



## Women lose out from super changes

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Many women in business are confused by the changes flagged by the Federal budget, especially when it comes to their superannuation.

Leona Watson, 43 year-old founder of Cheeky food group, is only putting aside the compulsory nine per cent into her super account because "the rules have changed, and they will continue to change so how can I honestly know who and what to trust when putting aside such a big chunk of my money into super, especially if it's after-tax?"

Naturopath and author Mim Beim, also in her late 40s, says she's not sure how she can fund her retirement, and plans to rely on her investment property, and her business for her old age support.

"It's really confusing. I've only got enough to buy a skateboard with my super - but a very good skateboard!" jokes Beim.

"The best thing I ever did with my money was to buy my investment property when the accountant said no."

Beim says she's lucky to have flexible work that she loves and hopes that her herbal tea wholesaling business - Beaming with Health herbal tisanes - will be her future super.

"I'll probably never retire now, and I'm now looking at ways to work and enjoy myself into my

70s and 80s with perhaps less consulting.

"I hope to keep my investment property as long as possible. I'd probably reverse mortgage if I ran out of money in my old age."

According to superannuation expert Louise Biti, women and younger business owners are in danger of being penalised by changes to the contribution caps and the proposed increases in the preservation age from 55 to 67 years old.

"The increase in the preservation age from 55 to 67 years of age wasn't an announcement; it's a comment. But it's thrown enough speculation out there to make people suspicious, and undermine confidence in the current super system, and the tax concessions that have been available.

"That will have a great impact on people saving for super. If access is that much longer, then it starts to change your focus and puts more pressure on you to work as well as your capacity to work."

Women, particularly business owners, have a double problem, Biti says, because they often ignore super earlier in their life, and have to catch up later when they can afford to move money across.

Vivienne James, best-selling author of *The Woman's Money* book, and senior financial planner at Madison Financial Group, says that women have a typical fear of running out of funds in retirement, mainly because we live so long.

"Older women haven't had the benefit of the superannuation guarantee throughout their lives, and may have not been working constantly so they've missed the opportunity to add to their super substantially," she said.

"Confidence in the super systems' capacity to cover contingencies has been shaken in this last budget. Often your circumstances will change as you age, and especially if your partner needs to move into a nursing home, and you have to support a separate residence.

The fear of becoming impoverished is a real threat when you can no longer earn income, she says, and that may force women to look outside of super in terms of future investing given the question mark over access.

"Apart from after tax contributions, the co-contribution is really the only way women can still maintain savings if they drop out the workforce or work part time," she said.

"This is the only part of the budget that gives some concession to women without full time careers," she said.

Overall, the self-employed tend to have less super than the national average with a report on self-employed and retirements savings by the Association of Superannuation Funds of Australia

(ASFA) in June 2008 showing that 28 per cent have no super savings, and a further 53 per cent have account balances of less than \$40,000.

So what do the budget changes mean for a woman planning to set up a self-managed super fund from scratch?

"You do need a reasonable account balance to make a DIY super fund cost-effective in terms of the fees and charges so again, the limitations on the tax deductible contributions may make this less appealing," James says.

However, a generous tax concession remains for proceeds arising from the sale of a small business to be rolled over into super.

Biti, who runs her own consulting business, Strategy Steps, is not surprised that owners find the super rule changes difficult.

"There are all these other things that you need to know in running a business with law, workplace rules and tax compliance.

"There are almost endless requirements and improvements to learn so super is well down the list. Understanding and knowing any changes is always at the back of people's minds especially when it comes to their retirement.

The changes will impact upon people's ability to save for retirement, and how they save for retirement, she says.

"Now with the taxation rules changing, the concessional contribution is halved and over time this will reduce for everyone to \$25,000 (indexed), and so there's less incentive to contribute to super. Your ability to contribute will be diminished (at the 15% tax rate).

"You still have the \$150,000 non-concessional cap (annual capped contribution for after-tax amounts), but with women, their patterns of contribution tend to be less regular so it puts them at a disadvantage, compared with their employees.

"So women need to think about super earlier, and try to create a regular pattern of contributions or put in more after-tax amounts, but yes, they're disadvantaged, compared with those who received the concessional rate through their superannuation guarantee amounts.

"It seems to be that Government is turning around and making super less desirable. The tax concessions are far more minimal and the risks are higher with the money locked away for longer.

There's a lot you can do outside of super, which can be tax effective too, says Biti. Insurance bonds can provide good tax concessions, and managed funds or shares with high capital growth or high franked dividends or potentially, gearing.

"But gearing shouldn't be done for tax benefits; it should be about leveraging benefits, but you have to be in the right environment to do that.

"If you're going to gear, you still have to know you have a secure income or cash flow. If you have a business, gearing may not be as appropriate because you need to know where you stand financially so it entirely depends upon the certainty of your income and employment.

Now, the Rudd Government risks a growing lack of faith in the super system with many people wondering if lump sum withdrawal is next on the list for change.

"That's the next big fear, and while that's not always a bad thing, people want some choice about their money," Biti observed.