



# SUPERANNUATION - AUSTRALIA'S VIEW 2013 REPORT

# MESSAGE FROM JOHN BROGDEN

**S**UPERANNUATION is integral to the lives of every Australian. It helps us save for a more comfortable retirement.

Superannuation is also important because through it we own a slice of the Australian economy. Superannuation is large enough as an industry that its health is important to the health of the economy as a whole. In short when superannuation does well, we all do well.


The FSC and ING Direct have come together to commission this research to better understand Australians' views of superannuation, how they interact with their fund and how confident they are with their superannuation.

It is very positive for the industry that in this first survey 89 per cent of Australians support superannuation and 83 per cent support the rise in compulsory contributions to 12 per cent.

The *FSC ING Direct Superannuation Consumer Report* will be released annually and will track the views of consumers and their engagement with super over time. This will provide the industry and the government with data to understand how policy changes and market movements affect consumers.

This will provide a barometer for how confident and engaged consumers are with their superannuation which ultimately determines their own retirement income and the success of the superannuation system as a whole for Australia.

We believe it should be a goal for the industry and government to improve the results of this survey. In particular there is information in the report on which superannuation funds can act to further improve consumers' perceptions of their own fund and the industry as a whole.



**JOHN BROGDEN**  
*Chief Executive Officer*  
Financial Services Council





# MESSAGE FROM VAUGHN RICHTOR

**T**HE AUSTRALIAN superannuation industry is a vital part of the economy and strongly contributes to Australians' financial wellbeing. Literally translated, superannuation means "antiquated or obsolete", "too old for use", or "retired because of age". But I don't believe this interpretation does justice to what superannuation really means for Australians today.

Superannuation offers people the opportunity to make the right financial decisions throughout their working career, so they can spend their lives well in their later years.

Whilst superannuation has clear community support, the industry still has a lot of work to do in simplifying the system and ensuring consumers get the most out of their retirement savings.

We would like to see working Australians become more actively engaged with their superannuation savings so that they can enjoy a comfortable retirement. For this to happen we, in the industry, need to make sure consumers understand their superannuation investments and the impact of their financial decisions on their retirement savings.

The industry has an obligation to ensure consumers have easy access to view their superannuation investments and are given

suitable control over their retirement savings. The industry also has an obligation to ensure fees and charges are value for money.

The following report reveals the consumer truths behind superannuation. Whilst Australians are strong advocates of superannuation, more needs to be done to build consumer trust that the industry places their best interests at the heart of all decision making.

The industry must also take responsibility for educating people on how superannuation works and how people can confidently build savings for a comfortable retirement.



**VAUGHN RICHTOR**  
*Chief Executive Officer*  
ING Direct





# KEY FINDINGS

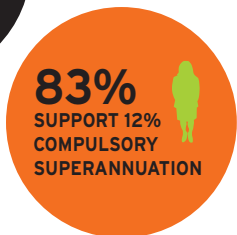


## Findings at a Glance

**T**HE SIZE AND SIGNIFICANCE of superannuation to all Australians as individuals and to the Australian economy, warrants a better understanding of consumers' views of superannuation.

To better understand the behaviours, views and opinions Australians have of superannuation, the Financial Services Council and ING Direct commissioned a quantitative (survey) and qualitative (focus group) study to produce this report.

This research shows the current superannuation system is clearly popular and supported by a majority of Australians (89% in our survey) as a means to 'ensure saving for retirement'. For this reason there was a prejudice to favour changes that expand the system, e.g. the rise to compulsory contributions of 12% (83% support), and to oppose changes that reduce the certainty it provides, e.g. taxing voluntary contributions (49% oppose), in these research findings.



Most people were found to have a single fund (72% in our survey), with industry funds being by far the most common main fund used (59%). In very general terms our focus groups found that younger people, those on lower incomes and those in industry funds tended to be less knowledgeable and engaged, whereas those closer to retirement, on higher incomes, with retail superannuation and self-funded plans tended to be more 'savvy', involved and less conservative.

For many (74% in our survey) the choice of fund was 'made for them' with a default provider for their employer (this often being the reason for holding multiple funds), though some did do their own research, involved friends or professional advisers (5-9%).

Our focus groups found that, for all but the most engaged, the superannuation system and its workings were somewhat confusing. Many are happy to let their superannuation 'look after itself' and do not change funds (64% would be unlikely to in the future) or use options (33% have used them).





This was demonstrated in our survey with many stating they only 'glance at their statement'. Additionally, 72% said they could recall their balance and only 48% said they knew the fees they were paying.



Over recent years funds have been seen by our focus group respondents as providing lower returns (although 53% thought they were now 'getting better' in our survey) at around the same fee. People's trust and confidence in the superannuation system seems to have been eroded somewhat by this experience (50% 'trust' superannuation and 49% had 'confidence' in it in our survey), though blame was most often levelled at the economic climate rather than funds in our focus groups.

Fund fees are too high for some (31% in our survey) when seen in this light, while only 41% said they were 'about right'.

Under two-thirds (62%) of our survey respondents consider their superannuation will be adequate to ensure a comfortable retirement in isolation (noting that what is 'adequate' varies wildly - ranging from \$100,000 to several million dollars in our survey - depending on circumstances, and is often guesswork).

For this reason many (40%) contribute voluntarily if they can afford it (62% said that their own financial situation was the main barrier), or they are investing elsewhere (55% in our survey) - cash, shares and/or property - to provide additional and diversified returns.

Basic awareness of the existence of different fund options (73% aware) and insurance offerings (57% knew they had a policy through their superannuation) is quite widespread, but again most are happy to go with the 'default' through either a lack of knowledge or because it is assumed that the provider will be giving them the best product.



Few of our focus group respondents actively discussed and considered all these options with their provider or a planner, at least for those not approaching retirement, and instead engagement with funds is limited to 'reading a postal statement' (66% in our survey). However, personal contact, when made (by 26% in the past year in our survey), is overwhelmingly a positive experience (92% rated it as 'good').

# DETAILED FINDINGS



## The Current System

**S**UPPORT FOR Australia's current superannuation system was very high in our survey, with 89% confirming that they supported this system (65% 'strongly'). This was consistent across all fund types, income and demographic groups, with just 7% opposed to the system to any extent whatsoever.

*'I'm thinking about my retirement income more now that it's getting closer. I guess when you're a bit younger it's just in the back of your mind, but it's certainly on my mind now!'*

*'Absolutely this is needed, yeah. There's not going to be a state pension when we retire.'*

Despite some misgivings about the ability of their superannuation fund to afford them a comfortable retirement, it is seen as a worthwhile system that straddles both wealth creation and risk management for retirement. A clear majority agree (84%) it is essential in providing, or at least

contributing to, a comfortable retirement. This is a salient concern, with many in our focus groups focused on their limited incomes and rising living costs.

Our focus groups confirmed this positive prejudice, though detailed understanding of the system was surprisingly rare. It is seen as something rather unique, or at least a 'world first', and is seen to be simply a '9% contribution of your salary into a fund for your retirement'. Beyond that, only the more savvy investors tended to comprehend how the funds function, with some not even sure if they, or their employers, contributed the compulsory 9%.

The following chart also shows that around half agree that Australia's superannuation system is something to be proud of (55%); that it provides stability and certainty (53%); and that they have trust and confidence in the system (50% and 49% respectively). Indicatively, these latter results seemed to have been weakened somewhat in our focus groups post-GFC, but there is still a certain pride that Australia is leading the way in tackling the issue of funding an ageing population.



*'I'm not sure that what we have is enough, but at least we've got a 20 year head start on everyone else. It was quite far-sighted really.'*

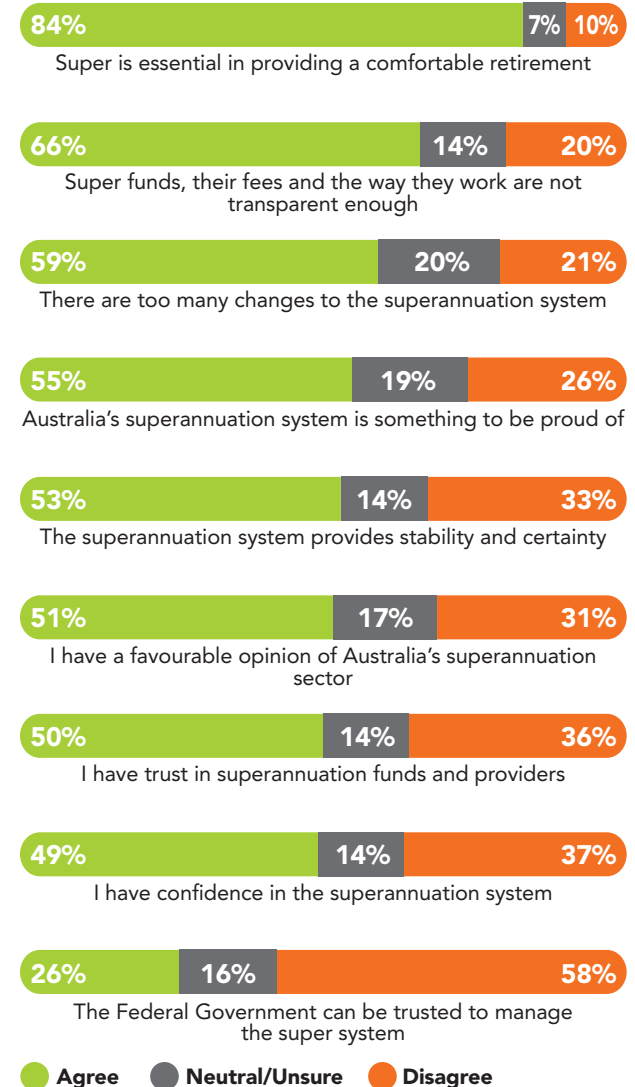
Further eroding this support we find that around two-thirds (66%) agree that superannuation funds are not transparent enough. Transparency was raised in our focus groups as a gripe; either because the less engaged account holders simply did not know or understand how their fund and fees were working, but also for those more engaged account holders who felt that there was not enough disclosure.

Of particular note is that 59% think that there are too many changes to the system, and at the time of the survey 58% believed the Federal Government could not be trusted to manage it. As discussed below, there are also some misgivings about the number and nature of changes being considered to something that should provide long-term certainty.

*'I just don't know what my fund is doing. I wouldn't have a clue!'*

- **Australia's superannuation system is strongly supported by working Australians as a means to save for, and contribute to, a comfortable retirement.**
- **Indeed, Australia's superannuation system is something to be proud of; a world leader that aims to tackle an aging population.**
- **Superannuation provides stability and certainty, but poorer returns during the GFC and mooted changes are eroding trust and confidence in the system.**

## AUSTRALIANS' VIEWS ON SUPERANNUATION



# USE & FUNDS



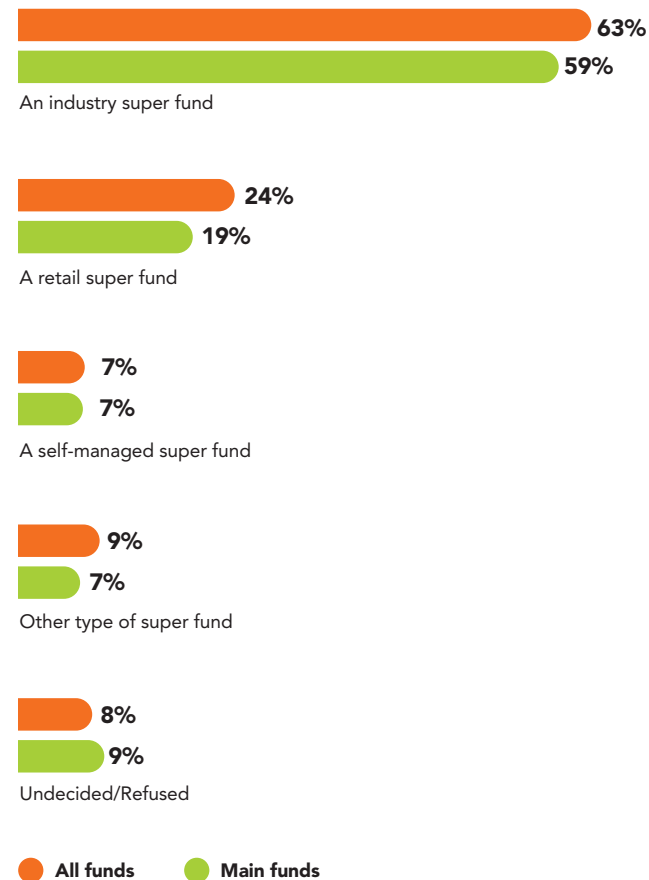
**T**HE SURVEY of working superannuation account holders found that most (72%) had only one single fund, with 28% reporting holding multiple accounts (the vast majority limited to two). Younger people tended to be slightly more likely to hold multiple accounts, though not all active.

Those with multiple accounts in our focus groups had usually not acquired them intentionally, only because they had changed jobs. Many had not considered combining them into one fund, or at least felt they did not have enough time or knowledge to do so. Very few indeed had multiple accounts as a conscious choice, with a diversity of portfolios and options being the reasoning.

The following chart shows the type of account(s) held by the survey sample, with industry fund accounts accounting for the majority (63% of all funds). Around a quarter (24%) reported holding a retail fund, with self-managed funds and 'other' fund types held by under a tenth each (7% and 9% respectively).

*'I think I've got five or six funds, most of them with a few hundred bucks in them. It's just because I've been moving from job to job, and you get lumped in with their default fund.'*

## CONSUMERS AND FUND CHOICES



This spread of fund types was reflected in our focus groups, with a general spectrum of knowledge and engagement flowing from the often 'expert' daily self-managed fund users, through to aware and savvy retail fund holders, and finally at the other end of the scale tended to be the more removed industry superannuation fund users (though this varied considerably). It would also be true to say that levels of knowledge, importance and involvement with superannuation increased markedly the closer the focus group respondents were to retirement.

*'Well, I think as my retirement's got nearer I've started to think about it a bit more. I need to know when I can retire and what I'll have to live on. I've started putting in extra.'*

*'I wouldn't describe myself as knowledgeable, no. I'm pretty young. I've got an industry fund - the default one - but I never look at it. It's just something that you have. It's not a choice.'*

When asked how they came to choose their main superannuation fund, around three-quarters (74%) reported that this was their employer's default fund or recommendation, this being particularly common amongst industry fund members. Many of this group reported signing up to such a fund and then simply 'forgetting about it'. These funds are paid by employers, look after themselves and are 'out of sight, out of mind'.





*'I just went with the one used by my company. That's it.'*

*'Everyone else has it, and I think all the industry funds are pretty similar, so that's what I did.'*

*'I have a quick look at my balance when it gets posted out to me, but that's it.'*

Recommendations by financial planners (9%) or friends, family or colleagues (7%) were used by significant minorities – often those with retail or self-managed funds – and fewer still relied on previous experiences with the provider (7%), the brand name (6%), detailed research (5%) or advertising (2%). None of these sources are fully trusted, and all but the most savvy of investors find the choice and nature of their funds rather confusing.

So for many the decision-making process for superannuation is not as involved as one would think. But there was strong evidence in our focus groups that people are matching fund types to their own needs, wants, time and skills.

*'I went with my bank because all my products were in one place then. I can check it on-line at the same time, and I guess I trusted them. They've got a good name.'*

As discussed in further detail below, there is a vague prejudice by consumers to believe that industry superannuation is 'easier and cheaper', but generally more conservative and less flexible. At the other end of the scale consumers see self managed superannuation as far more time-consuming, costly, risky and skilled; with retail superannuation funds sitting somewhere in the middle (a less conservative and affordable 'private industry' fund).

Almost two-thirds (64%) stated that they would be unlikely to change their fund provider in the future, with 37% 'very' unlikely to do so. This 'sticking with my fund' sentiment was strongly reflected in the focus groups too, either because of a lack of will, need and importance placed upon the decision to change, or a lack of knowledge about how to go about it.

*'I know that you can change funds, yeah. But I don't know how easy it is. Do you need to pay fees?'*

*'Listen, the 9% just gets paid in every fortnight. I don't really think about it, so I don't feel any pressure to change.'*

There is around a fifth of the market (19%) who would be likely to change, but only 5% 'very' likely (higher amongst more affluent groups and younger people). In our focus groups these people tended to either have multiple funds they wanted to combine or were dissatisfied with their fund for some reason, e.g. its returns, fees or service.

*'I've just got to combine all my little funds at some point, but I've never got around to it.'*

*'Oh, my fund's just been losing money since the GFC, and I realised I'd been paying for advice I hadn't been using too. That was it for me.'*

- **Most working Australians hold only one superannuation fund (multiple funds are often not through choice), with an industry fund being by far the most common.**
- **These funds are most often used because they were their employer's default fund, with few making detailed assessments or involving expert advice.**
- **The propensity to change funds is low, with multiple fund holders merging their funds the most common reason to make any change.**
- **Those with more involved retail or self-managed superannuation funds, and those nearer to their retirement age, tend to be the most engaged and knowledgeable.**
- **Younger people, and those with industry funds, tend to be less engaged and informed, often only 'glancing at their superannuation statements.**



# RETIREMENT FUNDS



**T**HE MAJORITY of superannuation account holders (72%) said that they know, approximately, how much is in their superannuation account right now, i.e. their current balance. In both our survey and focus groups there was, again, a contrast between fund types and ages here. Those with more involved self-managed, retail superannuation funds (or indeed any investments) and those nearing their retirement tended to have a far greater appreciation than younger people and those with more simple industry funds.

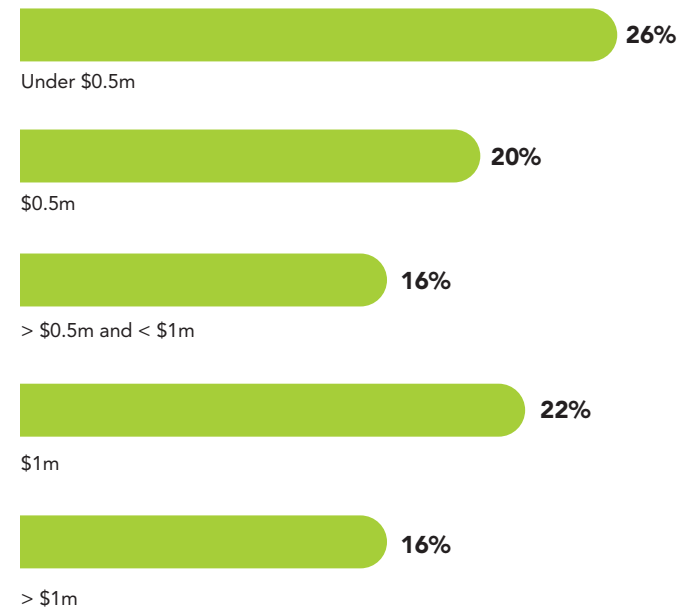
*'I couldn't tell you. I did look at my last statement, but as I said, it's really just something that sits there. I don't have much control over it so I don't pay a great deal of attention.'*

*'Yeah, I look at mine every day. I have to because I trade every day.'*

When asked whether they believed their superannuation savings would provide them with a comfortable income upon their retirement almost two-thirds (62%) expected it to be inadequate. Just 27% believed they could comfortably retire on their superannuation account alone.

The following chart shows the account balance that Australian workers believe will be adequate to ensure a comfortable retirement, with quite a spread. 26% believe that under half a million dollars will be adequate, 20% opted for around half a million dollars, 16% for over half a million and under one million dollars, 22% for around one million dollars, and 16% for over one million.

## CONSUMERS' VIEWS ON ADEQUACY



Our focus group account holders also cited quite a broad range of numbers; seemingly dependent on their own circumstances, e.g. their living costs, how far away from retirement they are (building in inflation) and a certain amount of guesswork. Whilst we note that many younger people had not even considered this question before, the common thread upon prompting to do so is a weighing up of outgoings versus what is considered a more volatile investment environment, i.e. superannuation is not seen as the 'sure bet' it once was.

*'If the GFC has taught us anything it's that you can't rely on your superannuation balance to be what you think it's going to be. Some people have lost a lot of money recently.'*

*'You try and make a decision based on what you think you'll need to live, and a certain amount of that is down to whether you'll own your house by then, but the way prices keep going up I think we'll need a lot more than we think right now.'*

With many believing that their superannuation will fall short of these amounts it is hardly surprising that a majority (55%) reported having other holdings and investments (though noting that it is worrying that 42% were relying solely on their 'inadequate' superannuation). The most common class of alternative holding was cash savings (32%), though shareholdings (21%), investment property (19%) and term deposits / investment funds (14%) were also cited quite frequently.

In addition to superannuation simply not being enough, some of the more affluent and involved investors in our focus groups pointed to the need to diversify investments. Some also held parallel share trading accounts so that they at least had some control themselves, but most wanted to hedge their bets with cash, term deposits and property to ensure that they are not totally reliant on stock markets performing when they need them to.





*'I don't think you can rely on funds alone, as we've said before. I've got property too as I figure that if the fund goes down then I'll still have that, or vice versa.'*

*'My fund is fairly basic. You have some options, so I've gone with a conservative portfolio. But I also think that you need to do something for a higher return, so I've got some shares myself.'*



- **Most people are able to recall their current superannuation balance, at least approximately.**
- **But most also think that their end superannuation balance will not be adequate to fund a comfortable retirement in isolation.**
- **An adequate or ideal figure is difficult to pin down, and can range wildly depending on personal financial circumstances.**
- **Over half of working Australians are investing elsewhere for an adequate (and diversified) retirement, commonly including cash, shares and property.**



# VOLUNTARY CONTRIBUTIONS, OPTIONS & EXTRAS



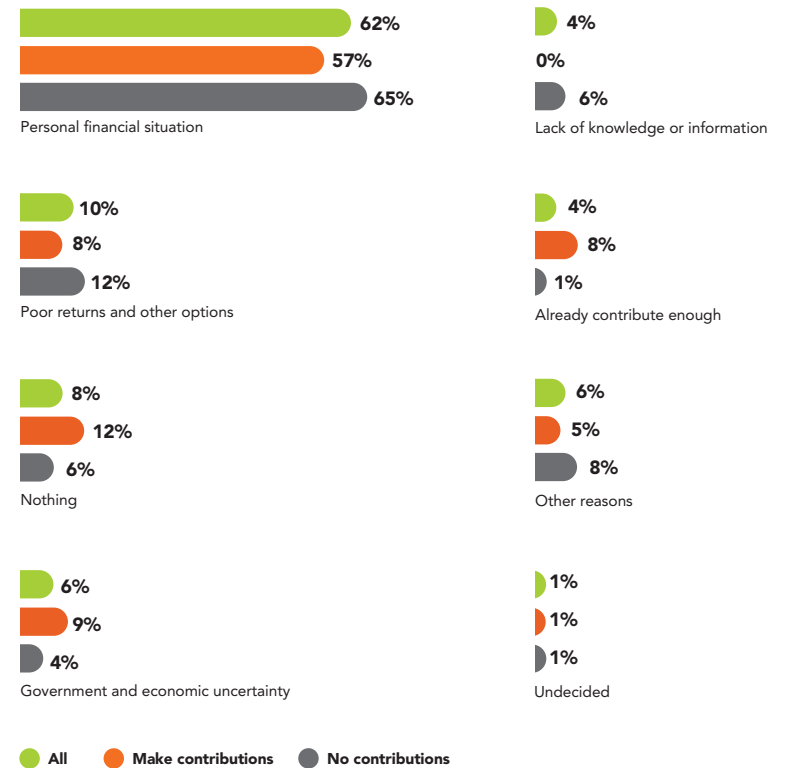
**A MAJORITY** of our survey superannuation fund members (59%) reported that they have never made any voluntary contributions over and above the compulsory rate. Amongst the 40% that had, around a fifth each have done so frequently and 'only once or twice' (21% and 19% respectively), with our focus groups finding that the tax advantages were a major motivator.

*'I guess it might not be the best investment, but it is easy and you get taxed less than you would put it somewhere else. That's why I do it.'*

When asked what the barriers to making voluntary contributions were, only 12% stated that either there was nothing holding them back or that they already contributed enough. Instead, most (62%, and more for those on lower incomes) said that it was simply a product of their own financial situation, i.e. a budgeting decision based on a limited income versus their outgoings.

The chart opposite shows that relatively few are concerned about superannuation returns versus other classes (10%), or political and economic uncertainty (8%), and a lack of knowledge about making voluntary contributions does not seem to be a significant barrier either (just 4%).

## SENTIMENT TOWARDS VOLUNTARY CONTRIBUTIONS





*'I just can't afford to do it. The 9% you have to do, and that comes from your employer anyway as I understand it. But I haven't got thousands of dollars to spare.'*

*'There are smarter things to put your money into I reckon. You don't want all your eggs in one basket anyway.'*

This was reflected in our focus groups too, with rising living costs (notably housing) a significant barrier to having the disposable income to put into superannuation via extra contributions or salary sacrificing. However, some also cited poor returns and a desire to diversify their investments.

## Life insurance

Over half of account holders (57%) reported that their fund included a life insurance policy, with a fifth (21%) believing that their fund did not. It is telling that almost a quarter (23%) did not know. Many in our focus groups with industry or retail funds reported that it included insurance (often as default), with the perception of cheaper rates than private policies the main driver. This is seen as a congruent offering for when 'something happens'.

*'My perception is that they give discounted rates for life insurance and income protection.'*

*'I think they include you in the insurance part automatically, don't they? I didn't even know I had it until I looked at my statement.'*



# Investment options

Almost three-quarters (73%) are aware that account holders are free to specify investment options to their provider, though only around half (48%) are 'definitely' aware of this facility. It is, therefore, not a surprise that only a third (33%) have ever used investment options.

The idea of options was certainly not well understood by the more laissez faire in the focus groups. Those that had used options tended to be those who were more involved and engaged with their fund, often taking advice from the provider or a financial advisor as to the option(s) to take. Industry superannuation is certainly seen as more conservative than other classes, and it tended to be those with a more limited superannuation balance that were taking higher risk options.

*'My superannuation isn't great because I haven't had it all my life. I guess it doesn't matter so much if I lose it, so I've put it all into a high yield option. It's going OK so far.'*

*'I was advised by the fund provider to put some in high risk and some in the low risk.'*

- **Most working Australians have never made additional voluntary contributions over and above the compulsory 9%, and only a fifth do this frequently.**
- **The most common barrier to making such contributions is a lack of disposable income, i.e. an inability to make payments.**
- **Most superannuation funds held by working Australians include a life insurance policy, with a perception of cheaper rates being the main driver.**
- **The majority of working Australians are aware of the ability to specify investment options through their fund, but only a third have made use of them.**

# ENGAGEMENT



**IN A SIGN** of familiarity with their superannuation fund(s), the vast majority of people said that they could name their fund (92%), though 8% consequently said they could not.

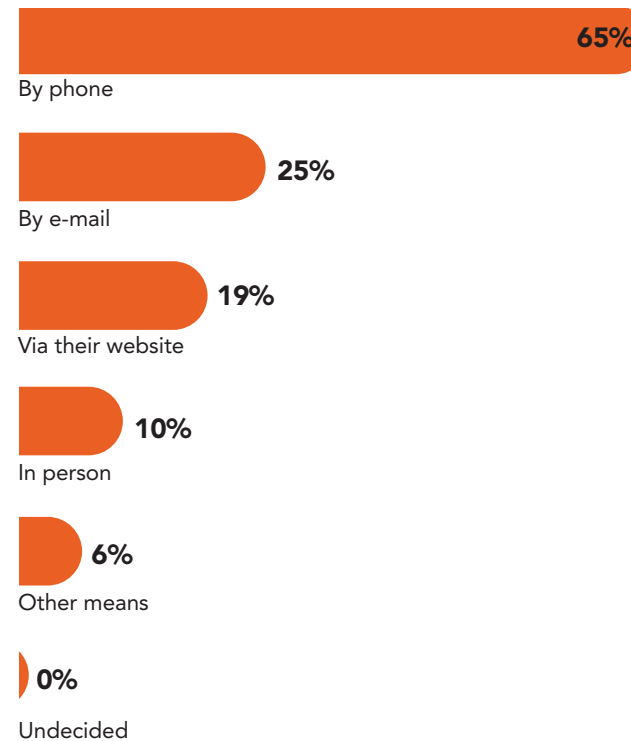
Just 11% reported that they never check their superannuation account balance; with the most common means of doing so for the rest being postal statements (66%) and, to a lesser extent, on-line (24%). Very few indeed (2%) said that they speak to their superannuation fund for this purpose. These statements were found useful in our focus groups, this being their only point of contact with their retirement savings for many. They

reported checking their balance (and sometimes fees), but usually disregard any of the other 'marketing material' that comes with their statement.

*'Think how many trees they are wasting with all the glossy crap that comes with your statement. When you times it by the number of people in a fund it's huge!'*

*'I just check my balance to see how it's progressing. Other than that I don't think you have much to do.'*

## HOW CONSUMERS CHECK THEIR SUPERANNUATION



But that is not to say that these members do not engage with their providers, with one quarter (26%) reporting that they have made personal contact within the last year in our survey. The previous chart shows that the majority of this contact (65%) was made over the phone, but with digital approaches (e-mail 25% and web 19%) also common avenues.

Those that had contacted their superannuation fund in our focus groups reported that this was usually to ask for more information, to query something in their statement or to discuss other options (including as they near their retirement). Ninety-two per cent rated their most recent experience of such contact positively; with half (51%) saying it was a 'very' good experience. Just 8% reported their experience was poor.

*'Yeah, it was quick and easy over the phone. I've never had any issues.'*

- ***The vast majority of working Australians can name their particular fund and/or provider, and most also check their balance.***
- ***However, reading a postal statement (and less frequently checking on-line) is the limit of regular engagement with their fund for many.***
- ***Around a quarter reported that they had made personal contact with their fund provider within the last year, mainly by phone.***
- ***Those that had done so overwhelmingly reported that this contact was a positive experience.***



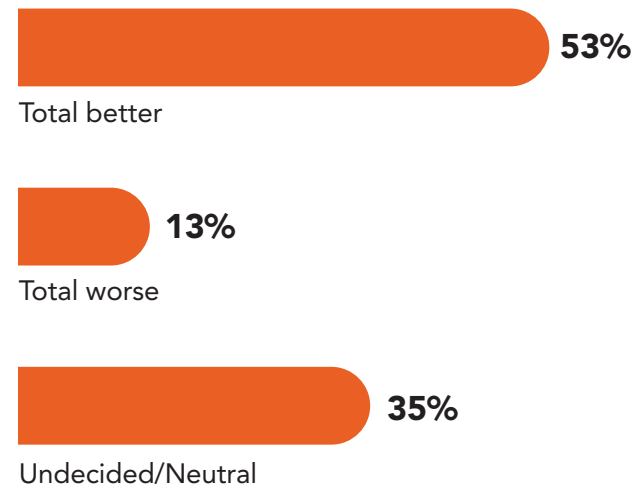
# PERFORMANCE



**WHEN ASKED** to rate the performance of their fund, i.e. the financial return, over the past year, around two-thirds (64%) of our survey respondents said it was good, though only 13% thought it 'very' good. 16% believed it to be poor and 20% were undecided (noting that 11% never check their balance).

But the following chart shows that this year's returns are seen as better than the previous year by most (53%), with only 13% saying that they thought the performance of their superannuation fund has worsened over the last year. Around a third (35%) were either undecided on this point or thought that there had been little change in performance.

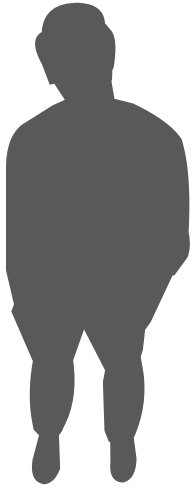
## HOW CONSUMERS RATE SUPERANNUATION PERFORMANCE - PAST 12 MONTHS



In our focus groups the poorer returns over the past few years were blamed squarely on the state of financial markets during and after the GFC. Fund providers are not singled out for blame, though their performance undoubtedly varied, as it was a systemic problem not of their making. However, it has shaken the confidence of some in the 'certainty' of the system, with some diversifying and others simply hoping that the better performance continues.

*'The GFC really shook everyone, and a lot of people lost a big chunk of their super as I understand it. Things seem to be getting better though.'*

*'That's the trouble; if you are at that stage of retirement just as there's a crash you've got to go back to work because all that saving is lost. That's why I'm doing other things as well.'*



- *Most working Australians believe that the performance of their fund was (fairly) good over the last year, and there is strong evidence to suggest that this is an improvement on previous years' returns.*
- *Previous poor performance is seen as a systemic issue as a result of poor share market performance during the GFC, not due to individual funds.*
- *This has, to a certain degree, eroded their (still positive) trust and confidence in the superannuation system.*



# FEES



**A**ROUND HALF of superannuation account holders (48%) in our survey were unaware of how much, approximately, they are charged in fees by their provider. Even amongst those who were aware (52%), just 20% reported that they were 'definitely' aware, i.e. have checked and know the actual amount.

Both in our survey and in the focus groups we, again, found that younger working people and those with more 'standard' (particularly) industry funds tended not to be aware of the fee amount, whereas those with retail funds, self-managed superannuation funds and those nearing retirement had a firmer grasp. Indeed, these latter groups sometimes took the fees into account when first choosing their fund or in a decision to switch funds.

*'I couldn't tell you how much I'm being charged, no. I know I'm being charged something, and I'd always thought it was a percentage of the return, but I still got charged when they lost money so I guess it's a flat fee?'*

As shown in the next chart, very few superannuation account holders indeed (just 1%) consider that their provider's fees are too low for the service and benefits they receive. Overall, 41%

*'That's why I changed funds. I thought they were charging too much for lots of services that I wasn't using.'*

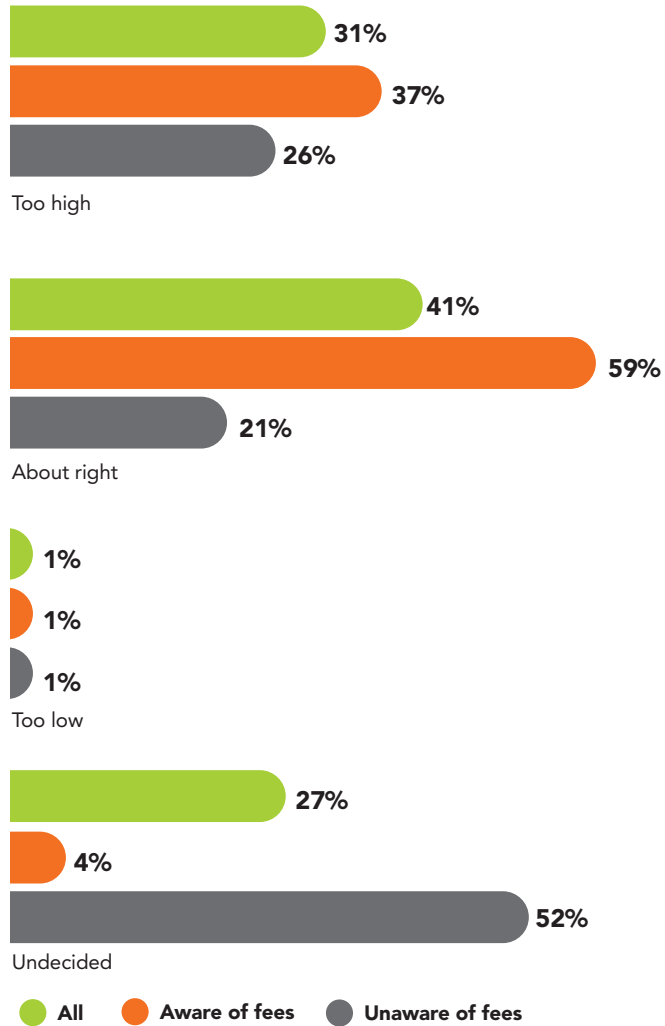
knowledge are understandably less likely to be decided on this question.

think they are about right and 31% that they are too high. Those that are aware of the fee amount are more likely to believe it to be too high or (particularly) about right, whereas those without such

Only around a third (32%) are currently aware of 'zero fee' funds being offered by certain providers, with just 13% 'definitely' aware.



## CONSUMERS' VIEWS ON FEES



- Only around half of working Australians are aware, approximately, of how much they are paying their funds in fees.
- However, most think that they are 'about right' or too high for the services and benefits they are receiving (almost nobody thinks they are 'too low').
- Only around a third are aware of the existence of 'zero fee' funds at this time, and they are not well understood.



# SUPERANNUATION CHANGES



**T**HE POPULARITY of the current system and its ability to allow people to have a comfortable retirement means that working Australians are broadly supportive of its expansion and enhancement, and tend to object to further restrictions and impositions placed upon the system and their use of it. This was clearly demonstrated in the focus groups, with uncertainty caused by changes a deep concern.

*'I just wish they'd stop fiddling about with it. You put money in all your life for a long-term return, which means you need certainty, but you can't do that if they move the goal posts all the time.'*

*'You could argue that the current system favours those who can contribute more, but it is important that we've got a system and that it is stable.'*

This sentiment is shown in the following chart of support ratings for potential changes. 83% are supportive of the plan to incrementally increase the contribution from 9% to 12% over the next decade (just 12% oppose this policy).

## CONSUMERS' VIEWS



Increasing compulsory contributions from 9% to 12% over the next decade



Adding a further 3% contribution for aged and health care costs



Taxing voluntary contributions for higher income brackets

● Support    ● Neutral/Unsure    ● Oppose

*'The 9% is simply not going to be enough by the time we retire. I think it's right that we are forcing people to really save for their retirements.'*

As discussed previously, most do not consider that their superannuation will be enough to retire comfortably on, and hence there is a prejudice to want the 9% to increase. Some even think that 12% is too little.

Few saw any issue with the planned increase, especially as it is being made incrementally over several years. However, those who were either a little more financially-savvy or who ran their own businesses did see an issue for employers. As the compulsory contribution is made by them they foresaw that such an increase might drive up unemployment (including sending jobs offshore), increase prices, reduce competition and potentially hamper wage increases.

*'This is just another cost for business, and I think there are a lot of small businesses out there that are already doing it tough. How are they going to cope with another 3% increase?'*

the additional 3% for health and aged care was not as popular as the currently planned 3% increase in superannuation contributions from 9% to 12% as this option restricts how the money is spent by the individual, i.e. does not help with their core living expenses, and in their minds the Government should already be funding these basic services.

Around half (51%) support a further 3% compulsory contribution to pay for their own health and aged care in retirement (though 30% oppose this proposal). In the focus groups too,





*'It's got to be one set of rules for everyone and, just as important, a stable set of rules so that you can plan for your future.'*

Conversely, around half (49%) oppose the idea of taxation on voluntary contributions made by higher income earners. Reactions to this concept are more split though, with 36% in favour. This was quite a divisive issue in our focus groups, with half (typically on lower incomes and younger) thinking it fair that richer people should pay their 'fair share', and half (typically older and more affluent) objecting to yet more fiddling and uncertainty.

- ***Not only are Australians supportive of the current superannuation system; they are also broadly supportive of plans to incrementally increase the compulsory contributions to 12%.***
- ***They are less supportive of changes that curtail their ability to use the system, e.g. taxing voluntary contributions, and are less decided on the proposal to use a 3% contribution for health and aged care (rather than a retirement income).***

# METHODOLOGY



**T**HE PROJECT was conducted in two stages; a large national quantitative survey to determine the 'hard numbers' of opinion and behaviours, followed by qualitative focus groups to help to explain these findings and to provide further background and insight.

## Phase 1: Survey

- A national survey of n=1,000 working Australians with superannuation.
- Conducted 12 - 18 June 2013.
- Accurate to within a maximum margin of error of +/-3.1% (at the 95% confidence level).
- Quotas and data weighted used to ensure representation by state, area, sex and age.

## Phase 2: Focus Groups

- Two (2) focus groups were held in Sydney on 25 June 2013.
- Each group comprised 8-10 working people with superannuation (mixed funds).
- An ability to talk about such subjects intelligently.
- Otherwise each group was broadly representative of the local population, with a good mixture of sexes, occupations, etc.
- No employees in financial services, marketing, media, PR or politics.

*Crosby Textor undertook this research in June 2013*



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