Improving the financial literacy of self-employed women

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An ECU-Industry Collaboration Scheme, in collaboration with:

In partnership with:

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2 About this ECU-Industry Collaboration Scheme

This research project was an ECU-Industry Collaboration between three universities, ECU, UWA and RMIT Vietnam, and two funding industry partners Business Foundations and StatePlus and the support of Women in Super.

The industry partners were a mix of a not-for-profit organisation, a community based organisation and a commercial enterprise from the finance sector, all bringing different strengths to the collaboration.

The bringing together of experienced researchers and some of the key players in the area of small business and women's financial literacy have been integral in completing this project, and we thank all partners for their support. We also thank the women small business owners who participated in the workshops and the interviews.

3 Executive summary

Self-employment as a small business owner[a] has great appeal to men and women. However for women, self-employment often has a detrimental effect on their retirement savings. This is due to the 'perfect storm' of these four factors common to self-employed women: 1) they are clustered in the low profit service, rather than the manufacturing sector, 2) their business often has a low turnover; 3) they are often motivated to start their businesses because of a need to balance work and caring responsibilities and then subsequently operate their businesses in a way which allows that; and 4) they often have poor financial literacy.

This study follows on from previous research[1] which found that self-employed women were less prepared for retirement, and had fewer strategies in place than their male counterparts. That research also raised concerns over the level of financial literacy which existed within the small business community in regard to retirement saving options, particularly among self-employed women. The negative social and economic consequences of poor financial literacy and limited preparation for retirement among self-employed women was the impetus for undertaking this research to determine if an education intervention could improve their financial literacy and preparation for retirement. Therefore this study gathered baseline data and then evaluated changes to self-employed women's financial knowledge after attendance at education seminars. Knowing that many self-employed women have low financial literacy, this evaluation is extremely important to see if any new knowledge gained from the seminars had resonated with the women. There is a significant anomaly in the current Australian superannuation rulings whereby self-employed people are not legislatively required to contribute to their own superannuation retirement savings, despite the requirement, in a similar way to employers in the PAYG workforce, to make superannuation guarantee contributions (SGC) to their staff. Because of this lack of mandatory savings for the self-employed, this cohort have significantly lower superannuation balances than the general PAYG workforce.

Our primary research question was, how well are self-employed women prepared for retirement? Our subsidiary question was, what effect will a targeted training program have on the financial literacy of self-employed women?

The overall results show that low annual turnover in the businesses and a lack of planning had contributed to the majority of self-employed women being of the view that they were not well prepared for retirement. Their heavy reliance on others to understand their

[a] The use of the terms 'self-employed' and 'small business owner' are used interchangeably throughout this report.

retirement investments helps to explain why self-employed women have poor financial literacy in regard to superannuation rules and regulations (including self-managed superannuation funds).

In regard to the secondary question on the effectiveness of this targeted training program on participants' financial literacy, feedback given post the seminars from the vast majority of the 106 women that participated, was that they had improved their financial literacy by attending and this was also confirmed during the interview phase of the research. This was particularly evident from the comments made about similar training being available to others and from the advice they would give to their younger selves. Perhaps more importantly each of the interview participants had done something post the training seminar to either improve their own financial situation or that of their clients. This suggests that training of this sort may not only help the individual small business owners but have a flow on effect to others. Improving the financial literacy of self-employed women could make a significant contribution to the implementation of retirement strategies, thus reducing pressure on the Australian economy by this cohort not relying predominantly or solely on the public purse via the Commonwealth aged pension.

4 Introduction

The lure of self-employment, or small business ownership, has historically had great appeal to both men and women. The opportunity to be one's own boss and to have a level of independence is a common reason to start a small business[2,3,4]. For women in particular, balancing work and family is also a key motivator. However businesses owned and operated by women are often very small and have limited turnover. There are multiple reasons for this, such as clustering in industry sectors such as personal services that are low growth[5], risk aversion[6], and the fact that women are less likely than men to borrow to start a new venture[7,8]. One key consequence is that the smaller the turnover, the stronger the likelihood of a small return on investment and therefore profit. This potentially can have significant negative implications when these women come to retire, unless a solid retirement savings strategy has been considered. A compounding issue is that women in general have lower financial literacy than men, thus creating the 'perfect storm' in terms of self-employed women being underfunded when they come to retire. Findings from our recent research confirm both these issues to be significant[1]. Our definition of financial literacy is the knowledge acquired from the possession of a set of skills that allow people to manage their money wisely.

There is a plethora of financial information regarding what women can and should do to prepare for retirement, however all of it is geared towards women in the PAYG workforce, and it is not directed at, or relevant to, the self-employed. Despite knowing these challenges exist for self-employed women, nothing seems to be changing and the barriers to improving women's financial literacy are still not well known or understood[9,10]. It is likely that some of the barriers relate to the fact that money and financial matters have become considerably more complex and complicated over the years, compounded by continuous government changes and the introduction of multiple bureaucratic processes and requirements.

The problem is also exacerbated by the fact that the language that pervades financial communication and information is often technical and does not necessarily use adult learning principles[11] to get the message across to the specific audience. This means that the very recipients who need to understand these messages are likely to give up and tune out and hence not have a clear understanding of what is required.

This need for specific information is particularly true for small business owners, who often have a natural animosity towards all things government, have poor uptake of any type of training and have a historical preference for being independent[12,13,14,15,16]. According to recent research, many small business owners believe that their business is their retirement fund and thus have significantly less money in superannuation funds than PAYG employees (40% vs 90%)[1]. While selling a business is one possible retirement strategy, it is unlikely to be the best strategy for some small business owners, especially given the vagaries of the financial markets.

Using translational research[17] and based on previous findings[14,16], the assumptions noted above were tested, by engaging with self-employed women in a series of seminars, to inform them of key, relevant information that could enhance their financial literacy overall. The women were surveyed prior to attending the seminars. Interviews were then conducted with a selected group, post the seminar sessions, to determine the impact of this new knowledge on their financial literacy.

5 Methodology/Research procedures

The methodology used combines Knowles' adult learning principles and community based education theory[11,14], with translational research. Translational research is a method that can help bridge the knowing-doing gap, as there is a widely acknowledged gap between research and practice[17,18,19,20]. It is a research methodology that lends itself to a collaborative approach to problem solving, where the complimentary skills of a team can be utilised to best effect to produce an outcome that has benefits for all concerned.

Translational research has been referred to as an attempt to bridge the gap between what we know (about our world) and our ability to intervene in that world[19,20,21,22]. In this instance, 'the world' is that of self-employed women and their financial literacy and their retirement plans. In this case the researchers and their industry practitioner partners sought to educate a group of women small business owners about financial literacy for retirement and ultimately, to transform the owners' behaviour. The main objective was to translate research knowledge into practice.

Our primary research question was, how well are self-employed women prepared for retirement? Our subsidiary question was, what effect will a targeted training program have on the financial literacy of self-employed women?

Design

A series of two hour seminars were delivered in the Perth metro area. These seminars involved two specialist facilitators, one with financial expertise on savings strategies, including superannuation, the importance of having a retirement saving plan and the distinction between self-employed and PAYG financial planning. The other facilitator had expertise in small business in general and specifically on self-employed women. Therefore the examples used were ones that the women small business owners could relate to and where not the normal generic financial information that currently abounds, which is geared towards a PAYG audience.

Accepting acknowledged adult learning principles[11], if an issue (in this case retirement) is not presented as relevant, then adults turn off, and/or do not easily absorb the information. It was deemed vital that the presentation of the information to the cohort was done in such a way that it would be immediately relevant. It should also be mentioned that the two presenters were both women, so could create an immediate connection with the audience. This was thought to be especially important, given that the aspect of financial literacy was being approached as being potentially deficit in some members of the audience. Being able to develop empathy with the whole group (the self-employed women and the two presenters) regarding issues about money, running a small business as a woman, and dealing with family issues and work life balance, helped break down any barriers of 'superiority' on the part of the presenters. On some (but not all) issues, women relate to women better than to men, and it was believed this was the case with this topic. Great care was taken in the pre-planning of the seminars by the presenters to ensure that the information was relevant, including piloting the seminar to a critical audience, and using the feedback provided to improve on the final presentation.

Quantitative data was collected from seminar participants in the form of a survey conducted pre-seminar attendance. Participants had the option of filling the survey in online prior to attending the seminar, or alternatively filling out a paper-based survey. In addition, interviews of a selected group were used to form the basis of in-depth case studies. In regard to the qualitative aspect of the research, interviews were conducted approximately three months after the seminars to see if any behaviour change had taken place.

Sample

Women small business owners were recruited to the program with the assistance of one of the industry partners via the small business centre network. A total of 6 seminars were conducted, and a total of 106 participants attended. Quantitative data in the pre-seminar survey was collected from all of the participants. In addition, 7 interviews were conducted to form the basis of comparison between pre and post training situation.

Data collection and evaluation

The survey was developed, based on previous findings[14,16] by the research team, in collaboration with the partner organisations.

When participants enrolled for the seminars they were prompted to fill out the online survey by means of an anonymous web link. It was found that a low proportion of participants who enrolled for the seminars had completed the survey prior to attending the seminar, and so hard copies were made available for the participants to complete at the seminar venues whilst they were waiting for the seminar to begin. Of the 106 survey participants, 43% (n=46) of respondents filled in the online survey, and 57% (n=60) filled out a paper-based survey.

Data analysis

The collected quantitative survey data was analysed using SPSS software to gather descriptive and inferential statistics. The participants were asked to rate their knowledge on a number of key financial matters (e.g. superannuation, property investment, share trading and financial planning). Likert scales were used to measure their knowledge with anchors of 1 (No knowledge) to 6 (Excellent knowledge). The qualitative interviews were analysed to develop themes and find patterns in the data[23].

All tables presented have the number of responses with the commensurate percentage (with the exception of Table 6, which does not follow this format). Not all respondents answered every question, so not all totals are of the complete sample of 106.

6 Survey Results and Discussion

The collected data is presented and discussed to outline the key findings in this research. Information is provided based on frequency data.

6.1.1 Personal characteristics of the sample

All of the sample were women. The age range varied (see Table 1) from the smallest group being under 30 years of age, to the largest group of 51-60 years of age, which again would be anticipated, as this is the age bracket where retirement planning becomes a consideration.

Table 1. Age of sample.

	n	%
Under 30	4	4
31 – 40	24	24
41 – 50	31	31
51 – 60	37	37
Over 60	5	5
Total	**101**	

6.1.2 Business characteristics

The first questions asked of the respondents related to the structure of their business. Of the 106 respondents, sole traders dominated the sample (see Table 2). This is consistent with the small business profile of Australia where the latest figures show 60.7% of actively trading businesses in Australia had no employees[24].

Table 2. Structure of respondents' small business.

Category	n	%
Sole Trader	63	60
Company	32	30
Trust	7	7
Partnership	4	3
Total	**106**	**100**

Most of the businesses were independently owned and operated (94%) and did not involve the respondents' spouse/partners as part of the business (84%). The lack of spouse/partner involvement could mean several things. First, many of the businesses were very individually based, centered on the business owner's particular set of skills. Second, the businesses had small turnovers (shown in Table 4) which would not allow for the employment of any staff.

Table 3 shows that the sample included a majority of home-based businesses (71%). This is a developing trend in Australia as the capability to work from home and use advanced technologies allows operators to reduce operating costs. It also is favoured by women whose initial motivation to go into business was to balance work and family, so operating from home does help this, in some, but not all, cases. It also mirrors official data which identify that many small businesses are likely to be operating from home[25].

Table 3. Respondents' business description.

Category	**n**	**%**
Home-based	71	71
Owned	23	23
Leased	6	6
Total	**100**	**100**

Small businesses are defined in Australia as those that have less than 20 employees. In this sample there were 79% with only 1 employee (n=60), which was the owner herself, another 12% with 2 employees (themselves plus one other) and the remainder quite evenly spread, however the most employees that any single business had was 10. There is a subset within the official definition which is that of being a micro business, which is a business that employs five or less employees. So the vast majority of these women are operating not just small businesses but micro businesses.

Another indicator of the size of the business is their annual turnover. In the sample there was some variability but as shown in Table 4, just over half had an annual turnover of less than $75,000. Only one business was turning over more than $1 million and another 13 had achieved between $250,000 and $1 million turnover.

Table 4. Annual turnover of the business.

	N	**%**
Less than $75,000	56	54
$75,001 - $250,000	34	32.5
$250,001 - $500,000	7	6.5
$500,000 - $1,000,000	6	6
$1,000,001 - $5,000,000	1	1
Total	**104**	**100**

In the most recent ABS (2016) data, 26% of small businesses in Australia earn less than $50K; 34% $51-200K; 33% $200K-$2M; 7% $2 million plus. Whereas the financial bands used are not directly comparable, this result does suggest the sample may be slightly less able than the national figures on small business to financially prepare for retirement.

Obviously turnover does not necessarily mean profit is being made, but larger turnover should equate to the possibility of surplus income, that could then be turned into contributions towards to their retirement savings.

Having a turnover of $75,000 or less also means that these businesses are not involved with either collecting or paying GST. This may be a conscious decision to keep their businesses small, so as to reduce the administrative burden that having to factor in GST brings. On the negative side, having a turnover of $75,000 or less, unless subsidised by other employment income, has serious implications for being able to put any money aside for anything, be it business related or for their personal financial future, including superannuation contributions.

During the seminar the audience was asked what they would do with a hypothetical $100 at the end of the working week, after all expenses had been paid. In every seminar the majority or sometimes all of the audience nominated items for their family, such as clothing for their children, putting it towards home renovations, occasionally more non-essential items such as alcohol. None of the women nominated putting the hypothetical $100 towards their own personal financial future. All of the women put the needs of their family or their business first, and themselves second.

This appears to be an entrenched behaviour by women, and one that needs to be considered when trying to convince any women that they should also be thinking about themselves and the need to have financial independence. The title of the 2016 Senate Economics Reference Committee report[27] into economic security for women encapsulates this issue well, the title being "A husband is not a retirement plan: Achieving economic security for women in retirement".

6.1.3 Income and retirement planning

To understand the nature of the respondents' retirement saving position it was important to understand where their main income was sourced from and what planning was being undertaken for their retirement.

Table 5 shows that the majority of the respondents were reliant solely on their business (60%) and that some were relying on another job (16%) or their spouse/ partner's income (16%). Few had independent investments (8%).

Table 5. Main source of income.

	n	%
This business	64	60
Another job	17	16
Spouse/partner income	17	16
Independent investments	8	8
Total	**106**	**100**

In terms of planning, small business operators are well known for not undertaking formal planning[26] and this was also evident in a lack of retirement planning from the respondents, despite them answering a previous question that asked how important having a plan was, and to which the majority agreed it was important. Table 6 shows the combined results of the respondents' strategy for retirement, where the categories have been condensed (Strongly agree, Agree and Somewhat agree versus Strongly disagree, Disagree and Somewhat disagree). The table shows that most self-employed women are going to rely on their superannuation funds (87%), cash in the bank (68%) or having an investment property (62%). The mean scores are broadly in agreement with the combined scores.

There were, however, three strategies that had a reasonably number of participants agreeing with the statements which could be interpreted as concerning. These are: My current home (55%), I plan to work indefinitely (37% agreement) and I don't have a plan (34%). The reason for concern with this strategy stems from the long term aspect of selling a property to fund an income stream in retirement, raises the question of where would the individual live should they sell their home to fund their living expenses? Whereas people often talk about downsizing, this is not always possible, and does not always result in a residue lump sum between selling 'the family home' and buying something smaller. Secondly, given the physiological changes that come with age, most people's health does not allow them to work indefinitely. Finally not having a plan can be construed as "putting your head in the sand". While not everyone will necessarily agree, and counter-argument could be given to each of these interpretations, these strategies may not be as effective as others that were provided by the respondents.

Table 6. Respondents' primary retirement strategy.

RETIREMENT STRATEGY	Agree %	Disagree %	Mean score[1]
My superannuation fund(s)	87	13	2.43
Having sufficient cash in the bank	68	32	3.01
Having one investment property	62	38	3.30
My current home	55	45	3.63
Having a share portfolio	49	51	3.81
A self-managed super fund	45	55	3.63
I plan to work indefinitely	37	63	4.25
My business is my retirement fund	34	66	4.10
I don't have one	34	66	4.29
My spouse's contribution to my super fund	27	73	4.60
I plan to live off an inheritance	12	88	5.29
1 = the lower the mean score, the stronger the agreement, as the anchors were 1 = strongly agree and 6 = strongly disagree			

When asked the very direct question, 'are you actively planning for your retirement', 58% answered no. A follow-up question asked 'when do you plan to retire'. With 32% planning to retire within the next 10 years this is not good news. When a further 26% have no plans to retire at all, the results become very concerning (see Table 7).

Table 7. Timing of Respondents' retirement.

	n	%
Within 5 years	8	8
Within 10 years	25	24
Within 20 years	44	42
No plans	27	26
Total	**104**	**100**

The respondents were asked how on track they were with their progress towards a comfortable retirement. These results are given in Table 8. Despite a strong response to a previous direct question that asked how important was saving for retirement, and 52% stated it was either extremely important (20%) or very important (32%), and with only 2% reporting that it was not at all important, it appears many of them are not on track. Over half (52%) stated they are not on track, with very few (8%) actually believing they were very on track or had more than enough funds for their retirement.

Table 8. How on track are you with funds for retirement.

	n	%
Don't know	10	9
Not on track	54	52
Somewhat on track	22	21
Nearly on track	11	10
Very on track	7	7
More than enough	1	1
Total	**105**	**100**

Further complicating the issue of retirement saving in Australia is the apparent lack of clarity about how much money retirees will need when they reach their retirement age. The responses to the question of how much money they believed they needed in retirement was equally broad, suggesting that collectively there is no clarity about what is required financially to ensure a comfortable retirement. Overall while the vast majority (77%) said they required between $500,000 and 1 million, or over $1 million, some suggested lower amount and 9% admitted they did not know the answer to the question (see Table 9).

Table 9. Amount of money respondents' believe you need in for retirement.

	n	%
Don't know	9	9
Less than $50,000	1	1
$50,000 - $100,000	2	2
$200,000 - $500,000	16	15
$500,000 - $1,000,000	40	38
Over $1,000,000	37	35
Total	**105**	**100**

The reasons for self-employed women having a lack of surplus funds to put aside for their retirement e.g. lower turnover, clustering in the service sectors has been mentioned above. However, when reviewing how under-prepared women small business owners appear to be in regards to having adequate retirement savings, it may be argued that all self-employed, but especially women, need a similar system to PAYG employees where they are required to make compulsory contributions. This was a recommendation in the 2016 Senate Economics References Committee report[27] on achieving economic security for women, however the Committee reserved judgment on the merits of mandatory superannuation contributions for the self-employed, so it would appear that it is not currently under consideration.

Table 10 shows that over a third (36%) of the respondents are making no contribution to a superannuation fund. This is not to say that they don't have any superannuation, given that the majority of the respondents also said that their super was going to be their main retirement strategy. Rather the women are ignoring the 'miracle of compound interest' by not utilising the ability to contribute to a retirement savings strategy that is concessionally taxed and locked in until preservation age. This figure of 36% is less than that found by the Chamber of Commerce and Industry when surveying a group of entrepreneurial women where they found 55% did not contribute to superannuation[28]. In addition, the ASFA[29] has reported that

> Data from the Australian Tax Office (ATO) suggest that a minority (around one-quarter) of the self-employed made tax deductible contributions to their superannuation accounts in 2012-13. Other ATO data reveal that though the self-employed account for 10% of the workforce, they only accounted for 4% of total superannuation contributions in 2012-13.

In combination, it appears that the small business community have not been taking advantage of superannuation or their full tax deduction capability. Effective from 1 July 2017, Australians under the age of 75 will be able to claim an income tax deduction for any personal superannuation contributions made to a complying super fund up to their concessional cap, thereby making it easier for self-employed to make contributions on their own behalf. This effectively allows all individuals, regardless of their employment circumstances, to claim a deduction for their personal contributions up to their concessional cap. This change could be an opportunity for governments and the financial sector to encourage more superannuation activity within the small business sector.

The largest other group were those paying exactly 9.5% (27%) contribution, which is the current amount employers have to contribute to an employee's superannuation, and these are most likely to be the women with another job which they are relying on to fund their retirement (See Table 10). When asked if there were any barriers to them contributing to superannuation, most women (40%) advised they could not afford to, due to other financial commitments (33%), thus restricting them from adding to their long term financial security. Interestingly, 14% advised that they would rather invest their money elsewhere.

Table 10. Contribution made to superannuation.

	n	%
Less than 9.5% of annual income	18	17
Exactly 9.5% of annual income	27	26
More than 9.5% of annual income	7	7
I make lump sum payments on an ad hoc basis	16	15
None	36	35
	104	**100**

All of the results regarding retirement planning and intentions reflect the concerns of government and other stakeholders that many Australians, and in particular women, may not be able to sufficiently fund their retirement. Further, the majority of women who participated in this survey, also expressed concern about whether they have sufficient funds in retirement, with 83% indicating that they were often worried, 24 % were sometimes worried and only 3% never worried (24%) or sometimes (59%) and only 3% never worried about this.

Based on these results it would appear that a reasonable number of self-employed women are not economically secure and do not currently have a personal plan to achieve this, neither do they avail themselves of what is currently available, that being superannuation. What seems to be the case is that there is a significant amount of myth, misunderstanding and myopia by small business and superannuation.

Myths exist in terms of historical events such as the global financial crisis where some people lost some of their superannuation funds. Like many myths, they are used to justify a current position, (super funds cost money, super is not safe, super charges are rip offs) even though changes are continuously being made to superannuation to protect the investor. Much of the misunderstanding about superannuation is from a lack of general financial literacy on the part of the investor, and the way the financial sector communicates, which if often in a complex way, using its own language and words, that most lay people do not understand. The myopia (short-sightedness) often comes from a lack of planning in general and for personal retirement in particular. This is not just for self-employed women, rather it is often prevalent in the general population, but as has been referred to multiple times before, the self-employed are significantly disadvantaged because of the lack of mandatory contributions to superannuation. So their lack of financial knowledge and myopia can have disastrous effects. The data collected regarding financial literacy is the next section.

6.1.4 Financial Literacy

The aspect of financial literacy was central to this research, therefore several questions were asked about the topic. It should be noted that it was self-assessment and while this is a standard data collection methodology, it was not verified by either independent or external assessments.

A bank of questions was asked about general accounting and financial concepts (see Table 11). A 6 point Likert scale was used with anchors of 6 = excellent and 1 = poor. As the results show, based on the mean scores, the respondent's rated their knowledge of operational concepts relating to the business highly (i.e. bank statements, profit and loss statements, balance sheets and assets), as can be seen by all three different averages. The two concepts they had least confidence in were general superannuation rules and regulations and self-managed superannuation rules and regulations. As can be seen, the knowledge of all of the respondents is poor, and especially poor in regard to self-managed super funds (SMSFs). This is of particular concern, given that SMSFs are directly targeted to the self-employed and can be a very effective retirement strategy and as the results showed (Table 6) was one of the retirement options that some of the respondents were relying on.

Table 11. Rating of respondents' personal understanding of general accounting and financial concepts.

	n	Mean[b]	Median[c]	mode[d]
Bank statements	102	4.95	5	6
Profit and loss statements	102	4.33	5	6
Balance sheets	101	4.06	4	6
Assets (including current and non-current)	102	4.19	4	6
Forecasting	102	3.79	4	5
Debt ratios	101	3.43	3	2
General super rules & regulations	100	3.27	3	2
Self-managed super rules & regulations	101	2.65	2	1

[b] The mean is the average of all the scores
[c] The median is the mid or half way point
[d] The mode is the score that occurs most often

As financial literacy was a key research question, additional analysis was conducted. T-tests were conducted on these eight statements, splitting the group by age into two, women 50 years of age and under, and women 51 years of age and over. 59 women fell into the 50 and under category and 42 into the other category. Table 12 shows the results.

Table 12. T-test results on financial literacy concepts by age group.

Financial concepts	**< 50 yrs**	**> 51yrs**
	Mean	**Mean**
Bank statements	4.72	5.22
Profit and loss statements	3.91	4.93**
Balance sheets	3.48	4.88**
Assets (including current and non-current)	3.60	4.93**
Forecasting	3.22	4.56**
Debt ratios	2.75	4.24**
General superannuation rules and regulations	2.69	4.05**
Self-managed superannuation rules and regulations	2.05	3.46**
Mean derived from 6 point scale (1= poor 6 = excellent) **p < 0.05 (Statistically significant difference observed at the 0.05 level).		

It would appear that age is a very significant factor in regard to self-employed women's financial literacy. With the exception of bank statements, older women were considerably more confident than younger women on all other financial concepts. Having an understanding of issues such as debt ratio and forecasting are critical parts of business, even for very small businesses, however younger women are stating that their understanding of these two concepts is not good. In addition, younger women's understanding of general issues on superannuation rules is also poor, especially self-managed superfunds.

Various interpretations can be drawn from these results. It is well documented that financial literacy is generally low for women, so it is not entirely unexpected that this cohort is any different. Except these women need to be financially literate given that they are owning and operating a small business and thus in charge of their own financial futures. As noted above, for 60% of them, the business was their main source of income. The second is the very large gap between older women and younger women. Given that our definition of younger women is under 50 years of age, and there were only 4 respondents under 30 years of age, this group have been in the workforce for between twenty to thirty years. Which means they have been dealing with financial matters for a long time, as an employee, with salaries and superannuation, and as a self-employed business owner, all of the financial administration.

So the obvious question is what did they learn about financial literacy throughout their compulsory schooling, and what did they learn post compulsory schooling? The second question is how did they learn it, i.e. in a structured formal way, or by vicarious informal methods? The third and final question is why is this critical topic so unappealing to women? It was not the objective of this research to discover the answer to these questions, but it is the next logical step to undertake, given the importance of the issue.

Given the evidence above regarding some low financial literacy levels, what was investigated in the survey was where the women obtained their financial advice from. In this regard, 28% said they had not got advice from anyone. This result may be reflective that some of the respondents are in the financial services sector themselves, but while self-reliance is a characteristic of small business owners in general, it may not be their best option in regard to financial matters. The majority of the women small business owners (45%) sought advice from independent financial planners/advisors. Just over 7% looked to banks or credit unions for this advice and 19% asked family or friends.

The next section reports on the personal interviews and then seeks to draw all the information gathered to draw a picture of the retirement strategies and plans for self-employed women.

7 Interview Results and Discussion

The interviews took place approximately three months after the seminars. In total 7 interviews were conducted and the interviewees were asked questions about their behaviour and if any financial changes had taken place since their attendance. The responses of the interviewees add weight to the need for greater intervention if Australian small business women are to be more prepared for their retirement.

When asked if there was any other support that could be given to small business owners to help them prepare for their retirement, most discussed the need for a guarantee of the current pensions being available, stability and the challenge of the consistently changing of the superannuation and pension rules, and the difficulty of keeping up to speed. They also suggested that similar training or ways to keep small business owners informed and up-to-date continue, including the availability of the current government provided Money Smart website which they found informative. Most of the participants had been unaware of this website, and it was part of the information given at the seminar.

The most crucial of the questions to the interviewees was to determine if they had made any specific changes that would improve their preparation for retirement post attending the seminar. Six of the seven participants had acted quickly to improve their situation. The remaining interviewee had changed her behaviour toward clients to encourage them to act in this area but had not needed to change her own situation as she was already in a positive position. Specific actions are outlined in Table 12. Some of the participants advised that they still had other improvements in mind that needed to be actioned, these are also outlined.

Table 12. Participant activity between training and interview period.

PARTICIPANT	ACTION	STILL TO DO LIST
Barbara	Discussed retirement and savings with husband	Intention to seek professional advice with her husband
Colleen	Advising others through her business but *no change in her own situation*	
Lucy	Focused more on business financial performance and systems to achieve goals	
Leanne	Made ad hoc contribution and set up ongoing additional affordable contribution	Intension to review extra contributions as work and life events change her circumstances
Andrea	Made a quarterly contribution immediately. Completed actions to formalize her will, talked her husband about their investment strategy and reviewing their self-managed superannuation fund (SMSF).	Set up ongoing quarterly contributions, considering other investment options but awaiting decision on current SMSF.
Vivian	Changed from contractor to employee to receive superannuation contributions benefits from employer	
Alice	Sought professional advice to review finances and increased super contributions	

Studies using the theory of planned behaviour[30] have consistently found it difficult to link intentions with actual behaviour. Good examples of this which demonstrate the difficulties are found in health research which shows that intention to give up poor health habits such as: smoking, lack of exercise, excessive eating or poor diets rarely ends in consistent behaviour change. In contrast, successful behaviour change is usually triggered by significant events in people's lives. This may also be true for retirement preparation. In addition, social changes, such as increasing homelessness, separation between rich and poor, market-based competition and high unemployment could be factors that stimulate others to action. These factors combined with other factors, such as age and government changes to the superannuation contribution scheme and pension eligibility, may attract some people to get on the front foot and attempt to change their situation by becoming more informed of their existing position and options. The triggers for action are areas which needs more investigation to determine an appropriate strategy.

The final question asked of the participants was what they would say if they were able to talk to their younger self about preparing for retirement. Table 13 provides a summary of the ideas which they provided.

Most of the participants admitted that they would not have listened when they were young to the advice from their 'elder self'. Research into identity development and social behaviour of human beings has consistently demonstrated significant gaps between young and mature adults, so it is likely that the participants are correct in their analysis. However, we also know from the study of development into young adulthood, the vast majority of youth give preference to listening to, and behaving like, their peers so they are seen as part of the group[31]. This suggests that those interested in ensuring young people take their retirement savings seriously may need to consider and perhaps look to change the group norms and values of the young wage earner or small business owners in regard to retirement preparation.

At a more pragmatic level, the best fit of the person giving the advice to the person or audience receiving the advice, needs also to be considered. In general, older people, who are the principal target for retirement advice, are likely to relate better to older advice givers, than younger advice givers. Or to someone that has strong empathetic skills. Given that the financial sector has its own language, customs and mores, this adds to the barriers and lack of understanding many people feel about financial matters.

The 'wisdom' given by the participants, except in one case (Lucy) when it was suggested that young people ignore the future and live life, was practical and advocated small changes which over time can create wealth. This demonstrates that the interviewees have taken away valuable learnings from the seminar. This type of advice, if taken, could have great impact on retirement savings, so thought needs to be given to how younger self-employed women could be provided with the information and how they could be encouraged to plan to embed the practical actions into their business plans and budgets from the outset.

Table 13. Summary of advice to their younger self about retirement preparation.

PARTICIPANT	ADVICE
Barbara	Put a bit aside on top of super even if only $10 or $20 per pay so it starts to build from a young age. This gives them more flexibility when they get to retirement. It's about the amount they would spend on drinks on Friday night.
Colleen	Get advice at the outset; get business and financial planning at the start. Form a picture of how you want your retirement to look. Know when you want to stop working, lifestyle you want then work on the subjective and money factors to achieve it.
Lucy	Don't worry about it, live your life, enjoy yourself and follow your dreams.
Leanne	Every time you get a salary increase put an extra % in your super. Every time you win a contract do the same.
Andrea	Start making even tiny payments earlier. Do some homework and in your business charge what the men do.
Vivian	Start earlier, even at small amounts because at a young age it's long term goal. You could always try a few high risks things to start with and be more proactive with your retirement funding.
Alice	Take one week less in holidays each year and put that toward super; only go out once a month and put savings into super; do not buy family presents – put the money in super.

Overall, the participants advised that the seminar had been valuable to them and all were thinking about the ways they might help themselves and others to improve their position so that they had a comfortable retirement. Some recognised that there are daily difficulties and there are no easy solutions to retirement saving in small business but proposed that collectively women can help each other and by keeping the conversation spreading and they all were keen to do their part to ensure this happens with friends, clients and other small business owners. There is however, a contrasting perspective that could be offered. This is that there may be a Pollyanna mindset being demonstrated by those that tend to nurture others, even when stumbling themselves, and this in some way is encouraging some people to do less than they should and certainly not enough to ensure they can fend for themselves in the future.

8 The Case for Financial Literacy

The impact of better financial literacy among self-employed women will not come without stakeholder support. One area where stakeholders could provide support is in helping to determine the key triggers that compel women small business owners to take early action to independently save for their retirement. The other broader area for investigation is how to encourage greater financial literacy among all small business owners so they can be more self-reliant in addition to obtaining confirmatory advice from professionals in the financial sector when decisions need to be made. Potentially this will involve the input of both the financial and superannuation sectors, as they are in the best position to inform others of the financial terms and mathematical calculations and demystify what has become a strangely complex and unfriendly environment for the self-employed to understand.

This research has highlighted an important aspect of the future of the Australian retirement experience, by showing the lack of preparation and confidence many of the 106 self-employed women have in their future situation. The outcomes of this research should be used to improve the current lack of focus on this issue within the small business population and among policy makers. At last count the number of small businesses in Australia was 2.04 million, of which approximately 33% were owned and operated by women[32]. What we currently know is that women have less retirement savings than men[33,34,35] and the situation for the self-employed is worse[34,36]. The consequence of this is that a lack of sufficient retirement savings for the owners of small businesses could lead them to be relying on the nationally funded aged pension scheme for their personal financial security, when they no longer own their business and are at retirement age. If the financial literacy of women in this position can be increased, then they should be better able to make informed choices regarding their long term financial security and as a result, not be a burden on the economy as much as the Australian taxpayer.

9 Conclusion

Given our findings relating to the deficit of overall financial planning and literacy by some small business owners, there is the potential for these issues to have long-term implications. For self-employed women there appears to be a more urgent need of change. It could be argued that those who are self-employed should understand financial matters better. However when it comes to preparing for retirement the majority of women self-employed have been shown to be lacking financial literacy and as a consequence are as unprepared as many others in the community. Moreover, they are not obliged to contribute to the compulsory superannuation levy in the same way as the employers of PAYG employees are, and this can greatly disadvantage them when they retire. The data shows that when given financial literacy training, self-employed women increase their knowledge and act on that information. This finding confirms that there is a significant opportunity to improve the financial literacy of self-employed women. It is recommended that governments and those in the financial sector work together to ensure a better financial future for self-employed women, and ultimately the country.

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