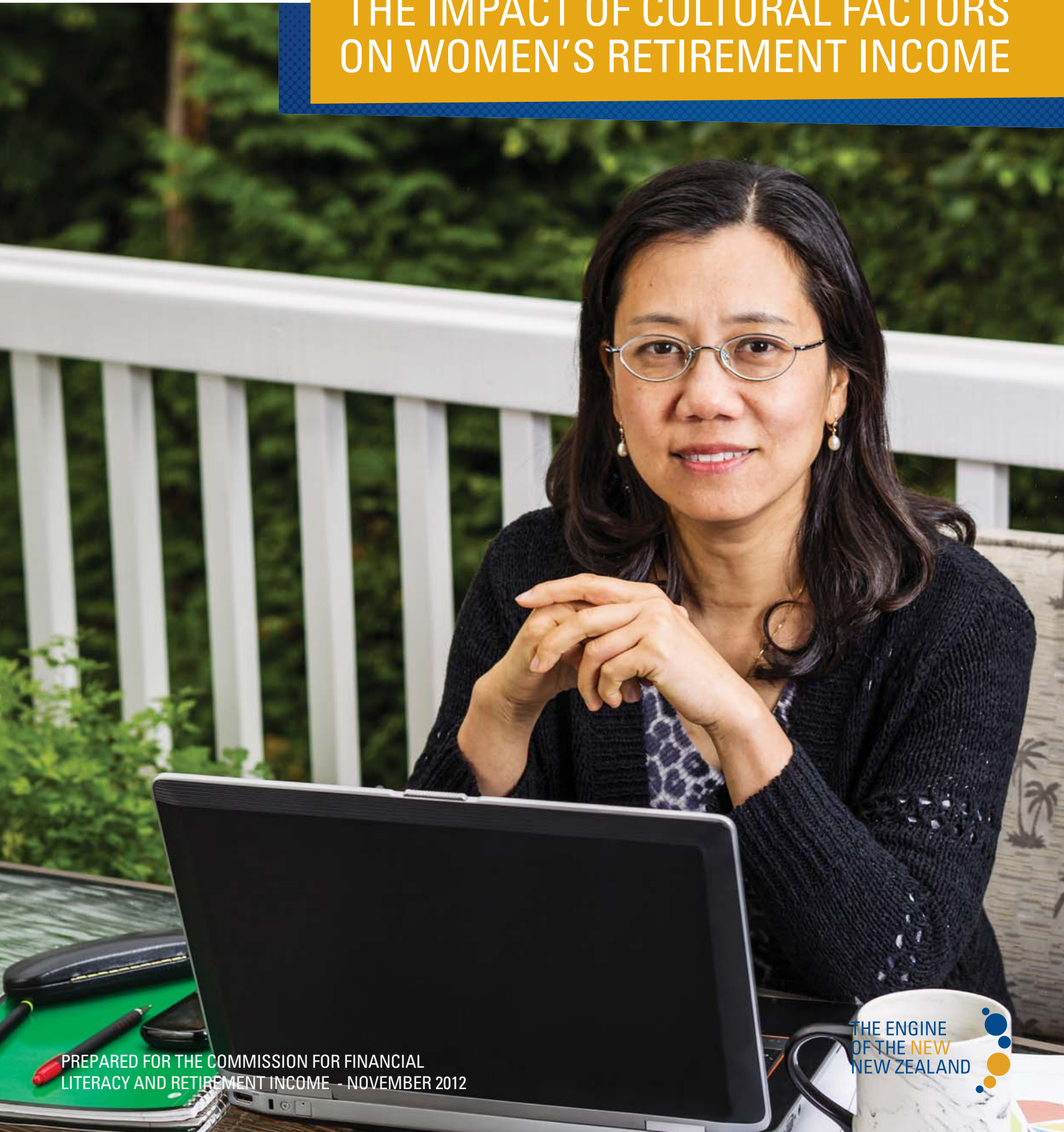


Fin-Ed Centre



FINANCIAL EDUCATION AND RESEARCH CENTRE

THE IMPACT OF CULTURAL FACTORS ON WOMEN'S RETIREMENT INCOME



PREPARED FOR THE COMMISSION FOR FINANCIAL LITERACY AND RETIREMENT INCOME - NOVEMBER 2012



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BACKGROUND

In July of this year, in an article titled *Retire Rich: Planning for women*, the author reiterated some of the well-accepted and well-researched notions about the state of retirement planning among women by summarising these as follows:

Life Freedom Index, a survey conducted by HDFC Life in association with ValueNotes reveals that only 13 per cent of urban women are extremely confident about the adequacy of their financial plan to meet all their lifetime needs. There is always an overconfidence bias in these surveys. This brings us to the larger question: are women planning for their retirement and why do they need to plan?

Empirical evidence suggests women have fewer working years and lesser time to save compared to their male counterparts. This is because of the traditional roles that women play in our society that leads to disruptions at certain stages in their careers. This leads to less time in workforce and sometimes, unfortunately, lower incomes.

Apart from the lower lifetime earning potential, women outlive men in India. These years have their costs; the resources must last longer to cover them. Also, women's genetic and biological makeup makes them vulnerable to medical and health situations that are unique. (Tripathy, 2012)

It is worth noting that majority of the research in this field has largely viewed retirement and retirement planning as a masculine activity; and woman has been portrayed as unconcerned and therefore ill-prepared for retirement. However, women's increasing representation in the workforce means that we must keep examining women's retirement plans, and the aspects of daily life that support them.

Dr Jack Noone looked at the responses provided by 2,277 working men and women from the New Zealand Health, Work and Retirement survey. His findings showed that people's expectations for their retirement were largely associated with how well financially prepared they were. However, women were still economically disadvantaged compared to men and this meant that they were not so well financially prepared. Retirement and retirement planning is now of greater concern for women who now are more likely to be single and responsible for their own finances. There needs to be a specific focus on women in promotions which encourage and assist financial preparations for the future.¹

Women's financial wellbeing and net worth in retirement are influenced by a variety of contextual factors and by decisions women make during their life course.

New Zealand has a legal and policy framework in place to protect against discrimination, but gender gaps remain. These gender imbalances are generated through differences in men's and women's life experiences, particularly their work histories. Throughout their lifetimes, women tend to face more constraints than men in accumulating adequate wealth for retirement and on average, women's net worth is lower than men's. While New Zealand Superannuation offers a universal pension, life-long wealth accumulation impacts upon an individual or household's standard of living into retirement. Outcomes in retirement for women arise from the combined effects of their life-time income, longevity, savings behaviour, asset accumulation (including housing) and debt and its management.

¹ Noone, J. H., Stephens, C. & Alpass, F. M. (2010), 32(6), 715-738.

Looking forward there is a risk that inequality of outcomes could be exacerbated with the increasing significance of KiwiSaver – a workplace-based savings scheme – for the retirement income of New Zealanders.

Based on preliminary research, the Commission for Financial Literacy and Retirement Income (CFLRI) has hypothesised ten factors thought most likely to carry risks of negative impact on women's financial wellbeing in retirement, and is working with the Treasury and Ministry of Women's Affairs to test these hypotheses.

The ten factors thought likely to carry risks of negative impact include:

1. the family, neighbourhood and community the woman was born into
2. education including subjects studied, specific training, paid work experience while studying and level of access to on-going training and professional development while in the workforce
3. visible and invisible structural factors in the workplace including pay structures and lack of flexibility that inhibit the promotion of women
4. paid work response to breaks in earning including attitudes to health conditions, timing of family formation, child bearing, elder care and other life-cycle choices
5. the ages at which women are most available to focus on paid employment and the nature of paid employment opportunities and earnings level, i.e. the ease and timing of entering and leaving the workforce (e.g. in specialist professions)
6. the nature of the household unit (e.g. solo parent households, the majority of which are headed by women) family formation, career development, support from marriage/partnership, other family, friends, whānau and the community
7. the endowment a women may have been provided with or may take away from a relationship breakup
8. the extent to which savings schemes address life cycle changes in a fully gender-neutral manner
9. level of home ownership and other asset accumulation, levels of debt and skills at debt management, net worth and retirement prospects taking into account greater average longevity for women
10. a variety of cultural and ethnic factors that may exacerbate disadvantages for women.

A number of research projects² examining these issues have been commissioned by the Commission for Financial Literacy and Retirement Income, and will feed into the wider review of retirement income policy to take place over the second half of 2012 and into 2013.

² As reports on these projects become available, they will be placed on the Commission's website <http://www.cflri.org.nz/files/file/Intro-for-website-4.pdf>

THE IMPACT OF CULTURAL FACTORS ON WOMEN'S RETIREMENT INCOME

INTRODUCTION

This paper relates to research that was commissioned to identify cultural and ethnic factors that might inhibit the ability of women to accumulate net worth. The research has been conducted by the Fin-Ed Centre, Massey University.

Many of the factors thought to disadvantage a woman's ability to accumulate net worth are universal. Issues such as pay structures, breaks in earning and single parenting are not the preserve of any culture. However, the financial well-being of ethnic women in New Zealand can also be affected by traditional values, roles and expectations. There is often a tension between these and "Western" ways of doing things, particularly in respect of retirement savings.

"Ethnic women" for this report are defined as '*women belonging to a social group that has a common national or cultural tradition*' and for the purpose of this research includes women who have identified themselves from the Asian and Asia-Pacific background.

KEY FINDINGS

Some women in the study have shown how they have adapted to living in New Zealand and have negotiated new ways of financially and emotionally investing in the well-being of their families as well as providing for their own financial security. These arrangements often reflect a mix of cultures - the traditional and the new, culture from homeland and culture from adopted land. For other women, having to meet traditional obligations as well as to meet the financial expectations of life in New Zealand places a heavy burden on their immediate and future financial security. Significant, common themes arising from the research were:

- *Inter-generational change*
The financial practices of all participants varied from those of their mothers, and the members of the next generation also have different expectations and obligations towards their parents' generation. These changes have the potential to leave women without the financial support in retirement they had expected.
- *Intra-generational change*
Increasing pressure for financial matters to be managed at the level of the family or the individual, rather than more collectively. Women born in New Zealand have added expectations placed on them – to be financially responsible, yet no appropriate financial knowledge is provided due to parent's own lack of such knowledge in some cases.

Participants in the study called for women from ethnic cultures to be more aware of their personal responsibility for accumulating net worth, to understand New Zealand law, in particular property law, and to have adequate levels of financial literacy. They talked about the need to include husbands, sons, brothers and parents in a conversation that renegotiated roles and expectations within the boundaries of agreed cultural values and financial realities. There was also a call to provide culturally appropriate investment schemes for women whose religions place limits on the manner in which they can invest - such as Islamic tradition.

"We do not need more financial information. We need financial wisdom to help us redefine our relationship to money and create lives in alignment with our deepest values." (Manisha Thakor, MoneyZen Wealth Management.

WHO PARTICIPATED IN THE STUDY?

Fourteen women participated in the study from Chinese, Chinese/Malaysian, Korean, Indian, Fijian/Indian, Philippines, Cook Island and Samoan cultural backgrounds. Twelve participants had migrated to New Zealand from their countries of origin. Two were New Zealand born. Three participants had parents from differing cultures. The age of participants ranged from 20-29 to 50-59.

WHAT DID THE STUDY INVOLVE?

Two three-hour workshops were held in Wellington (2 September 2012) and Auckland (15 September 2012). The workshops were facilitated by Dr Pushpa Wood, Director, Fin-Ed Centre, Massey University. Two follow-up interviews were conducted with women who were unable to attend the workshops. In addition, some other women (seven in total) informally provided their views on the topic but did not really want to participate in a formal discussion.

CULTURAL TRADITIONS

The women in the study reflected on the cultural traditions in which they had been raised. In the main, family and cultural roles and expectations were based on collective values. The following themes emerged within Asian cultures and the Indian diaspora.

- Women were expected to '*stretch the dollar*' in the short term and as such were good 'day-to-day' cash managers;
- Women '*trusted their husbands*' to provide for their financial security in retirement;
- Women invested in their children with an expectation that their children would care for them in their retirement;
- An 'unspoken' obligation being placed on women throughout their life;
- 'Me' vs. 'collective' wealth creation is encouraged;
- Women will sacrifice their own financial future for the family especially for the betterment of their children and grandchildren; and
- 'Giving' to family and friends is norm, not an exception

In some cultures it was traditional for women to receive an endowment of cash or assets at marriage but it was reported that these personal assets were often depleted to maintain the household.

One participant referred to her parents' practice of having separate financial accounts and that this was a typical custom in Chinese culture. However, it was not explored whether this is still the case if a female partner is not earning an income.

Pacific participants talked about a financial inter-dependency between family and community. In the Filipino culture, '*everything is joint in marriage. We prepare for both of us together. There is no divorce in Philippines which is why we don't make individual financial plans.*'

A NEW GENERATION

Whether new to New Zealand or New Zealand born, the financial management practices of all participants in the study varied from that of their mothers. To differing degrees, they reflect a mix of traditional practice and adaptation to life in New Zealand.

CULTURAL ADAPTATION

Most of the married women at the workshops worked together with their husbands to plan and maintain a budget though some described themselves as the '*controller*' of the purse. '*When you come here, you get out of your comfort zone. You have to stand up for yourselves.*'

They talked about a shift towards a level of '*...self-interest.*' '*In a changing environment despite my own culture, the western culture has crept in.*' Children were being raised to be independent, '*My children are going to university. They will be on their own.*' One woman said that '*we decided as a family not to donate (to church) above what we can afford.*' In contrast, one woman felt that her cultural obligations disadvantaged her family - '*we budget to put money aside but then our culture is one where we welcome people into the home and often they just come in and help themselves. This is hard because if it is food for example that we have budgeted for over a week for our family, then this hurts us financially.*'

This shift of focus towards some degree of 'self-interest' and away from traditional collective wealth creation and asset ownership is beginning to create certain amount of tension within some families, especially where new members are joining the family i.e. through marriage.

Most of the women are preparing to care for their parents or parent-in-law but felt that future generations may not take these responsibilities so seriously. In contrast, some of the women didn't want to be a burden on their own children '*I tell my grown-up children I don't expect them to look after me.*'

FINANCIAL LITERACY

The savings practice of the women in the study was mainly influenced by their parents' own sound financial management – '*I had saving drilled into me*' - a trusted advisor or a damaging family event or experience from which they learnt to set goals for their own financial independence. '*Debt is something I hate. My parents think it is OK to go down to the money shop and not consider the consequences.*'

Most of the women invested in Kiwi Saver or a superannuation scheme, or accumulated wealth in accordance with their religious law³. Some of the single women talked about saving so that '*I can care for my parents*' or '*make investments for the future in case I get married.*'

In addition to securing an adequate income in retirement, the women who saved were confident that their net worth would sustain them should something unforeseen occur in the short term.

³ Central to Islamic banking and finance is an understanding of the importance of risk sharing as part of raising capital and the avoidance of *riba* (usury) and *gharar* (risk or uncertainty). Islamic law views lending with interest payments as a relationship that favors the lender, who charges interest at the expense of the borrower. Because Islamic law views money as a measuring tool for value and not an "asset" in itself, it requires that one should not be able to receive income from money (for example, interest or anything that has the genus of money) alone. Deemed *riba* (literally an increase or growth), such practice is proscribed under Islamic law (*haram*, which means prohibited), as it is considered usurious and exploitative. By contrast, Islamic banking exists to further the socio-economic goals of Islam. <http://www.rediff.com/money/2007/may/14forbes1.htm> (downloaded 20 Sept 2012)

Those who did not have saving plans for retirement described themselves as 'not a good saver as I love the good things in life' or did not regard retirement as needing attention in the short term. 'We focus on travel rather than savings as we feel we have a long way to go before we retire'. One woman said that should she become single 'insurance will cover me if he dies. If he leaves me, no I will not be in a comfortable financial situation at all.'

A NATURE OF CONSTANT GIVING

Most of the women in the study were volunteers within their own cultural communities and the wider society. While the nature of giving is a traditional expectation and best described in positive terms, some of the women felt that unless they are contributing financially their giving is not valued and to some degree their giving disadvantaged them financially.

'I feel as women we are always giving.'

'My downfall has been the helping side.'

'If my children come to me for money I always will pay even if my account is in overdraft. I feel it is hard to say no.'

'I am forever cooking and helping out not my grown up children but their friends as well! What can you do when they turn up, you just smile and cope!'

'With my legal background, I am not utilising this, why is that? I do voluntary things but it it was a man, they would be charging ahead.'

One participant felt that women needed to realise that *'when they give, they're depleting their own resources.'*

In situations where women were excluded from being active in financial planning this seemed likely to be due to a traditional definition of roles between husband and wife or an imbalance of power within the marriage.

RECOMMENDATIONS FROM THE PARTICIPANTS

AWARENESS

Some of the women in the study showed how they had come to understand cultural differences regarding financial management and adapted accordingly. It was felt that other ethnic women *'didn't know the questions to ask about money.'* It was recommended that they receive education to raise their levels of awareness, that the financial sector needs to *'hammer life stages thinking'* encouraging such questions as *'how much money do I need in retirement'* and *'how can I sustain myself should circumstances change in the short term?'*

PERSONAL RESPONSIBILITY

In conjunction with levels of awareness is the need for a woman to take personal responsibility for the accumulation of her own net worth. This concept will be challenging for those who see their role as a giver. Women need to balance their giving with a level of self-interest – *'to put themselves first', 'to learn to protect their assets.'* As one woman stated, *'If you can't make the changes yourself then make your gift to teach your children how to financially survive.'*

CULTURAL NEGOTIATION

In ethnic communities, a woman's upbringing is strongly influenced by the male members of the family (fathers, brothers, husbands and sons). Any change to women's roles and expectations in terms of financial management will challenge cultural values. *'It's fantastic if a new migrant woman gets education but I also think the husband needs advice. If we empower only women it may rock the relationships. We need to work with both genders.'*

However, it was pointed out by some women that there is also a need for some gender specific financial literacy programmes along with the 'whole of family' approach. It was evident that women felt that their male partners and sons also need to learn their responsibility towards empowering women. This could be done through some gender specific resources and programmes where they can be more open about discussing such matters. Separate workshops for men may offer an opportunity to explore some specific cultural and gender issues related to personal financial management.

CULTURALLY APPROPRIATE RESOURCES

Almost all the resources for future planning and especially retirement planning still focus on an 'individual' than a 'collective' wealth creation model. This sometimes puts the learning from such resources at odds with the inherent desire to work in a collaborative way. The notion of collective wealth creation and asset protection needs to be recognised while safeguarding individual financial security in the current environment these women are living in. This notion needs to be part of any future thinking when developing resources.

One of the suggestions made by some of the participants was to emphasise topics like saving for retirement, enduring power of attorney, protecting your assets and writing a will to safeguard the 50 plus generation of ethnic women. It would be really helpful if some resources are created which take into account of the rapidly changing demographics of Aotearoa and varying needs of the community groups than relying on 'generic' resources.

Further work to understand financial decision making processes within the households of ethnic women will help to understand future needs of this particular group and to target resources.

CONCLUSION

When it comes to planning for future and retirement, most western societies place responsibility on the individual to accumulate wealth. This level of self-interest and individual-based focus on wealth creation presents a challenge to more collective societies where commitment to the greater good of the family and extended family overrides the needs of the individual. While it is important to promote the importance of personal responsibility, it is equally important to respect traditional values, acknowledging the strengths of the traditions. It is also vital to acknowledge that transition to a new culture of financial management needs the courage and cooperation of all who are affected by the change.

With the changing demographics of New Zealand society and an increase in the second and in some cases third generation of ethnic women growing up in New Zealand, there appears to be a genuine but 'under the surface' tension between the generations and cultures (New Zealand vs. homeland) is evident and gradually increasing. This tension manifests itself where the new generation of ethnic women want to retain certain parts of their heritage but 'on their own terms'. A way needs to be found to acknowledge the tradition while finding an appropriate pathway to develop skills that will prepare ethnic women to safeguard their future in 'western value-based' societies.

This cultural tension presents a challenge for providers of financial literacy and financial advice as on one hand the cultural traditions need to be taken into account, thus promoting a notion of 'collective wealth'; but at the same time the generation of women growing up here do not necessarily buy in to this sense of obligation and duty towards their parents and grandparents. This social tension does creep into the financial planning and investing for future. Perhaps the 'day-to-day' financial management skills of these women need to be translated into planning and safeguarding their long-term future.

To sum up in one woman's words '*we are not stupid, far from it, we know what needs to be done, we just need to learn how and then be prepared for a major mind shift.*'

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