



Financial impact of divorce in Australia

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Love can hurt, **divorce** will cost



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Foreword

A reality we cannot afford to ignore

While no one enters into marriage with the intention of getting divorced, it's a reality many of us may face at some stage in our lives.

Divorce is by its very nature a difficult and painful subject and everyone has a personal experience or a friend's story to tell. This report does not attempt to address the complexities of divorce or the myriad of factors that may underlie the decision to divorce.

The tenth AMPNATSEM Report, this time on Divorce, provides a factual analysis of divorce trends and the financial impact of divorce on men and women.

At the end of the 1970s, 40 per cent of marriages were expected to end in divorce. Today, one out of five marriages ends in divorce within ten years and more than one in three marriages ends within 20 years. The AMPNATSEM Report estimates that today's divorce rate is as high as 48 per cent and by 2015 over half of all marriages will end in divorce.

This means a significant number of married Australians will find themselves propelled down an unexpected path with different lifestyle and financial consequences than they anticipated on their wedding day.

While each person's experience of divorce will vary, the statistics show that on average the journey for men and women beyond the point of separation is very different.

Men are more likely to end up in a childless household, whether they remain single or enter into a new relationship, while women are more likely to be sole parents or in a new relationship with children. However, women are also less likely than men to enter into a new relationship.

The financial impact of divorce on men and women is also different. While men's living standards decline after divorce, women's disposable income falls more sharply.

While the average woman has less income, in the early days of divorce the average woman appears to be more asset rich than the average man. This is because women tend to get the family home if they have assumed responsibility for children.

However, overall women are also less likely to accumulate wealth after divorce. In particular those who remain single with children are likely to struggle in retirement because they have negligible superannuation or investments other than the family home.

The findings of the report raise some difficult questions about marriage in modern times.

Should we anticipate divorce, given the statistics, when entering marriage?

When a relationship starts to deteriorate, at what stage should someone start preparing for the worst?

The answers to these questions are intensely personal and can only be answered by each of us based on our beliefs, values, circumstances and life experiences.

This report is published in an effort to raise Australians' awareness of the financial impact of divorce so that they can make informed decisions about their future.

AMP publishes these reports as a service to the community and to our customers, who make up one in four working Australians. The objective of this report is to make our readers aware of current issues and trends, and how these could affect them.

Comparison of post-marriage breakdown outcomes by gender

	Disposable Household Income	Housing Wealth	Investments	Super	Non-housing Debt
Men	X	XX	□	□	X
Women	XX	✓	XX	XX	□

Note: ✓ above average; □ about average; X below average; XX considerably below average

The table assumes males are living as a single person and that females are living as a lone parent (that is with dependent children). For income, Table 3 disposable household income outcomes are compared. For assets, the situation of males and females are compared with the average. Debt is a comparison of the ratio of debt to household income.

Source: Tables 3 and 4

Introduction

Divorce has a major impact on the lives of everyone involved – the husband, the wife and any children. This impact can have serious emotional and psychological consequences, especially on children.

In addition to these emotional and psychological aspects, the economic consequences can be particularly significant, especially if children are involved. Some estimates suggest that marriage breakdown costs the nation up to \$6 billion each year.

In 2003, there were 53,100 divorces. The median age of divorce for men was 42.6 years and 39.9 years for women. The median time from marriage to separation was 8.7 years and 12.2 years from marriage to divorce. Half of all divorces involve dependent children.

In this issue of the AMP.NATSEM Income and Wealth Report, we examine how couples are financially impacted by divorce.

This report only considers divorces from registered marriages. In 1999, it was estimated that around 61 per cent of Australians aged 15 years and over lived in either a registered or de facto marriage, with about 55 per cent living in a registered marriage and 6 per cent living in a de facto marriage (ABS, 2000).

While important, the trends in separations from de facto marriages cannot be analysed due to the lack of available data. In addition, the powers of the Family Court¹ are limited to deciding matters arising between partners who have been married. Property disputes between partners in de facto relationships or same-sex relationships must be dealt with by State Courts.

¹ Family Court is used generically and refers to both the Family Court and the Federal Magistrates Court.

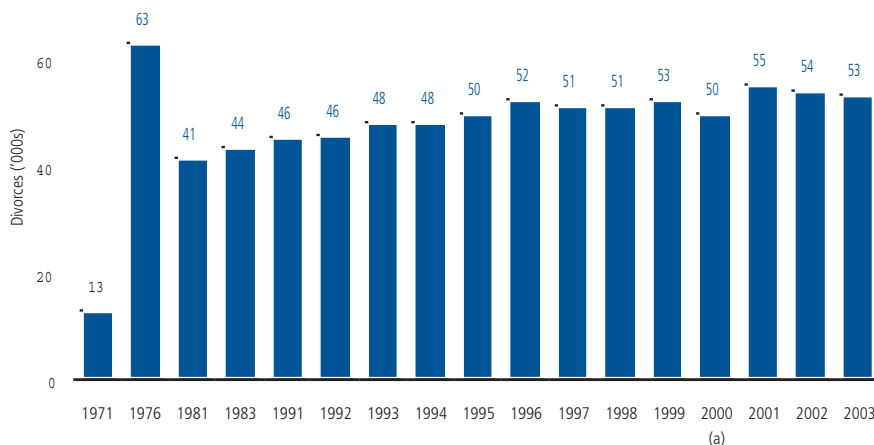
In 2003, there were 53,145 divorces – slightly more than a decade ago, and 22 per cent more than 20 years ago.

1. Divorce in Australia

While the number of divorces in Australia rose steadily during the 1980s and early 1990s it has been reasonably steady since the mid-1990s at between 50,000 and 55,000 per year. In 2003, there were 53,145 divorces – slightly more than a decade ago, and 22 per cent more than 20 years ago (Figure 1). The 2003 tally is the third highest number of divorces in a year since 1976 (the year ‘no fault’

divorce was introduced²). There are now 379,000 people aged between 30 and 49 years who are currently divorced (6.6 per cent of this age group). For women in this age group the figure is higher with 8.5 per cent currently divorced, which reflects the tendency for men to marry and divorce at older ages than women.

Figure 1. Divorces in Australia for selected years between 1980 and 2003



a In September 2000, the Federal Magistrates Court of Australia was established to provide a simpler and more accessible service for litigants and to ease the workload of both the Family Court of Australia and the Federal Court of Australia. This introduction may have had some influence on the decrease in divorces in 2000 and increase in divorces from 2001 onwards.

Data source: ABS 3307.0.55.001 Divorces, Australia and ABS 3310.0 Marriages and Divorces, Australia

² More accurately, on 5 January 1976 the Family Law Act 1975 (Cwlth) came into effect which established that the only ground on which a divorce could be granted was the irretrievable breakdown of the marriage. For this to be established, the husband and wife must have lived apart for 12 months or more, and there was no reasonable likelihood of reconciliation.

A state-by-state breakdown of divorces is a bit perplexing – some aspects are consistent with expectations while others are harder to explain. The distribution of divorces by state/territory is one that is easy to explain, being consistent with population size. New South Wales and Victoria have the highest number of divorces – 16,300 and 12,900 respectively – and the Northern Territory has the lowest at 490 (Table 1).

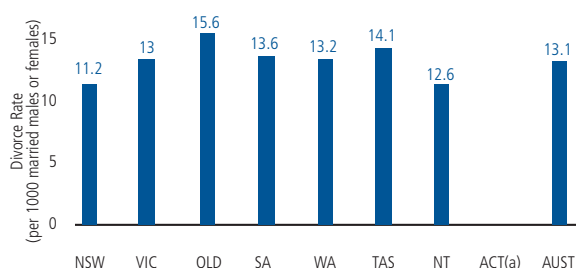
Table 1. Selected divorce statistics by state/territory, 2003

		NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Aust
Divorces granted	No.	16,285	12,865	10,681	4,151	5,685	1,336	490	1,652	53,145
Marriage to										
Separation	Yrs	7.9	8.7	8.8	9.3	9.4	9.8	8	9.6	8.7
Divorce	Yrs	11.4	12.3	12.4	12.8	13.2	13.3	11.7	12.8	12.2
Divorces involving children	%	45.1	52.4	52.0	52.8	51.8	55.2	48.8	54.0	50.1

Source: ABS 3307.0.55.001 Divorces, Australia

The crude divorce rate was 2.7 divorces per 1,000 population in 2003. This rate has been consistent over the past two decades while the crude marriage rate has been steadily falling from 7.5 marriages per 1,000 population in 1983 to 5.4 marriages in 2003. The real divorce rate (the number of divorces per 1,000 married people) attempts to combine the marriage and divorce rate and gives a somewhat different picture to the steady crude divorce rate. The 2001 rate was 13.1 divorces per 1,000 **married** men or women. This was an increase on the 11.5 rate in 1991. The state/territory divorce rates in 2001 are shown in Figure 2. The rates are based on estimated resident populations at 30 June 2001. The ACT was excluded from this calculation as a large number of divorces granted in the ACT are to persons who are usually resident in another state.

Figure 2. Divorce rates by gender and state/territory, 2001^a



a Due to the large number of divorces granted in the ACT to persons usually resident in another state, numbers shown for ACT are not representative of divorce in the ACT population and are excluded from this table.

Data source: ABS special request table for NATSEM

The highest divorce rate is found in Queensland – 15.6 divorces per 1,000 married men or women – while the lowest is in New South Wales (at 11.2 divorces per 1,000 married men or women). The reasons for the high rate in Queensland and low rate in New South Wales are not entirely clear, but may relate to differing proportions of marriages being first marriages. Table 2 shows the number of marriages registered in each state in 2002 by the previous marital status of the partners. Queensland has one of the lowest proportion of marriages where it is the first marriage for both partners (63.2 per cent) whereas New South Wales (at 68.1 per cent) has one of the highest.

Conversely, Queensland has one of the highest proportions of marriages involving remarriage for both partners and New South Wales has the lowest rate. As discussed later in this report, second and subsequent marriages are more likely to end in divorce than first marriages – therefore the reason for higher divorce rates in Queensland may relate to a higher incidence of remarriage.

Table 2. Selected marriage statistics by state/territory, 2002

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Aust
Marriages registered	36,321	25,058	21,264	7,373	10,484	2,605	747	1,583	105,435
1st marriage for both	24,724	17,085	13,444	4,703	6,807	1,579	459	1,060	69,861
– % of total	68.1%	68.2%	63.2%	63.8%	64.9%	60.6%	61.4%	67.0%	66.3%
1st marriage for one	6,633	4,435	4,149	1,323	1,950	520	170	282	19,462
Remarriage for both	4,964	3,538	3,671	1,347	1,727	506	118	241	16,112
– % of total	13.7%	14.1%	17.3%	18.3%	16.5%	19.4%	15.8%	15.2%	15.3%

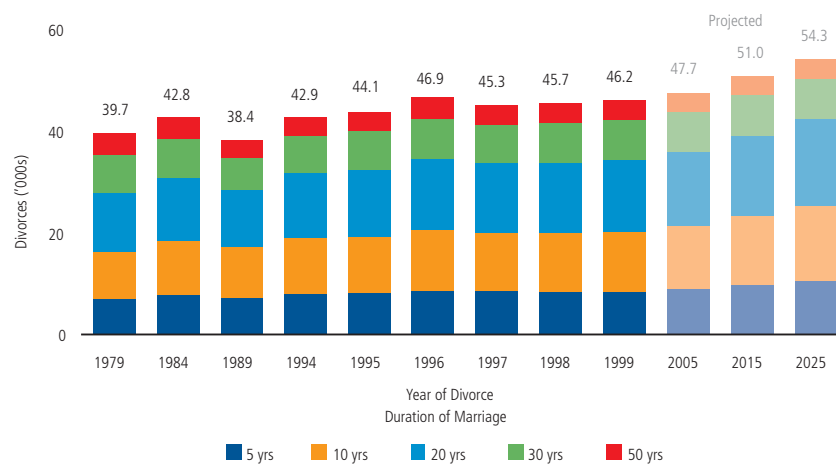
Source: ABS 3310.0 Marriages and Divorces, Australia 2002



1.1 What are the chances of divorce?

At the end of the 1970s, 39.7 per cent of marriages were expected to end in divorce. Five years ago, using the divorce rates applying at that time, the Australian Bureau of Statistics (ABS) estimated that almost half (46%) of all marriages would end in divorce (ABS, 2000). Nine per cent of marriages would be over within 5 years, one in every 5 marriages would be over within 10 years, and more than one in every 3 marriages (35 per cent) would be over within 20 years.

Figure 3. Projected and historical cumulative proportion of marriages ending in divorce by duration of marriage



Data source: ABS, 2000 and NATSEM projections for 2005 to 2025

These projections are based on the divorce rates prevailing at the end of the 1990s – however divorce rates have increased since then. NATSEM has used these divorce rates to project possible current and future rates. If divorce rates continue to increase then we might expect that in 2005, 48 per cent of all marriages will end in divorce – and more than one in 3 will not make it to their 20th anniversary. Based on current trends, by 2025, 54 per cent of all marriages are likely to end in divorce.

1.2 Do marriages last longer the second time around?

One outcome from the increasing number of divorces is an increasing number of remarriages.

So, do second and subsequent marriages last longer than first marriages?

Unfortunately people who were previously divorced are slightly more likely to divorce than those who had not been previously married (Carmichael et al. 1996). While data on previous marital relationships is no longer collected, we do know that of the divorces in 1994, those between couples where it was the first marriage for both had a median marriage length until separation of 9 years. Couples who had both been divorced previously had a median length of marriage until separation of 5 years (ABS 1995).

If divorce rates continue to increase then we might expect that in 2005, 48 per cent of all marriages will end in divorce.

2. Splitting the assets

One of the many difficult aspects of a separation is sorting out how to divide the couple's accumulated wealth. The simplest solution is for both members to agree on how any property should be divided. And since December 2002, couples have also been able to make agreements about how their superannuation entitlements are to be divided between them.

At the other end of the spectrum, where an agreement cannot be reached, the Family Court decides a "just and equitable settlement". This can be an expensive and drawn out solution.

2.1 How the Family Court determines who gets what

The general approach used by the Family Court in determining how a couple's assets should be split is based on:

- working out what each spouse owns and owes at the time of the hearing
- looking at the history of the marriage and working out what contributions have been made, and
- future requirements.

The first step in the process for the Family Court is to ensure that each spouse retains ownership of assets that are legally theirs. However, the Court can transfer assets if it considers this to be just and equitable. It's important to note also that there is no assumption that the starting position is a 50/50 assets split.

Secondly, the Court considers both the financial and non-financial contributions of each spouse. Non-financial contributions include unpaid work at home and the care of children. Assigning monetary values to financial contributions is difficult enough – but assigning monetary values to these non-financial contributions can prove extremely difficult and subjective (Sheehan and Hughes, 2001).

Finally, having determined the respective shares of property based on these contributions, the Court adjusts these shares to allow for future needs. There are 15 factors that can be taken into account by the Court. Some of these include:

- the age and health of each spouse
- employment prospects
- financial resources
- responsibility for the care of children
- the length of the marriage, and
- the future earning capacity of each spouse.

This process determines how the property, financial resources and liabilities should be shared between the two parties – and whether spouse maintenance should be paid. In December 2002, new legislation gave courts the power to deal with superannuation as if it were property. The Court can set out how future superannuation payments will be split between each spouse.

2.2 Earning capacity – an important asset

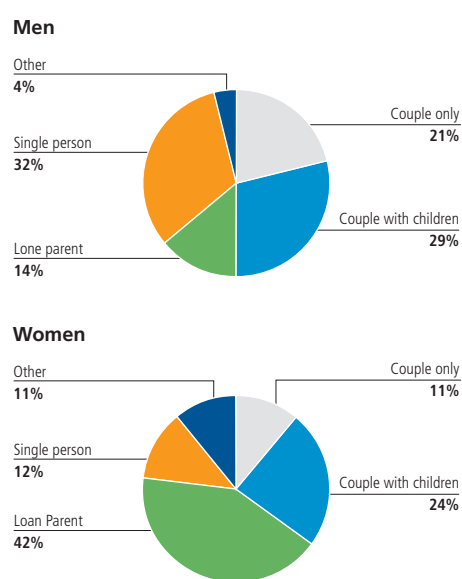
Smyth and Weston (2000) suggest that, "all other things being equal, earning capacity is probably the most important of each spouse's personal resources on divorce". And generally, men are more likely to have greater earning capacity. This means that after a divorce, each spouse's path to recovery is likely to be different.

2.3 After the divorce, what next?

Figure 4 examines the current household type of all those aged 30-49 who reported in the HILDA survey in 2003 that they had been divorced in the past 10 years (see Technical Notes). Around 50 per cent of all these divorced men and women were not currently with another partner (and were also not part of the “other” family type, which includes multiple family households). But the striking feature of the figure is that while 32 per cent of all men who have divorced in the past 10 years are currently single and only 14 per cent are sole parents, the ratio is the opposite for women. Some 42 per cent of women who have divorced in the past 10 years are sole parents and only 12 per cent are single. In contrast to this stark difference, there is only a more modest 5 per cent difference in the proportion of men and women divorced in the past 10 years who are now part of “couple with children” families.

Finally, men are more likely to move into “couple only” households, with almost double the proportion of divorced men in this family situation compared to divorced women (21 per cent and 11 per cent respectively).

Figure 4. Current household type of people aged 30-49 who divorced in the previous 10 years, June 2003



Source: HILDA wave 3.



While 32 per cent of all men who have divorced in the past 10 years are currently single and only 14 per cent are sole parents, the ratio is the opposite for women.

3. The financial impact of **divorce**

Using data from the HILDA survey, which monitors people and households over time (see Technical Notes), it's possible to look at the change in financial situation for certain groups of people after divorce. Previous research in Australia has suggested that divorced women who became sole parents were financially worse-off than divorced fathers (Weston, 1993). The HILDA data for 2003 has just become available, resulting in 3 years of data – and so we are able to look at those who changed their marital status between their first interview in 2001 and their next interview in 2002, or between 2002 and their next interview in 2003.

Using the responses to the HILDA survey, it's possible to identify changes in financial circumstances for people aged 30-49 who had a marital status of "Married" when they were questioned for the HILDA survey the year before. This age group was selected because children were most likely to be involved. Given the requirement for a minimum of 12 months separation before divorce, very few people had changed from "Married" to "Divorced" one year later.

However, some had changed from "Married" to "Separated" and the finances of these people are discussed below.

Over 95 per cent of those who were married in either 2001 or 2002 were still married a year later – but some had become widowed, some had moved into a de facto relationship and others had separated. The household income for the people who were still married and for those who were separated is shown in Table 3. The incomes have been adjusted for child support payments made and received. The table looks at the household incomes of two groups:

- males and females who were married in 2001 (or 2002) and who were still married when they were interviewed one year later in 2002 (or 2003), and
- males and females who were married in 2001 (or 2002) and who were separated when they were interviewed one year later in 2002 (or 2003).

Table 3. Current marital status and disposable income of people aged 30-49 who were married one year previously (2002 and 2003 dollars)

Current Marital Status	Disposable Household Income (as reported)			Disposable Household Income (Adjusted for composition) ^a		
	One year ago	Current	Change	One year ago	Current	Change
Male						
Married in both years	\$63,200	\$65,700	\$2,500	\$30,500	\$31,300	\$800
Separated now, married year before	\$50,100	\$46,000	-\$4,100	\$24,600	\$37,800	\$13,200
Female						
Married in both years	\$63,300	\$66,000	\$2,700	\$30,000	\$31,100	\$1,100
Separated now, married year before	\$50,300	\$28,900	-\$21,400	\$23,400	\$18,300	-\$5,100

a The adjustment for household composition is to equalise the income based on the OECD scale (see Technical Notes). This effectively takes account of the number of people that each household's income has to support. One adult is used as the "base" family in the equivalence scale.

For those receiving child support, disposable household income is gross household income less income tax plus child support. For those paying child support, disposable household income is gross household income less income tax less child support. For all others, disposable household income is gross household income less income tax.

Source: NATSEM calculations based on HILDA wave 1, wave 2 and wave 3.

If we consider the disposable income of households who remained married, we can see that the household income rose by an average of \$2,500 for males and \$2,700 for females over the year or approximately four per cent. This is roughly in line with inflation. However, in sharp contrast to this, on average men who separated saw their household disposable income decrease by \$4,100 pa while women who separated saw their household income fall by 42 per cent (down \$21,400 pa). While the loss of a second

income generally had a small impact for separated men, it resulted in a significant drop in household income for many separated women. Many of these separated women would have become eligible for income support, with Parenting Payment (single) being available on an income-tested basis to sole parents. But, as Table 3 shows, while the income support system helps to cushion the loss of the ex-spouse's earnings, it doesn't fully compensate for it.

For women generally, household income has decreased considerably but the family size has only decreased by one.

3.1 Comparing living standards

Simply looking at total disposable household income doesn't tell the full story. It does not include the fact that children from the marriage often remain with their mother. To try to capture this impact, "needs-adjusted" household disposable incomes are also shown in Table 3. The needs-adjustment uses an equivalence scale to take account of the number of people who have to be supported by the income of a household. In the equivalence scale used, we have given the first adult in each household a weight of 1.0 point, second and subsequent adults a weight of 0.5 points, and dependent children a weight of 0.3 points. The total household income is then divided by the sum of these points, to calculate the household's equivalent income. For the typical male, this means that their equivalent income will rise because the household income previously had to be divided by 2.1 (that's the equivalent of two adults and two children) whereas now it is only divided by 1.0 (that's one adult). This is the result shown above for separated men – one year previously when they were married the household equivalent income was \$24,800 whereas now it is \$37,800. Using equivalence scales thus provides a better view of living standards within a household, by taking account of the number of people who have to be supported by the income of a household.

When the number of mouths that separated parents are feeding is taken into account, the post-separation situation for men and women changes dramatically. For men, while they have lost their spouse's income, they are often now living alone – and so while their actual household income has fallen, their "needs-adjusted" income has increased by 50 per cent.

On the other hand, for women generally, household income has decreased considerably but the family size has only decreased by one. This results in separated women experiencing an equivalent household disposable income decrease of almost 25 per cent (\$5,100 pa).

3.2 Comparing assets

The view that women with children do not do well after divorce is less clear cut when looking at the assets owned by households to which divorced people now belong. As noted earlier, while one-third of divorced men are living alone (32 per cent), only 12 per cent of divorced women are living alone. In contrast, some 42 per cent of divorced women are now lone parents, compared with 14 per cent of divorced men. The outcome of these trends is that 80 per cent of those living in a Lone Parent household, as shown in Table 4, are women, and 75 per cent of the Single Person households are men.

Table 4. Estimated household income and wealth for people aged 30-49 who divorced in the previous 10 years, by current household type, June 2002

Person's current household type	Current household total income	Value of assets owned by current household							
		Cash deposits	Other invest	Value of own home	Mortgage	Other debt	Sub total	Super	Net wealth
	\$pa	\$	\$	\$	\$	\$	\$	\$	\$
Couple only	98,900	28,000	93,400	187,100	-71,400	-49,800	187,300	91,500	278,800
Couple with children	87,100	11,300	66,500	182,000	-56,200	-24,500	179,100	79,100	258,100
Lone Parent	42,200	10,600	23,000	148,800	-29,300	-12,800	140,300	13,400	153,700
Single Person	48,200	8,800	59,300	98,000	-37,400	-26,200	102,500	52,700	155,200

Source: NATSEM calculations from the HILDA survey

It's clear from Table 4 that divorced people who start again with another partner are financially much better off than those who remain alone as either a lone parent or as a single person. The predominately male Single Person households have a slightly higher income (\$48,200 pa)³ than the predominately female Lone Parent group (\$42,200 pa) but both have only around 50 per cent of the household incomes of the average couple. However, the average Single Person household is carrying considerably more debt (\$63,600 pa) than the Lone Parent household (\$42,100 pa) and needs more income to service this debt.

The Lone Parent households do have a reasonably high home equity (the value of their home less the mortgage) – but this comes at the expense of other investments where they have considerably less than other households. They also have only 25 per cent of the superannuation of Single Person households and one-sixth of the superannuation than couple households. The Lone Parent household has the lowest current income and while having reasonable equity in their home is likely to have the least superannuation and other investments to supplement the pension in their retirement.

This reinforces the findings in our earlier AMP.NATSEM Report No.2 that the retirement savings of lone parents (who are mainly women) are too heavily concentrated in their home and are likely to be inadequate to provide support in retirement. Conversely, the results suggest that many men lost their housing equity as part of the divorce, while retaining their superannuation.

It's notable that the gross incomes of sole parents who divorced in the previous 10 years in Table 4 are higher than the disposable incomes of those women who separated only the year before in Table 3, even after accounting for the fact that the latter income measure is after paying income tax. This might suggest that in the longer term, and as children get older, sole parents are able to increase their earned incomes.

Conversely, the gross incomes of single persons who divorced in the past 10 years shown in Table 4 are much lower than the after-tax and child support incomes of those men who separated only the year before as shown in Table 3. This might suggest that separated men on higher incomes are more likely to be able to find a new partner, leaving separated men on lower incomes to remain in the "single person" group.

³ The Table 4 incomes are different to Table 3 because the incomes are gross household income from all sources rather than disposable income and Table 4 is a different group of households to that presented in Table 3.

The retirement savings of lone parents are too heavily concentrated in their home and are likely to be inadequate to provide support in retirement.

4. Other outcomes

4.1 Participating in the workforce

The responsibility for caring for children within a marriage normally falls more heavily upon women. This topic has been covered in previous AMP.NATSEM reports and results in women being less likely to be in the (paid) labour force or be working part-time (AMP.NATSEM Report 6). So what impact does separation have on this situation? While the HILDA sample size is too small to be absolutely conclusive, we can make some general observations.

For men, the impact of a separation on their labour force status is negligible. Most men (in the 30-49 age group) work full-time while married and 9 out of 10 remain in full-time work after a separation. For women, most are in part-time work before separation – and while three-quarters remain in part-time work, one-tenth leave the labour force and one-tenth move to full-time work after separation. For women who were working full-time while married, 80 per cent remain in full-time employment, 5 per cent move to part-time and the remaining 15 per cent leave the labour force altogether.



On average, both sexes are worse off after the breakdown of a marriage.

5. Conclusions

This report shows that the number of divorces has been steady or increasing during the past 15 years while marriage rates have been declining – to the point where today just under half of all those who marry will divorce before their 30th wedding anniversary. Despite the experience of a divorce, the evidence suggests that those who have remarried face a higher divorce risk than those still married to the first person they walked down the aisle with.

The impact of divorce upon the future lives of both partners is strikingly different, although it is clear that no-one wins from divorce. Looking at those aged 30 to 49 who have divorced in the past 10 years, over half of divorced men are now single or part of a couple without children. In sharp contrast, less than one-quarter of divorced women are in this situation. Instead, two-thirds of all those women who divorced in the past 10 years are now sole parents or part of “couple with children” families.

Divorce and separation also have a drastic effect upon living standards. Looking at those who are now separated but who were married the year before shows that the disposable incomes of men are only marginally affected by the separation – but the disposable household incomes of women drop sharply after the separation. The difference becomes even greater if we look at equivalent or “needs-adjusted” income, which takes account of the number of people supported by each household’s disposable income.

Divorce also has a dramatic effect on wealth accumulation. Those who divorced in the past ten years and are currently single or sole parents have almost half the wealth of divorcees who have now repartnered to form a couple household of the same age. For those that are sole parents the situation is even worse – in addition to the low level of wealth, their wealth is too heavily concentrated in their home – they have negligible levels of superannuation or other investments. Retirement for these lone parents is looking bleak, as their superannuation is only one-quarter of that of single person households and one-sixth of couple households. For divorced people who remain single (generally men) the picture is somewhat different. They also have only half the wealth of a couple but they also carry considerable debt. They have the highest ratio of debt to income for any household type.

On average, both sexes are worse off after the breakdown of a marriage. Women often gain the wealth in the family home but struggle to meet everyday costs with a significantly reduced household income. Their retirement also looks bleak. Income is the main determinant of retirement savings and they have very low incomes and very little in the way of current superannuation or other investments. Conversely, men generally lose the house and must take on greater debt to survive. From a financial perspective, divorce is a LOSS-LOSS outcome.

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6. Technical notes and definitions

The HILDA Survey

The Household, Income and Labour Dynamics in Australia (or HILDA) Survey is a household-based panel survey conducted by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne for the Department of Family and Community Services. The survey tracks all members of an initial sample of households over an indefinite life. It is intended that the HILDA Survey will collect data in three main areas: economic and subjective wellbeing, labour market dynamics and family dynamics. This report covers the first three waves, which were conducted between 2001 and 2004. More details are available from www.melbourneinstitute.com/hilda

Calculating household wealth

The calculation of wealth is based on data collected in wave 2 of the HILDA survey. Total wealth is the sum of cash deposits, other investments, the value of the family home and the current value of superannuation less any outstanding mortgage and other debt. Cash deposits refers to the bank account balances of all members of the household plus the value of government bonds, corporate bonds, debentures, certificates of deposit and mortgage backed securities. Other investments refers to the current value of shares, managed funds, property trusts and other directly owned housing property (including rental properties and holiday houses). Other Debt is the sum of property debts (excluding the mortgage), HECS debts, credit card debts and other debts (excluding business debt).

Calculating equivalent household income

When attempting to compare households of differing size and composition, it is usual to adjust the income using equivalence scales. For example, it would be expected that a household comprising four people would need more income than a single person household if the two households were to enjoy the same standard of living. This report uses the OECD equivalence scale, which means that we have given the first adult in each household a weight of 1.0, second and subsequent adults a weight of 0.5 points, and dependent children a weight of 0.3 points. The total household income is then divided by the sum of the above points, to calculate the household's equivalent income.

A household

A household is defined as a group of people living under the same roof who share meals.

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- Money, money, money, – is this a rich man's world?
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- The lump sum: Here today, gone tomorrow – Income, superannuation and debt pre and post retirement (March 2004)
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