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Gender Differences in Financial Capability and the Implications for Retirement Adequacy in New Zealand

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Abstract

Empirical studies fail to extensively explore the relationship between gender and financial capability, particularly in relation to retirement adequacy. For this study, financial capability is defined as the behaviour, knowledge, attitude and ability to make decisions towards financial wellbeing; a financial theory that builds on the common concepts of financial inclusion and financial literacy. Literature exploring financial capability identifies a direct link with increased retirement planning. Ultimately, gender affects much of what is traditionally thought to impact financial capability; income, education, ethnicity and gendered social stigmas. This thesis seeks to explore the relationship between gender, financial capability and one's ability to achieve retirement adequacy.

The first hypothesis for this thesis is that a gender difference exists in financial capability and financial literacy levels of men and women. Lissington's (2018) study measured two variables of specific interest: financial literacy and financial capability scores. These variables were tested independently using a two-sample T-test to compare male and female mean scores. Results were not sufficient to reject the null hypothesis of no difference between gender means for financial literacy or financial capability. That is, this study does not support a significant gender difference in financial literacy and financial capability levels for 50-80-year olds in New Zealand.

The second purpose of this thesis is to identify whether the gender gap in financial capability found in empirical studies translates to a disparity in retirement adequacy. Using the online survey data from Lissington's (2018) study, a binary logistic regression model was applied to test the explanatory power of gender on retirement adequacy. Controlling for income, education and ethnicity, women were found to be less likely to achieve retirement adequacy for pre-retirees only.

The findings of this study enhance the understanding and progression of financial capability and retirement wellbeing, especially for New Zealand resident women. Its intended purpose is to contribute to the literature on gender and financial behaviour and guide policymakers to further explore and address gender disparities in financial capability and retirement adequacy.

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