsidy (CCS) rates. From 1 July 2023, CCS rates will increase from 85% to 90% for families with a combined annual income of less than \$80,000. The CCS will reduce by 1% for each additional \$5,000 of annual income.

A couple with a combined annual income of \$120,000 would receive a CCS percentage of 82%, and couples with a combined income of \$300,000 would receive 46%. Those with a combined annual income of \$530,000 or greater will not be eligible for the CCS.

“Women are more than twice as likely to be in part-time employment than men,”⁷ said Ms Conte. “While part-time and casual employment provides an opportunity to balance work with family and caring responsibilities, it does come at an economic cost. Changes to the childcare subsidy are top of mind for working parents, with some potentially looking to increase their workforce participation, to boost the household income as the cost of living continues to rise.”

5. Relationship breakdowns and SMSFs

In the event of a relationship breakdown, superannuation is treated as an asset that can be split between couples. This involves transferring assets, usually cash, from one member of the couple to the other.

Where an SMSF is involved, decisions will need to be made around whether both parties want to stay in the fund, one wants to leave, or both want to leave and wind the fund up. Consideration will also need to be given to which asset of the fund will go to whom or if assets will be sold and cash transferred.

“Winding up an SMSF can be a minefield, and it’s no surprise that financial advisers are asking questions about the technical ins and outs,” said Ms Conte. “There are some nuances within the rules when dealing with relationship breakdowns and splitting superannuation, and it’s a good idea to seek guidance from an expert.”

“Unfortunately, the financial impact of divorce and relationship breakdowns can be very significant for women. And while it’s encouraging to see so many women wanting to take control of their finances and establish SMSFs, these considerations should be made earlier rather than later, especially if the SMSF members are couples.”

Final remarks

“Although the gender pay gap is generally narrowing, the federal government projects it might take another 26 years to close the gap,”⁸ said Ms Conte. “As an industry we must champion the benefits of accessing quality financial advice early on, at the wealth building stage, to help women plan better for a secure retirement,” said Ms Conte.

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¹For example, McKinsey's research in the US shows that, compared with males, affluent female financial decision makers are likelier to have an adviser. McKinsey and Company (July 2020), Women as the next wave of growth in wealth management:

<https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>

² Australia's national gender pay gap decreased from 19% in November 2014 to 13% in November 2020, and during COVID increased to 14% (as of May 2022). Data source: ABS (2022), Average Weekly Earnings, May 2022, cat. no. 6302.0, <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/average-weekly-earnings-australia/latest-release#data-download>, cited in

<https://www.wgea.gov.au/sites/default/files/documents/GPG%20Factsheet%20Final%20August%202022.pdf>

³ As of 2021, Australian Taxation Office data cited in SuperGuide: <https://www.superguide.com.au/smsfs/smsf-statistics#Age and gender of SMSF members>

⁴ Household, Income and Labour Dynamics in Australia (HILDA) Survey, conducted by Melbourne University, cited by ASFA (March 2021) in Superannuation balances prior to death: superannuation balances of older Australians, p10:

<https://www.superannuation.asn.au/ArticleDocuments/359/2103-Super-balances-just-before-death-Paper.pdf.aspx?Embed=Y>

⁵ ASFA: <https://www.superguru.com.au/about-super/women-and-super>

⁶ Australian Institute of Health and Welfare: <https://www.aihw.gov.au/reports/australias-welfare/age-pension>

⁷ ABS, Labour Force, Australia, Detailed, January 2022, original series: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jan-2022>

⁸ Minister For Finance media release, <https://www.financeminister.gov.au/media-release/2023/02/08/albanese-government-delivers-legislation-help-close-gender-pay>