

Young women can budget in the short term but struggle with long-term investments: survey

Written by The Conversation



Young women in the survey showed less interest and knowledge on long-term investments. www.shutterstock.com

Our investigation into the financial literacy of young women finds they are confident in implementing budgeting and savings strategies, but lack the knowledge and confidence required to implement long-term financial strategies.

This is surprising given that financial literacy usually refers to not only an understanding of how money actually works and how to make and manage money for day-to-day affairs but also how to use this in preparation for the future.

While our results are preliminary, based on social media users and require more detailed research, our results begin to draw links between social, institutional and personal attitudes towards financial knowledge.

A survey we distributed across social media found that 91% of 175 respondents had confidence in their ability to implement savings strategies (varying from simple to complex), and 89% were confident in their ability to budget. Strategies included everything from planning for a holiday to managing credit cards. Participants also considered budgeting and saving to be the most important aspects of their finances.

However, our survey participants expressed a distinct lack of appreciation for longer-term financial goals. While 72% of respondents felt that savings were extremely relevant to them, only 38% said the same about superannuation, and they showed even less interest in other long-term investment (23%).

Knowledge and confidence in implementing long-term investment strategies were even more concerning. Only 17% of respondents said they had a “medium” knowledge of superannuation and only 1% (or two of 175 respondents) felt that they had an in-depth understanding. In contrast, 55% indicated having little or no knowledge whatsoever.

The numbers look even bleaker for responses about investments. A low 12% of survey participants had medium levels of knowledge in this area, while again only 1% felt their knowledge was in-depth.

When asked about why they lacked financial knowledge, the barrier most commonly acknowledged by participants was lack of financial information taught at school (91%). Also 55% of participants reported feeling discouraged from learning about finance because they were women. This is consistent with [reports of female students being discouraged from studying](#) subjects such as science, technology, engineering and mathematics (STEM).

Why financial literacy matters for women

Women working full-time currently [earn 84% of a man's pay - at a 20 year average](#) . The impact is this: women will earn around [A\$650,000 less than men across their lifetimes](https://www.ncoss.org.au/sites/default/files/public/campaign/New%20Year%20for%20Women%20discussion_FINAL.pdf) .

While the pay gap is considerable, the “super gap” is even greater. On average women will [accumulate 46.6% less in superannuation than men, and one in three women](#) retire with no super at all. Superannuation is the [second largest asset](#) for most Australian households, (second only to housing) and contributes significantly to economic security and savings at retirement.

Insufficient superannuation and savings at retirement have also been linked to high rates of homelessness experience by older women – a point that has been emphasised by [Homelessness Australia](#) . While there are many factors that contribute to homelessness, from drug and alcohol abuse, lack of affordable housing and domestic violence, a [2013 study by Adam Steen and David MacKenzie suggests](#) that the little research done in this area indicates poor financial literacy is also a contributing factor.

Difference in superannuation savings between women and men are driven by [interrelated](#)

[factors](#)

including: the gender pay gap, more frequent participation of women in lower paid industries and jobs, disproportionate participation of women in part-time and casual positions. Also influencing this trend are the fragmented work patterns as a result of time taken off for unpaid care and pregnancy related workplace discrimination. Women also typically

[retire earlier and live longer](#)

than men - up to 4.4 years longer for a female born today.

In addition to these structural and social factors, our data suggests that women are ill-equipped to manage long-term financial investments.

Reduced financial literacy amongst women in comparison to men was acknowledged by the [Australian government in 2008](#)

and again by the

[NSW Council of Social Services in 2016](#)

. Likewise it has been acknowledged in the

[United States and further afield](#)

. Our data suggests little has changed.

James Arvanitakis receives funding from the Australian Research Council and the former Office of Learning and Teaching. He is a board member of the Australian Public Education Foundation, a member of the Australian Research Council: Excellence in Research for Australia 2015 Evaluation Committee, Office of Learning and Teaching (OLT): Committee Member: Awards Committee, a member of the panel of experts for the Tertiary Education Quality and Standards Agency (TEQSA), on the committee of the Australian Human Rights Education Council, the Chair of Diversity Arts Australia and a research fellow at The Centre for Policy Development.

Lauren Stanley is on the NSW Council of Social Service's Young Women's Advisory Round table, co-convener of the Parramatta branch of the Western Sydney Women's Collective, and Policy Officer for Taylor Street Advisory.

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