The year has been an encouraging one for investors – one of the best since the Global Financial Crisis. To be sure, 2012 had its share of dramatic highs and lows, from the success of the London Olympics to the devastation of Hurricane Sandy. Markets too experienced more of the “swings and roundabouts” we’ve become accustomed to in recent years.

The European sovereign debt crisis flared again in May, disrupting an otherwise positive start to the year for global markets, only to be quelled by prompt action from the European Central Bank. Markets responded positively with returns galloping to new highs in October.

Meanwhile the US faced the so-called “fiscal cliff” and possible recession after the White House and Congress struggled to agree on the federal Budget by year’s end. Closer to home, the Federal Government’s Stronger Super reforms continue to evolve, throwing superannuation into the mainstream media spotlight.

Since 2008, when Mercer first launched the Superannuation Sentiment Index survey, working Australians’ sentiment towards their super has dipped and soared along with the fortunes of global markets.

In September 2011 sentiment towards superannuation reached its highest level in four years. The most recent results show that sentiment has stabilised and remains at its highest level since the Global Financial Crisis, but working Australians continue to be concerned about global economic conditions, sharemarket fluctuations and legislative changes to superannuation.

Mercer first launched the Superannuation Sentiment Index survey to help gauge and inform the industry about working Australians’ understanding of sharemarket volatility and the impact this has on superannuation balances. The financial year to 30 June 2008 produced the first negative returns for most Australian super funds in five years and Mercer realised that working Australians, accustomed to double-digit-returns, could need support in understanding and responding to these events.

This edition also explores, for the first time, financial literacy in relation to superannuation. Aristotle once said “Education is the best provision for old age.”

The benefits of a financially literate society are many and include confident individuals who are empowered to make decisions and take control of their financial wellbeing, are at lower risk of being taken advantage of and have reduced dependence on government. The more knowledge an individual has, the more confident they are in taking greater control over their financial destiny. For many Australians, the ultimate destination is a comfortable retirement.

The language of superannuation is technical, often confusing and difficult to understand. There is significant confusion and uncertainty among the wider Australian community about planning and preparing for retirement and many individuals are not confident in their ability to make good decisions that will meet their long-term needs.

Our findings indicate there is much opportunity for government, industry and super funds to help members understand their superannuation. It’s a challenge, but one with worthwhile outcomes!

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1 Aristotle (384 BC – 322 BC), from Diogenes Laertius, Lives of Eminent Philosophers
ABOUT THE STUDY

THIS REPORT PRESENTS FINDINGS FROM MERCER’S EIGHTH SUPERANNUATION SENTIMENT INDEX SURVEY.

A nationally representative sample of 1,003 full time working Australians aged 25 to 65 was surveyed, providing a snapshot of working Australians’ sentiment towards superannuation.

This is a random population survey, not a survey of Mercer members, and the data has been weighted to reflect the Australian Bureau of Statistics (ABS) age and gender distribution of working Australians aged 25 to 65 years.

Where appropriate, results have been compared to previous Mercer Superannuation Sentiment Index reports, which are available at http://securingretirementincomes.com.au.

The survey populations in all studies are independent of each other.

The survey tool and analysis was developed and conducted in-house, while programming and interviewing was undertaken by specialist market research firm, Indeana. Interviews were conducted from 2-5 October 2012.
THE MERCER SUPERANNUATION SENTIMENT INDEX IS STABLE AND REMAINS AT ITS HIGHEST LEVEL SINCE DECEMBER 2008.

The overall index remained the same as that observed in September 2011 – which was the highest result seen since December 2008. However, there was movement in the metrics which make up the index.

Markets have rebounded strongly in the past few months but this is yet to be reflected in Australians’ satisfaction with investment performance of super funds, which was down from 47% to 42% this wave.

Overall satisfaction with super funds is slightly higher this wave – 65% are satisfied with the benefits their super fund offers. A key driver analysis revealed that investment performance is the number one driver of satisfaction with funds, followed by value for money fees and perceptions of fund trustworthiness.

LIFE IN THE FUTURE

The average lifespan of Australians continues to increase with advances in medical science and greater education on health and wellbeing. A boy born today will have an average lifespan of 79 years of age while a girl can expect to live to 84 years of age.

However, the index shows that many working Australians are pessimistic about their ability to fund a comfortable lifestyle beyond retirement. Less than one in three (30%) believe they will have enough savings to live comfortably beyond age 70 and even fewer (23%) believe they will have enough savings to live comfortably beyond age 80. Only 15% believe they will have enough savings to live comfortably beyond 90 years of age.

Primary concerns relating to superannuation remain centered on global economic conditions, sharemarket fluctuations and legislative changes regarding how super is taxed.

However, working Australians are increasingly seeking help. There has been a marked increase in those who have consulted an accountant, financial adviser and tax adviser within the past 12 months. There was also a significant increase in preference to self-serve, with a jump in those seeking information via their super fund website.

Feelings of being prepared for retirement continue to fluctuate. Perceptions of limited preparation peaked in December 2010. Nearly two years later, a significant increase in those who feel ‘prepared’ is evident. This also coincides with reduced anticipated reliance on government suggesting working Australians are starting to pay more attention to their retirement plans and have a better appreciation of the role super can play in contributing to retirement funding.

These findings support the value of lifecycle investment products. Many funds are looking to introduce a ‘whole-of-life’ investment approach, designed to support longer term retirement objectives. Indeed, these types of products may assist in increasing member confidence that their retirement savings will last.

FINANCIAL LITERACY

Working Australians confidence in their understanding of the link between sharemarket movements and their super balance has improved over the past four years – with the majority understanding the connection.

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2 3302.0 - Deaths, Australia, 2011, Australian Bureau of Statistics
A financial literacy quiz revealed moderate levels of understanding of super-related concepts. There was evidence of confusion around the rules of accessibility, basic definitions of super terminology and investments, and understanding concessional caps limits (not surprising given the many legislative changes). Furthermore, only one in three (35%) was aware the Superannuation Guarantee rate will increase in 2013.

Profiling reveals higher levels of knowledge among males and older people, while weaker for those younger (aged 25-34) and females.

OTHER FINDINGS

Smartphones are an important technological development which represent significant opportunity for super funds. Ownership grew significantly – with nearly three in four survey respondents reporting to own a smartphone – up from 46% in September 2011. As such, this is considered a key channel to communicate with members and enable them to build rapport with their super fund.

Over half (53%) would like their employer to provide some form of assistance in helping to manage overall financial wellbeing and be retirement ready.

Implications now follow.
WHAT ARE THE IMPLICATIONS FOR THE SUPERANNUATION INDUSTRY AND EMPLOYERS?

TRUSTEES AND THE SUPERANNUATION INDUSTRY

Key findings this wave suggest there is considerable uncertainty around the impact of the Stronger Super reforms and the potential impact on members. As such, keeping members informed of the changes and how they will benefit them is going to be important.

Our analysis suggests that investment performance, fees, trustworthiness and communications are key drivers of overall satisfaction with super funds, so a focus on these areas is important.

This wave we observed a significant increase in the use of smartphones. Many super funds have already enabled their members to access their website via mobile devices – these findings have given further endorsement to creating this new channel for members to engage with their super.

In addition, regular member research can provide valuable insights into traits, characteristics, needs and attitudes towards super which can underpin future member service strategies.

Recommendations from previous editions of the Mercer Superannuation Sentiment Index study continue to reinforce opportunities for trustees and the superannuation industry to help working Australians such as:

- Playing an active role in encouraging members to plan for their retirement by providing the appropriate online tools and education.
- Providing more meaningful communication through the use of personalised information and tools to give members greater insight into their retirement savings needs.
- Managing and informing member expectations about superannuation balances – highlight the importance of seeking financial advice and the variety of channels for information (internet, telephone, face-to-face consultations).
- Improving levels of member understanding around tax effectiveness of superannuation as a way to offset negativity about investment performance.
- Providing timely communications about investment performance and proactive guidance on ‘what to do now’.
- Creating strategies for dealing with market volatility and easy access to advice.
- Delivering information and education via social media and new technology such as mobile apps and mobile websites.

EMPLOYERS

Over half (53%) believe their employer has a role to play in helping employees manage their financial wellbeing and retirement preparations. The results present several opportunities for employers:

- Promoting the employer’s default fund as an employee benefit that is linked to overall employer value proposition efforts – particularly if employers subsidise (either fully or partially) member fees. For example, employees can take advantage of offers from the default superannuation fund, such as visits to the workplace from financial planners who can educate employees about the benefits of superannuation.
- Making it easy for employees to salary sacrifice so that employees can grow their super faster.
- Considering the impact of reduced superannuation balances on employees and the subsequent impact on workforce planning. Those employees nearing retirement, for example, may need to stay in the workforce longer.
- Maintaining an ongoing dialogue with older employees to understand their individual circumstances and how their transition to retirement may need to be adjusted.
- Considering the development of ‘phased retirement’ plans and flexible working conditions for older workers.
- Taking advantage of financial literacy programs offered by superannuation funds, financial planners and consultants as part of the company’s learning and development programs.

The detailed findings from the study now follow.
The Mercer Superannuation Sentiment Index combines individual perceptions of:

- Superannuation as a retirement-savings vehicle
- Trustworthiness of superannuation funds
- Fund investment performance
- Reliance on superannuation in retirement
- Concern about the impact of sharemarket volatility on superannuation

Ratings on each of these five measures are combined to produce a single “sentiment score” for each individual. **Higher sentiment scores represent positive views** of superannuation as a way to save for retirement, trust in superannuation funds, positive ratings of investment performance, high anticipated reliance on superannuation and low levels of concern about the impact of sharemarket volatility on superannuation. **Lower scores represent negative perceptions** of superannuation, low anticipated reliance on superannuation in retirement, weaker trust in funds and fund performance, and higher concern about sharemarket volatility.

**COMPARING SENTIMENT TO THE ALL ORDINARIES INDEX**

The All Ordinaries Index has been tracked against general sentiment towards superannuation to gauge how Australians’ confidence in superannuation is linked to the general movement in sharemarkets. In our view, results suggest a lag between sharemarket movement and sentiment. As sharemarkets show signs of recovery from the lows of 2008, rebound in sentiment towards superannuation is slow to follow.

A balance of positive and negative events have coincided with a stable sentiment index result this wave. While not at the high (54) seen in the inaugural study, results are much improved from the lows observed in 2009. The rebound from September 2011 was sustained, with the index remaining stable at 47.

**Movement in two of the five key metrics which make up the index was observed, specifically:**

- **Satisfaction with investment performance of super funds:** Markets have rebounded in the past few months, but this is yet to flow through to working Australians’ satisfaction with the investment performance of super funds. Satisfaction with main super investment performance has dropped from 47% to 42% this wave.
- **Perceptions of superannuation as a way to save for retirement:** Paradoxically, perceptions of super as a way to save for retirement improved this wave with nearly half (49%) saying superannuation is a very good/excellent way to save for retirement. This finding is higher than the 40% observed in September 2011 and significantly better than December 2010 (with 28% satisfied).

Other metrics which comprise the index remained stable this issue.
Superannuation can be confusing and difficult to understand, and constant legislative changes can make it challenging for even the most financially astute investor to keep up.

Working Australians self-rated their level of knowledge about super. Only 15% rated their knowledge as strong or sophisticated (down from 25% in 2010), while over one in four (29%) considered their knowledge to be minimal at best.

**CHART 2: SELF-RATED LEVEL OF KNOWLEDGE ABOUT SUPERANNUATION**

Q. I would rate my current level of knowledge about superannuation as...

<table>
<thead>
<tr>
<th>Age</th>
<th>25–34</th>
<th>35–49</th>
<th>50+</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 12</td>
<td>13%</td>
<td>56%</td>
<td>26%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Dec 10</td>
<td>21%</td>
<td>47%</td>
<td>20%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Jun 10</td>
<td>23%</td>
<td>45%</td>
<td>19%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Dec 09</td>
<td>22%</td>
<td>42%</td>
<td>20%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Jun 09</td>
<td>22%</td>
<td>41%</td>
<td>23%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Dec 08</td>
<td>25%</td>
<td>42%</td>
<td>23%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Jun 08</td>
<td>20%</td>
<td>39%</td>
<td>23%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

Subgroup analysis reveals a correlation between age and gender. Older members tend to be more confident in their knowledge, younger people and females less so.

**CHART 3: SELF-RATING OF UNDERSTANDING HOW SHAREMARKET MOVEMENTS CAN AFFECT SUPERANNUATION**

Q. I would rate my level of understanding of how sharemarket movements can affect my superannuation balance as...

<table>
<thead>
<tr>
<th>Age</th>
<th>25–34</th>
<th>35–49</th>
<th>50+</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 12</td>
<td>45%</td>
<td>22%</td>
<td>27%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Sep 11</td>
<td>24%</td>
<td>50%</td>
<td>18%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Dec 10</td>
<td>23%</td>
<td>47%</td>
<td>19%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Jun 10</td>
<td>23%</td>
<td>45%</td>
<td>19%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Dec 09</td>
<td>23%</td>
<td>42%</td>
<td>20%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Jun 09</td>
<td>21%</td>
<td>41%</td>
<td>23%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Dec 08</td>
<td>25%</td>
<td>42%</td>
<td>23%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Jun 08</td>
<td>20%</td>
<td>39%</td>
<td>23%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

**UNDERSTANDING OF THE LINK BETWEEN SHAREMARKET VOLATILITY AND SUPERANNUATION**

While working Australians’ confidence in their understanding of the link between sharemarket movements and their super balance has improved over the past four years, it is a continual challenge to help people appreciate the connection.

Back in 2008, nearly two in five (37%) rated their knowledge of the link as nothing or minimal. This has since declined to 29% – positively reflecting the ongoing efforts by industry and super funds to educate members and reassure them of the long term nature of super as an investment.

Encouragingly, the majority (71%) rated their understanding of the link between sharemarkets and super highly.

**TABLE 1: SELF-RATING OF KNOWLEDGE BY AGE AND GENDER**

<table>
<thead>
<tr>
<th>Self-Rated Level of Knowledge</th>
<th>Age</th>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nothing/Minimal</td>
<td>25–34</td>
<td>4%</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>35–49</td>
<td>29%</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>50+</td>
<td>2%</td>
<td>57%</td>
<td>53%</td>
</tr>
<tr>
<td>Moderate</td>
<td>28%</td>
<td>9%</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>Strong/sophisticated</td>
<td>11%</td>
<td>14%</td>
<td>57%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Subgroup analysis reveals a correlation between age and gender. Older members tend to be more confident in their knowledge, younger people and females less so.
IMPORTANCE OF FINANCIAL LITERACY

Financial literacy is an important issue facing Australians. As such, we tested working Australians’ knowledge of various super-related concepts. The benefits of a financially literate society are many, and include reduced dependence on government, confident individuals who are empowered to make decisions and take control of their financial wellbeing, and a reduced risk of being taken advantage of. The more knowledgeable an individual, the more confident they are in taking greater control over their financial destiny. For many Australians, the ultimate destination is a comfortable retirement.

It is well known that there is significant confusion and uncertainty in planning and preparing for retirement. Superannuation jargon is considered technical, confusing and hard to understand, often diminishing confidence in a person’s own ability to make the best decisions to suit their needs.

Knowledge was highest for:
- Understanding of how salary sacrifice contributions work
- Taking super as a lump sum benefit
- The current Superannuation Guarantee rate

It was weakest for:
- Age of access to super
- Concessional caps limit
- Definition of an accumulation style fund

CHART 4: FINANCIAL LITERACY QUIZ OUTCOMES – % PROVIDING CORRECT VERSUS INCORRECT ANSWERS

Q. Please review the following statements and answer true, false or don’t know to each.
Results were tallied and overall scores are shown below. Less than one in four (22%) correctly answered seven or more out of ten. A similar proportion (19%) answered less than two out of 10 correctly. Not surprisingly, this suggests that working Australians need help in understanding issues relating to their superannuation.

More specifically, better information is needed around:

- Basic definitions of super terminology and investments
- Rules around accessibility
- Concessional caps limit

This information could be delivered through various channels – such as online, print or in-person, through seminars or one-on-one consultations.

However, it was pleasing to note there was synergy between self-rating of knowledge and level of financial literacy. That is, the higher the self-rating, the greater the likelihood of more accuracy in the financial literacy quiz.

<table>
<thead>
<tr>
<th>SELF-RATED LEVEL OF KNOWLEDGE</th>
<th>FINANCIAL LITERACY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0–4 CORRECT</td>
</tr>
<tr>
<td>Nothing/minimal</td>
<td>42%</td>
</tr>
<tr>
<td>Moderate</td>
<td>52%</td>
</tr>
<tr>
<td>Strong/sophisticated</td>
<td>6%</td>
</tr>
</tbody>
</table>

These findings highlight the importance that superannuation funds have strategies in place to help members increase their financial literacy.
RETIREMENT PREPARATION

HOW PREPARED DO PEOPLE FEEL FOR RETIREMENT?

Feelings of being prepared for retirement continue to fluctuate. Perceptions of limited preparation peaked in December 2010. Nearly two years later, a significant increase in those who feel ‘prepared’ is evident. This also coincides with reduced anticipated reliance on government, suggesting people are starting to pay more attention to their retirement plans and have a better appreciation of the role super can play in contributing to retirement funding.

CHART 6: PREPARATION FOR RETIREMENT

Q. Thinking about retirement, which one of the following statements best applies to you? I’ve given some thought to retirement but have made very little preparations / I’ve given a lot of thought to retirement and made many preparations

<table>
<thead>
<tr>
<th>Date</th>
<th>Limited preparation</th>
<th>Prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 08</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>Dec 08</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>Jun 09</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>Dec 09</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Jun 10</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Dec 10</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>Oct 12</td>
<td>18%</td>
<td>82%</td>
</tr>
</tbody>
</table>

HOW LONG WILL RETIREMENT SAVINGS LAST?

The average lifespan of Australians continues to grow. Recent findings from the Australian Bureau of Statistics highlight that “under current estimates, a boy born today could expect to live 79.7 years while a girl could expect to live 84.2.”

Working Australians are also more realistic in their assessment of their retirement savings. Back in 2010, only 36% believed they would have enough savings to live past the age of 70. This has declined to 30% this wave and is even lower when considering life beyond the age of 80 and 90.

CHART 7: ADEQUACY OF RETIREMENT BEYOND AGE 70, 80 AND 90

While retirement age appears to be increasing, it is not doing so at the same rate as that of life expectancy. Therefore, it is not surprising to find many are not confident their retirement savings will last.

Superannuation continues to be a critical contributor to retirement funding and its importance has remained stable, accounting for 48% of projected funding. Pleasingly, anticipated reliance on government assistance has received an all-time low (8%), while there was growth in dependency on other assets such as home and investments.

This result coincides with increased levels of preparation for retirement – with a reduction in anticipated reliance on government and greater ownership of the challenge to fund one’s own retirement.

These findings also suggest greater levels of willingness to take ownership for the problem of retirement funding – particularly in light of increasing lifespans.

The Melbourne Mercer Global Pension Index\(^4\) (which covers 50% of the world’s population) ranked Australia third out of 18 countries. The most recent report stated that “Australia’s retirement savings and income system has made small gains since 2011, and its overall global ranking coming in at third place. The Australian gains in the overall Index value have primarily resulted from an increase in the level of pension fund assets and a rise in the labour force participation rate amongst those aged 55-64.”

Coinciding with a relatively strong anticipated reliance on superannuation, ratings of super as a way to save for retirement have improved. Three in four (76%) viewed super as a good/very good/excellent way to save for retirement – up from 70% in September 2011.

This result suggests that despite government changing legislation and ongoing tinkering, Australians remain, for the most part, fairly positive in their view of the value of super in retirement.

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\(^4\) This report looks objectively at both the publicly funded and private components of a system as well as personal assets and savings outside the pension system. It is produced by Mercer and the Australian Centre for Financial Studies and funded by the Victorian State Government. It is based on more than 40 indicators grouped into three sub-indices: adequacy, sustainability and integrity. http://www.mercer.com/globalpensionindex
AUSTRALIANS ARE MORE OPTIMISTIC THEIR SUPERANNUATION WILL GROW IN THE NEAR FUTURE

In a month (October 2012) which saw improved sharemarket performance, greater expectation of corresponding increases in super balances were evident. Nearly two in three (62%) working Australians believe their super balance will be higher when they receive their next account statement, up from 48% expecting the same in September 2011.

However, subdued expectations are also observed for some, with one in four (23%) believing their balance will be the same as it was last year (that is, no growth).

CHART 10: ANTICIPATED CHANGE IN NEXT SUPERANNUATION BENEFIT STATEMENT

Q. Thinking about when your next superannuation benefit statement becomes available, do you expect your super fund account balance will be …

It’s important for superannuation funds and trustees to keep in touch with their members to gauge expectations. Managing expectations goes hand in hand with managing member reactions year round – not just when statements go out to members.

Given the anticipation of higher super balances, it is more important than ever for super funds to keep members informed and updated on market shifts and the overall impact these may have on their super. This can be done via online channels, print, over the phone or in-person. The more knowledge members have, the better prepared they will be – regardless of the outcome.
SATISFACTION WITH FUND BENEFITS AND FEATURES WAS MODERATE

Around two in three (65%) reported being satisfied/very satisfied with the benefits and features their super fund offers.

While satisfaction is at its highest level since tracking commenced, there is still more funds can be doing to increase member satisfaction, such as:

- Keeping members informed about legislative changes
- Keeping members updated on investment performance
- Keeping members informed about available investment options
- Offering easy access to their super fund via various channels

CHART 11: OVERALL SATISFACTION WITH BENEFITS AND FEATURES OF SUPERANNUATION FUNDS

Q. Overall how satisfied are you with the benefits and features your main superannuation fund currently provides you?

<table>
<thead>
<tr>
<th>Month</th>
<th>Very dissatisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 12</td>
<td>29%</td>
<td>46%</td>
<td>19%</td>
</tr>
<tr>
<td>Sep 11</td>
<td>34%</td>
<td>47%</td>
<td>15%</td>
</tr>
<tr>
<td>Dec 10</td>
<td>45%</td>
<td>38%</td>
<td>10%</td>
</tr>
<tr>
<td>Jun 10</td>
<td>44%</td>
<td>39%</td>
<td>11%</td>
</tr>
<tr>
<td>Dec 09</td>
<td>44%</td>
<td>37%</td>
<td>10%</td>
</tr>
<tr>
<td>Jun 09</td>
<td>43%</td>
<td>37%</td>
<td>10%</td>
</tr>
<tr>
<td>Dec 08</td>
<td>41%</td>
<td>41%</td>
<td>11%</td>
</tr>
</tbody>
</table>

ELEMENTS OF SUPER FUNDS TEND TO RATE WELL

Ratings for being financially secure and trustworthy were high, with more than half (55%) giving a very good/excellent rating to their main super fund for these elements.

However, ratings for investment performance (both actual and communicated) and fees representing good value for money were slightly weaker, while uncertainty was greatest for ‘as-needed’ services such as a helpline/contact centre.

CHART 12: RATING OF ELEMENTS OF SUPER FUNDS

Q. How would you rate your main super fund in terms of ...

- Being trustworthy: 34% Very poor, 33% Poor, 22% Good, 6% Excellent, 6% Don’t know
- Being financially secure: 33% Very poor, 34% Poor, 21% Good, 6% Excellent, 6% Don’t know
- Investment choices available: 36% Very poor, 30% Poor, 17% Good, 9% Excellent, 6% Don’t know
- Communication around investment performance: 41% Very poor, 28% Poor, 14% Good, 7% Excellent, 6% Don’t know
- Their website: 38% Very poor, 27% Poor, 14% Good, 16% Excellent, 6% Don’t know
- Personal insurance available: 37% Very poor, 27% Poor, 14% Good, 15% Excellent, 6% Don’t know
- Their fees representing good value: 41% Very poor, 25% Poor, 14% Good, 9% Excellent, 6% Don’t know
- Investment performance: 42% Very poor, 28% Poor, 11% Good, 8% Excellent, 6% Don’t know
- Their helpline service: 30% Very poor, 25% Poor, 13% Good, 27% Excellent, 6% Don’t know
A key driver analysis was conducted to determine which elements drive member satisfaction. This revealed the top three elements that drive satisfaction are: investment performance, fees representing good value for money and trustworthiness. Communications about investment performance was also important.

**DIAGRAM A: KEY DRIVERS OF SATISFACTION**

1. Investment performance
2. Fees representing good value for money
3. Being trustworthy
4. Communications around investment performance

Prioritising these elements will help funds improve overall member satisfaction. In turn, this leads to better levels of loyalty and likelihood to recommend.

Working Australians cite **global economic conditions** and/or **sharemarket fluctuations** as the factor most likely to have the **greatest** impact on their super balance, again highlighting the importance of keeping members informed and updated on how these external factors may impact returns.

**CHART 13: FACTORS IMPACTING SUPER BALANCES**

Q. In your opinion, which single factor has the potential to have the greatest impact on your superannuation balance when you retire?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Sep 11</th>
<th>Oct 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global economic conditions</td>
<td>39%</td>
<td>96%</td>
</tr>
<tr>
<td>Sharemarket fluctuations</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Legislative changes regarding how super is taxed</td>
<td>18%</td>
<td>21%</td>
</tr>
<tr>
<td>Inflation</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>
There is significant legislative change in the wind – much of which has already been passed by Parliament. Awareness of potential regulatory changes to super has grown since last wave, but still remains relatively weak. Only 17% had heard of the term MySuper and even fewer (7%) had heard of Stronger Super.

Complexity of super and changing goal posts can contribute to inertia towards super. Trustees and funds have an obligation to ensure communications are simple and direct.

**CHART 14: AWARENESS OF GOVERNMENT DRIVEN INITIATIVES**

There is debate in the media about many changes proposed by the current government. Which, if any, of the following have you heard of?

- MySuper
- Aged Care productivity commission review
- Future of Financial Advice reforms (FOFA)
- Stronger Super

As awareness of MySuper increases it is important for super funds to ensure working Australians are informed of any impact this new initiative may have on their super and fund benefits. This is particularly important given nearly two in five (36%) of those who have heard of MySuper believe it will have a negative impact on the benefits and services they currently receive or were uncertain of the impact it may have.

**CHART 15: IMPACT OF MYSUPER**

MySuper is designed to be a low-cost super arrangement for people who are looking for simple super arrangements. What impact, if any, do you believe MySuper will have on the current benefits and services available to you from your main superannuation fund? Do you believe MySuper will have... (Base: Heard of MySuper or Stronger Super)
WHAT’S HAPPENING TO THE SUPERANNUATION GUARANTEE RATE?

There is considerable uncertainty around changes to the Superannuation Guarantee (SG) rate. Understanding of the changes to the SG rate is mixed – one in three (35%) was aware it will be higher next year, while the remainder either weren’t sure or believed the rate would be unchanged. While the increases year to year will be small (ie: 0.25% per annum), these results suggest more needs to be done to inform working Australians about the upcoming changes.

CHART 16: AWARENESS OF INCREASE IN THE SUPERANNUATION GUARANTEE RATE

Q. The superannuation guarantee is the minimum rate your employer must contribute to superannuation. The rate for this 2012/2013 financial year is 9% of Ordinary Time Earnings (OTE). In the next financial year (2013/2014), this rate will be ...

Employers may also have a role to play here in educating employees about the SG changes. Increasing contributions to super may be a trigger for many to review their own arrangements.

ADVICE IN CHANGING TIMES

There is a plethora of information sources available to Australians. Financial advisers are the most preferred source of advice on superannuation, followed by superannuation funds. Nearly half (45%) would seek financial advice from an adviser, while a similar proportion (41%) would call their super fund if they had a question about their super.

A key finding is the growth in websites – more specifically, member appetite for information from their super website is growing. Self-service is important, therefore funds are expected to invest strongly in their website and overall online presence.

TABLE 3: PREFERRED SOURCES OF INFORMATION

Q. If you needed advice about your superannuation, who (if anyone) would you approach for information?

<table>
<thead>
<tr>
<th>Source</th>
<th>DEC-09</th>
<th>JUN-10</th>
<th>DEC-10</th>
<th>OCT-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial adviser</td>
<td>43%</td>
<td>45%</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Call my superannuation fund to speak to a representative and obtain advice</td>
<td>48%</td>
<td>48%</td>
<td>40%</td>
<td>41%</td>
</tr>
<tr>
<td>Accountant</td>
<td>28%</td>
<td>27%</td>
<td>28%</td>
<td>34%</td>
</tr>
<tr>
<td>Website of my main superannuation fund</td>
<td>25%</td>
<td>23%</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Internet / Google search</td>
<td>20%</td>
<td>18%</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>Tax specialist</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Family</td>
<td>17%</td>
<td>14%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Government sources</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Friend</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>My employer or HR Manager</td>
<td>18%</td>
<td>17%</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>My bank / personal banker</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Media – newspapers / specialist magazines</td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>No-one</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>–</td>
<td>–</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know / not sure</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>
EXPONENTIAL GROWTH IN SMARTPHONES

Smartphones are an important technological development which represent significant opportunity for superannuation funds.

Growth in reported smartphone ownership is significant – up from 46% in 2011 to 71% in 2012. Smartphones represent a key channel to build engagement with superannuation.

CHART 17: OWNERSHIP OF SMARTPHONES

Q. Do you currently have a smartphone such as an iPhone or an Android?

Funds should see smartphones as a key way to communicate with members. There is an expectation they will be available and be part of a broader digital strategy that may include social media.

A handful (6%) of working Australians claimed to have accessed information about their superannuation in the past six months via their smartphone – suggesting super funds are indeed investing in providing access to information via this channel. We anticipate seeing this significantly increase as super funds make it easier for members to access details of their super via mobile technology.

DO EMPLOYERS HAVE A ROLE TO PLAY?

Working Australians were asked whether they believed there was any onus of responsibility on their employer to help plan for retirement. Opinion was divided – just over half (53%) believe their employer has at least some responsibility to assist.

Clearly employers need to work within the guidelines of the law, but access to workplace financial education seminars or discounted financial advice are readily available tools to enable members to feel more empowered about their financial future.

CHART 18: EMPLOYER RESPONSIBILITY AND EMPLOYEE FINANCIAL WELLBEING

Q. To what extent do you believe your employer has responsibility to provide you with tools or services to help you manage your overall financial wellbeing and retirement preparedness? These tools might include access to financial education seminars at work and subsidised financial advice.