

## How the ‘Super Baby Debt’ eats away at a woman’s nest egg

Having a family can create a ‘Super Baby Debt’ for mothers of up to \$50,000 by the time they reach retirement new research has found<sup>1</sup>.

The debt occurs when women suspend their normal superannuation contributions when they take two or more years out of the workforce to have children.

Over the life of their careers this can leave mothers up to \$50,000 further behind men in the quest to ensure a comfortable retirement.

To overcome this problem, women should adopt ‘The One Per Cent Rule’ by adding an extra 1 per cent to their superannuation contributions for the rest of their working lives.

The financial drain on women is enormous, with almost 300,000 babies born in Australia every year, and many employed mothers taking time out of the workforce in the first 12 months after birth.

Suncorp Life Head of Superannuation Vicki Doyle joined Association of Superannuation Funds of Australia CEO Pauline Vamos in proposing that women should understand they have options when it comes to improving their retirement lifestyles and that Government had a role to play.

“The ‘Super Baby Debt’ can really eat away at a woman’s nest egg, but women have the power to overcome it by following ‘The One Per Cent Rule’,” Ms Doyle said.

“The Rule is that, for every two years out of the workforce, women need to make an additional 1 per cent contribution for the rest of their working life.”<sup>2</sup>

Table 1:

Current mother’s salary	Super Baby Debt (at retirement)
\$65,000	\$28,000
\$85,000	\$36,500
\$115,000	\$50,000

Scenario based on a woman, 32-years-old, two years out of the workforce (see footnote).

<sup>1</sup> Calculated using the Super Guru Retirement Projector based on comparisons on three scenarios of a woman 32 years old, two years out of the workforce at salaries as follows: a) \$65,000 salary (super baby debt \$28,000); b) \$85,000 salary (super baby debt \$36,500); c) \$115,000 salary (super baby debt \$50,000) compared to a woman 32 year old, same salaries and super balances, and no time out of the workforce.

<sup>2</sup> Assumes parental leave is taken from ages 32-33 and retirement at 65.

Contributing to the issue is the continued confusion, apathy and frustration felt by women as surveyed through the Suncorp-ASFA Super Attitudes Survey 2012<sup>3</sup>.

Findings show women feel the superannuation system is overly complicated and alienates them from their retirement planning, with:

- One in five feeling 'ashamed' or 'dumb' when it comes to knowledge of superannuation;
- 63% worrying they might be financially exposed upon retirement;
- And two in five feeling powerless when it came to their superannuation.

Coupled with that, over the last 12 months only 9% of people surveyed had increased their super contribution and only 7% of those were women.

Industry research shows that the critical contributor to the retirement savings gap is time spent out of the workforce as women take leave following the birth of a child.

Ms Vamos said self-education was essential: "There is a lot of information on fund websites and consumer sites like SuperGuru.com.au that women can access, but having a rule of thumb like 'The One Per Cent Rule' is helpful."

In terms of Government action Ms Vamos said, "It is time to ignite the debate on a Federal Government funded superannuation scheme to cover maternity leave.

"Almost 300,000 babies are born in Australia each year and paid superannuation for maternity leave will help narrow the retirement savings gap and go some way to reducing the frustration felt by many."

In addition to following 'The One Per Cent Rule', women can readily access advice by phoning super funds where experts are on hand to demystify superannuation for consumers, or see a financial adviser.

Ms Doyle said, "As a mother of young children, I really relate to this simple solution that women can readily adopt.

"Women do not need to feel ashamed or dumb, and The One Per Cent Rule gives women a good starting point for thinking about their super savings in general."

**- ENDS -**

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<sup>3</sup> Conducted on behalf of Suncorp Life by TNS, the survey was conducted Australia-wide in January 2012 and captured the views of 1738 working Australians aged 25 to 70.

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