

Thursday 27 February 2025

# focus

## Women and Wealth: Taking Charge of Financial Futures



Women in New Zealand retire with significantly less savings than men – sometimes tens of thousands of dollars less – despite living longer. This financial disparity, known as the ‘retirement wealth gap’, leaves many women vulnerable when they should be enjoying financial security. Why does this gap persist, and more importantly, how can we close it?

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**...Women are more likely to take time off work to care for children or elderly relatives...**

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**The stark reality of women's retirement savings**

The retirement wealth gap in New Zealand is striking, with women consistently saving far less for their retirement than men. On average, men have 25% more in their KiwiSaver savings than women. This savings gap is even more pronounced for those nearing retirement age, creating a disadvantage. This financial gap translates into a lower quality of life in later years, increased reliance on government support, and greater economic vulnerability for older women.

**Why does the wealth gap exist?**

**Several factors contribute to this financial imbalance:**

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**Gender pay gap:** Unfortunately, in New Zealand, we are still seeing a significant gap between the average earnings of women and men. According to StatisticsNZ, in 2024 the gender pay gap in New Zealand stood at around 8%. This pay disparity reduces women's ability to save and invest over time.

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**Career interruptions:** Women are more likely to take time off work to care for children or elderly relatives, reducing their lifetime earnings and KiwiSaver contributions. An New Zealand

Institute of Economic Research report found that the impact of motherhood on retirement savings in New Zealand can be as much as \$318,000.

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**Part-time employment:** One in three employed women work part-time, often due to caregiving responsibilities. Part-time roles typically offer lower pay and fewer opportunities for career advancement, limiting their ability to save for retirement.

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**Longevity:** A 40-year-old woman today can expect to live to nearly 89 years, whereas a 40-year-old man's life expectancy is 86. This longevity means women need more savings to support themselves throughout retirement.

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**Financial confidence and literacy:** Research indicates that women often feel less confident about financial decision-making and are less likely to seek financial advice. This lack of confidence can lead to more conservative investment choices, potentially resulting in lower returns over time.

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### The female advantage

Despite these challenges, women often outperform men as investors once they get started. Studies show that women take a long-term approach, trade less frequently, and prioritise diversification, leading to more stable returns. Unlike men, who may be more prone to overconfidence and excessive risk-taking, women tend to conduct thorough research before making investment decisions. Research from Fidelity Investments and Warwick Business School confirms that women's investment portfolios consistently outperform men's by a meaningful margin.

### Closing the gap: Steps women can take

While these barriers will take time to change and overcome, there are many ways in which women can take control of their financial situation and improve their financial security in retirement.

#### 1. Boost financial education and confidence:

Learning about money and investing is crucial. More education in schools, workplaces, and online can empower women to manage their finances effectively. There are lots of free resources, workshops, and programmes that can help demystify investing – sorted.co.nz is a great place to start. But also, don't feel pressured to find out everything you can before you get going – the power of compound returns means even small contributions add up over time. Just investing the price of a cup of coffee each day can make a meaningful difference to your financial position over time.

#### 2. Seek financial advice:

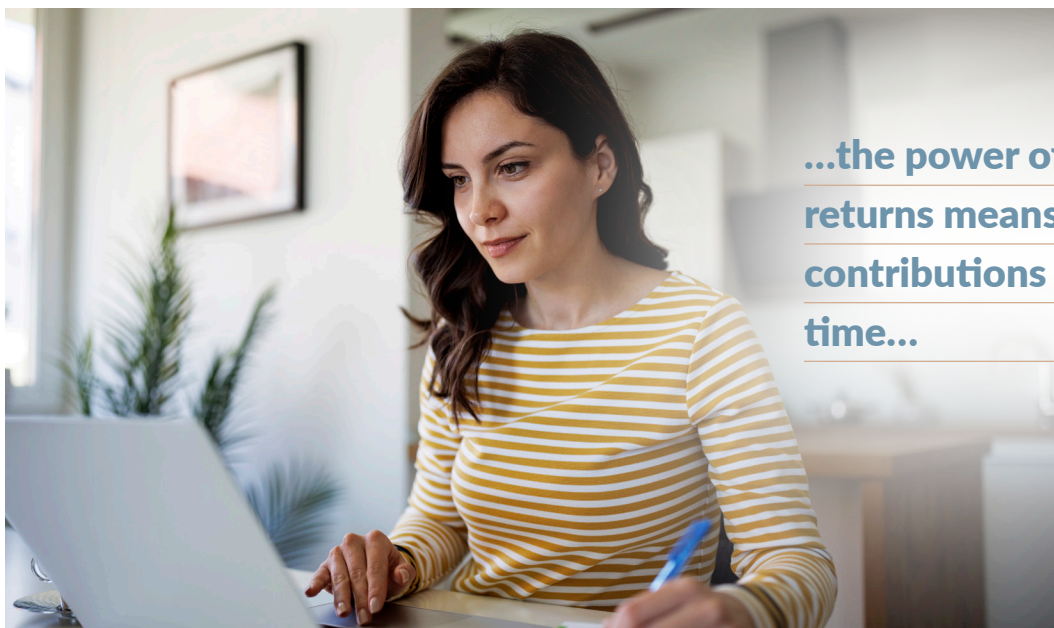
Consulting an Investment Adviser can be a game-changer. A professional can help develop tailored strategies to grow retirement savings and maximise investment potential. They can also be an invaluable sounding board during times of market volatility.

#### 3. Stay active with KiwiSaver:

As a general rule, contributing at least \$1,042.86 between 1 July and 30 June puts you on track to receive the government's annual contribution of \$521.43 – essentially free money. If possible, keep contributing if you take parental leave or a break from work. Even small contributions over this time can make a difference. As of July 1, 2024, you can choose to have KiwiSaver deductions taken from your paid parental leave payments. If you do so, Inland Revenue will also contribute 3% as an employer contribution.

#### 4. Prepare for the great wealth transfer:

In the coming decades, a significant shift in financial assets will occur as older generations pass down wealth. Economic consultancy BERL estimates that approximately \$1.1tn will be passed on in the next 20 years, with women expected to inherit a substantial portion. This presents both an opportunity and a challenge. Women must be equipped with strong financial knowledge and confidence to manage and grow this wealth effectively.



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**...By learning about money, making smart choices, and just getting started on their investment journey, women can take control of their future...**

Women in New Zealand generally retire with less money than men, and, given that women usually live longer too, that's a big problem. But the good news is, it doesn't have to stay that way. By learning about money, making smart choices, and just getting started on their investment journey, women can take control of their future. Asking for help when you need it is also a sensible strategy. A good Investment Adviser can explain the best ways to save and invest so that retirement feels secure instead of stressful.

*As the famous Chinese proverb goes, "The best time to plant a tree was 20 years ago, the second-best time is now."*

**If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.**

**0800 367 227**

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