



## NATIONAL COUNCIL OF WOMEN OF NEW ZEALAND

TE KAUNIHERA WAHINE O AOTEAROA

30 May 2013

S13.05

### **Submission to the Commission for Financial Literacy and Retirement Income Triennial Report 31 May 2013.**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 47 organisations affiliated at national level and a further 41 organisations affiliated at branch level. It has 22 branches throughout the country attended by representatives of these organisations, as well as individual members. NCWNZ's function is to represent and promote the interests of New Zealand women through research, discussion and action. This submission has been prepared by the NCWNZ Parliamentary Watch Committee after consultation with the membership of NCWNZ through a questionnaire.

#### **Universal Superannuation for the single woman (New Zealand Superannuation).**

Members were asked whether they felt that the present rate of universal superannuation was adequate to support a single woman. Since women live longer than men they will likely spend part of their lives alone and make up a larger part of the superannuation cohort. More women are experiencing living alone as marriage rates decline and partnership failure is more common. Some will be childless but many will be caring for grandchildren or other family members who cannot contribute financially. This means that they must consider the cost of housing, transport and medical expenses as well as their personal expenditure.

There was an overwhelming response expressing the view that the single superannuation payment was inadequate. Members repeatedly stressed that many expenses were the same for a single person as for a couple eg, housing, energy, transport.

House ownership was seen as both an advantage and disadvantage. Renting was considered an expensive option but home ownership exposed the owner to maintenance, heating, rates and insurance which were all detailed as rapidly increasing costs. A frequent comment was that maintenance had lapsed during retirement as partners became unable to handle the work. Some members saw freehold houses as a guarantee of income-for-life but others found this was less effective than they had believed as they struggled to meet the higher than expected cost of alternative housing. They noted the lack of low cost housing for the elderly and where this did exist it was often not in an area convenient for the family contacts that can be particularly necessary in later years.

There was some concern that the living alone supplement was not widely advertised and eligible people had failed to use it.

A very small group felt that women should be more responsible for their own futures and should have saved for retirement but it was more generally acknowledged that this was a difficult strategy as women had broken working lives and frequently worked in lower paid jobs.

### **Age of eligibility**

When NCWNZ made a submission to the Commission in 2010 the members were strongly in favour of retaining the age of eligibility at 65. In 2013 members were evenly split between those who wished the age to remain at 65 and those who supported various options for raising the age.

Those who wished to retain the age at 65 noted that people who continued in work remained tax payers who contributed to universal superannuation and those who were fully retired were generally active in voluntary services. They strongly rejected the idea that superannuitants were an idle group not contributing to society. It was felt that there were few employment opportunities for women over 65 and they questioned whether continuing in full-time work would limit opportunities for young people.

Health was a major concern for all respondents. Where people remained healthy the situation was good but many people found problems developing at age 60+ which precluded paid work. This was especially evident in rural areas where physical labour was greater and in areas where Maori or Pacific Island members were living.

Those who accepted that the age should rise were divided between those who saw 67 as a reasonable target provided the change was well signalled to allow for adjustment, and those who preferred a system where people could choose their retirement date starting from 65. This group stressed that retirement arrived at different times and affected people differently. They wanted flexibility in the scheme but acknowledged that choosing a later date for the start of superannuation was not an easy option.

A very small number discussed means testing but this was not a preferred option.

### **Changes in family patterns**

Many women are having children later in their lives and therefore families are incurring expenses at a time when previous generations would have been able to save. This can place a greater cost on grandparents and affect their retirement plans. Some members felt that the responsibility for choosing the time to have children was the responsibility of parents and they saw this as an argument for compulsory saving so that people did not wait till later in life to consider saving for retirement. They also acknowledged that repaying student loans played a part in delaying the start of a family and in limiting savings available for later life.

However, members also accepted that a number of grandparents were becoming closely involved in the education and living expenses of their grandchildren while both parents worked full-time. NCWNZ has made submissions to Government on this issue and is

pleased to see that some recent attention has been given to the costs incurred by grandparents.<sup>1</sup>

### **KiwiSaver**

There was a general belief that KiwiSaver was a good thing because it encouraged savings. It also brought retirement to the forefront when people began work, but there was concern that women may not reach the level of savings predicted.

Unfortunately we have been unable to obtain any statistics on the way women are using the scheme. We would urge that IRD and the Statistics Department give some attention to this anomaly. Anecdotally we hear that women are drawing on their KiwiSaver schemes to assist with first-house deposits. At much the same time they are starting a family which may reduce the hours worked, or result in leaving work, or mean that in order to keep a work/life balance they do not accept promotion and remain at a lower-paid level of employment. As well women are more likely to be in part-time work. All these factors can decrease the amount paid into the KiwiSaver scheme and the final result when they retire.

We have been told of members who cancelled health insurance in order to maintain KiwiSaver payments, and others who are simply unable to afford to continue after job losses. We do not know how many women are facing these constraints but it does underline the importance of retaining Universal Superannuation at a reasonable level for those whose life opportunities do not allow sustained saving in KiwiSaver or other schemes.

### **Financial literacy.**

We asked members when was the last time they had discussed superannuation with a professional advisor, or member of their family, or a friend? Whether they had visited the Commission for Financial Literacy and Retirement Income web page recently or ever? How helpful had they found it? We also asked them to tell us about any financial literacy programmes they had participated in during the last three years and to rate these for their effectiveness.

Very few members reported that they had independently consulted professional financial advisors although several had accompanied partners to meetings with an advisor. Some spoke of actively distrusting financial advisors and the importance of registration for professionals working in this area. Approaching retirement was a trigger for people to look more closely at their financial arrangements.

Some had looked at the Commission's web site and found assistance but it was not foremost in their thinking.

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<sup>1</sup> Minister Bennett has confirmed an extra \$10 million will go to grandparents raising grandchildren and other carers in similar circumstances, as part of the White Paper for Vulnerable Children. Paula Bennett, 10.4.13

The detail of the full cost of borrowing money was a subject which had come to members' attention. They felt that more needed to be done to ensure that borrowers were fully informed. Recent changes proposed in the Credit Contracts and Financial Services Law Reform Bill may address part of this problem.

Members believed that the introduction of KiwiSaver together with the attendant publicity had increased the financial literacy of women. They felt that there was a need to continue with an information campaign for the scheme.

Some members had attended financial planning programmes which they felt were helpful but it was not a common practice.

In general there seemed to be little interest in this area. People believed that they had sufficient knowledge to make informed decisions and were not looking for further opportunities.

### **Conclusion.**

National Council of Women of New Zealand members remain strong supporters of New Zealand Universal Superannuation. They recognise that changes in society may make it necessary to raise the age of entitlement but are very concerned with the position of people who may not be able to support themselves beyond the age of 65 due to ill-health. They want to see something put in place to cover the vulnerable members of society possibly dating from 60yrs.

Single women appear to be inadequately funded by the present universal superannuation formula. There was a call to relate superannuation to the cost-of-living index.

Members support KiwiSaver and other saving schemes but also recognise that women's employment patterns may not enable them to take full advantage of these programmes.

Although there is recognition of a need for financial education few of our members have actively participated in programmes and do not feel themselves to be disadvantaged. It may be that formal education is less effective than informal promotions such as those in the media.

Retirement income is an issue which has life-long implications. Our members appreciate this opportunity to bring their concerns to the attention of The Commission.

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Jean Fuller

President

Convener Parliamentary Watch Committee.