

National Survey of 25-64 Year Olds in the Workforce

Report on Workforce Perceptions and Attitudes to Superannuation

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- ANOP Research Services conducted a **national survey of 25-64 year olds in the workforce in late July 2002** for the Association of Superannuation Funds of Australia (ASFA).
- The main aim of the research is to provide ASFA and the superannuation industry with a better understanding of consumer perceptions and attitudes to superannuation in the current environment. Of particular interest is the impact of issues such as returns, fees and charges and safety on consumers' confidence and behaviour.
- The national study consisted of a telephone survey of a random sample of **706** Australians aged 25-64 years in full-time or part-time work. The study was designed to investigate age and gender differences, but also to identify differences related to type of fund membership (ie corporate, public sector, industry and retail funds).

The 2002 survey covered:

- **General attitudes to superannuation** (importance of super system for Australia; perceived benefits and disadvantages)
- **Perceived knowledge of superannuation** (knowledge about how Australia's super system works, rules re age pension, own super fund)
- **Attitudes to returns, fees & charges and tax issues** (returns from own fund, attitudes to returns & risk, whether fees & charges are reasonable, tax effectiveness of super)
- **Perceived adequacy of what various parties are doing** (whether the federal government, super funds, employers, most Australians and individuals are doing enough)
- **Attitudes to what government should do** (order of importance of various courses of action)
- **Attitudes to what super funds should do** (perceived priorities)
- **Attitudes to what individuals are likely to do** (likelihood of contributing more, ways to encourage voluntary contributions)

General Attitudes to Superannuation

- 96% believe it is important for Australia to have a superannuation system that ensures adequate savings for retirement - with eight in ten believing it is *extremely or very* important.
- The two main themes in terms of perceived advantages of having superannuation are *securing an adequate standard of living in retirement* and *self-reliance*. The emphasis is on future outcomes and responsibility.
- The main perceived drawbacks of superannuation are *risk and security issues, tax on super, lack of accessibility and affordability*. The risk and security themes reflect a mix of concerns (investment risk, low returns, safety, management) and should be interpreted in the context of broader community concerns about security.

Perceived Knowledge of Superannuation

- Perceived understanding of how Australia's superannuation system works continues to have room to improve, but four in ten feel informed. A six in ten majority feels informed about their own super fund, indicating a reasonable level of comfort with their own fund.
- The great majority - 87% - can name their main super fund, and only 3% report that they do not have superannuation. These findings indicate good basic consciousness of individual's own superannuation arrangements.
- While general understanding is increasing, knowledge of specific complex issues remains low. The large majority feel poorly informed about rules for receiving the age pension when people have savings in superannuation.

Attitudes to Returns and Risk

- As of late July, the news of the potential poor returns had reached only four in ten - two in ten had no idea, while another four in ten considered the returns from their super fund to be at least quite good. A backlash is likely when awareness of low returns increases.
- A majority indicate that they understand that the returns may vary from year to year, but a majority would like the returns to be more stable than other investments because of the compulsory nature of superannuation.
- Only one-third is clearly prepared to accept the risk of poor returns in some years to receive high returns over the long term. There is a desire for security and certainty about superannuation returns.

Attitudes to Fees & Charges and Tax Issues

- Only one-quarter is currently unhappy with their fund's fees & charges, while over one half regard them as reasonable - and two in ten have no idea. Unfavourable attitudes are likely to increase when members receive their statements later in the year and assess fees & charges in the context of low returns.
- There is a reasonable appreciation of the tax benefits of superannuation, especially considering the complexity of the issue. Around half believes that superannuation is tax effective compared to other investments - and this perception is higher among those for whom super is most tax effective.

Perceived Adequacy of What Various Parties Are Doing

- There is a strong perception that most Australians and the Federal Government are not *doing enough* to ensure adequate retirement savings.
- As found previously, there is a significant gap between perceptions of individual's own situation and that of "most Australians": one half believes that they personally are doing enough, yet only one in ten believes "most Australians" are.
- Employers are the most likely to be perceived as doing their bit.

Attitudes to What the Federal Government Should Do

- The top perceived priorities for Federal Government action are *ensuring super is safe* and *reducing taxes on super*.

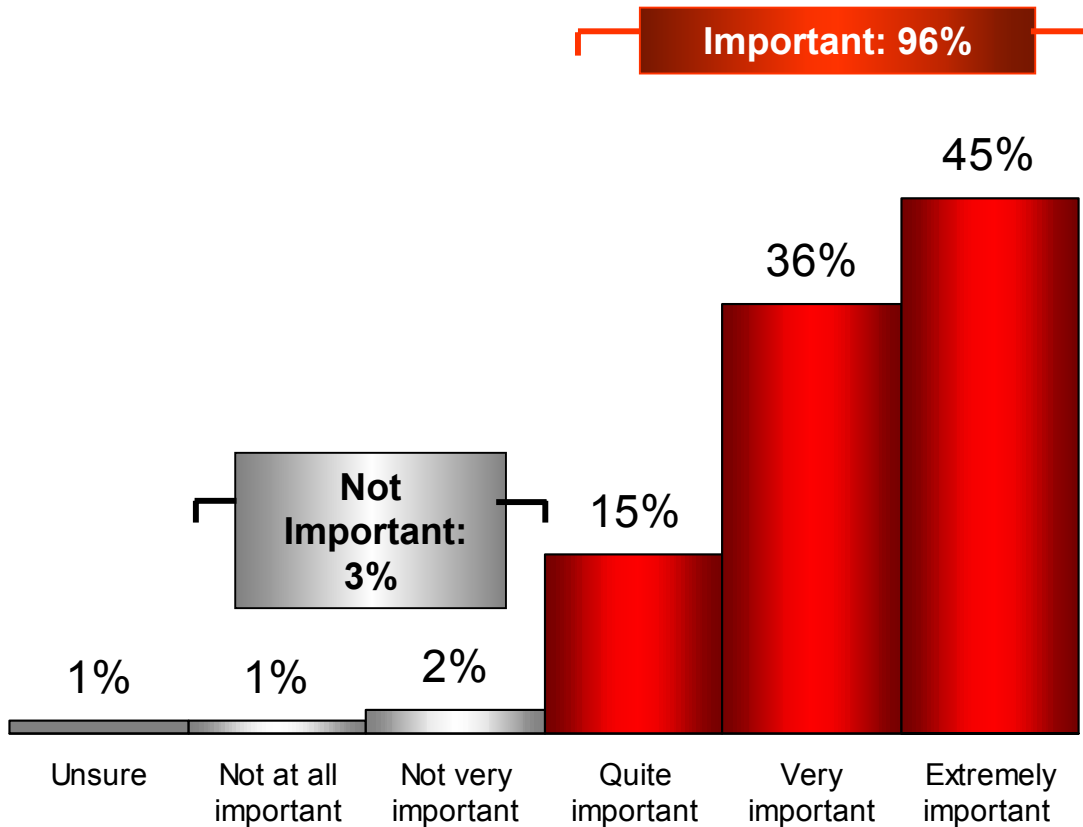
Attitudes to What Superannuation Funds Should Do

- The highest perceived priority for superannuation funds is ensuring *good financial returns*, followed by keeping *fees & charges down* and ensuring the *good corporate governance*.

Attitudes to What Individuals Are Likely to Do

- Only one-third reveals a strong intention to contribute more than the SG. The main perceived ways of encouraging individuals to contribute more are a *reduction in tax on super* and *better returns*, but safety and stability are also important.

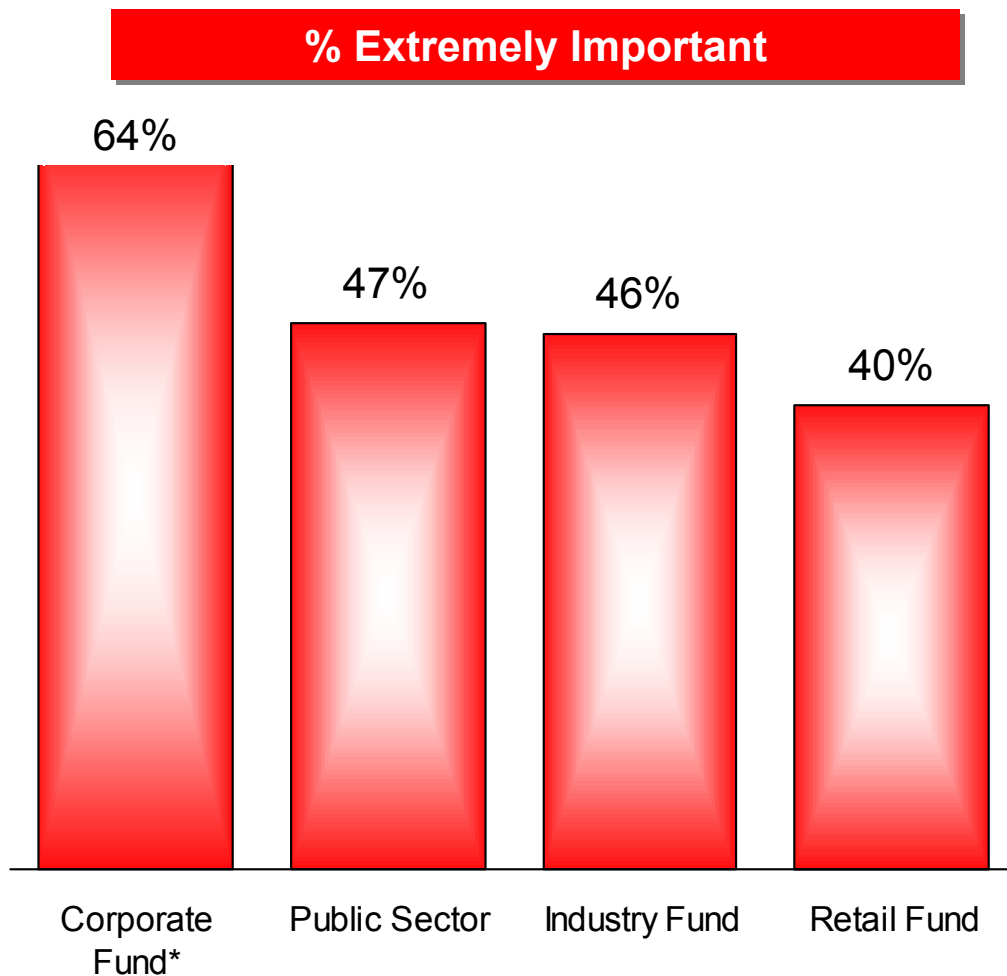
General Attitudes to Superannuation



Key findings:

- 96% believe it is important for Australia to have a superannuation system to ensure adequate retirement savings.
- 81% rate it as *extremely* or *very* important, indicating a very high level of community importance.

The overwhelming majority believe that it is important for Australia to have a superannuation system that ensures adequate savings for retirement.



Perceived level of importance is higher among:

- corporate fund members*
- those likely to contribute more into super
- those from higher income households
- those feeling informed
- those working in larger companies
- those closest to retirement (55-64s)

Extremely +Very

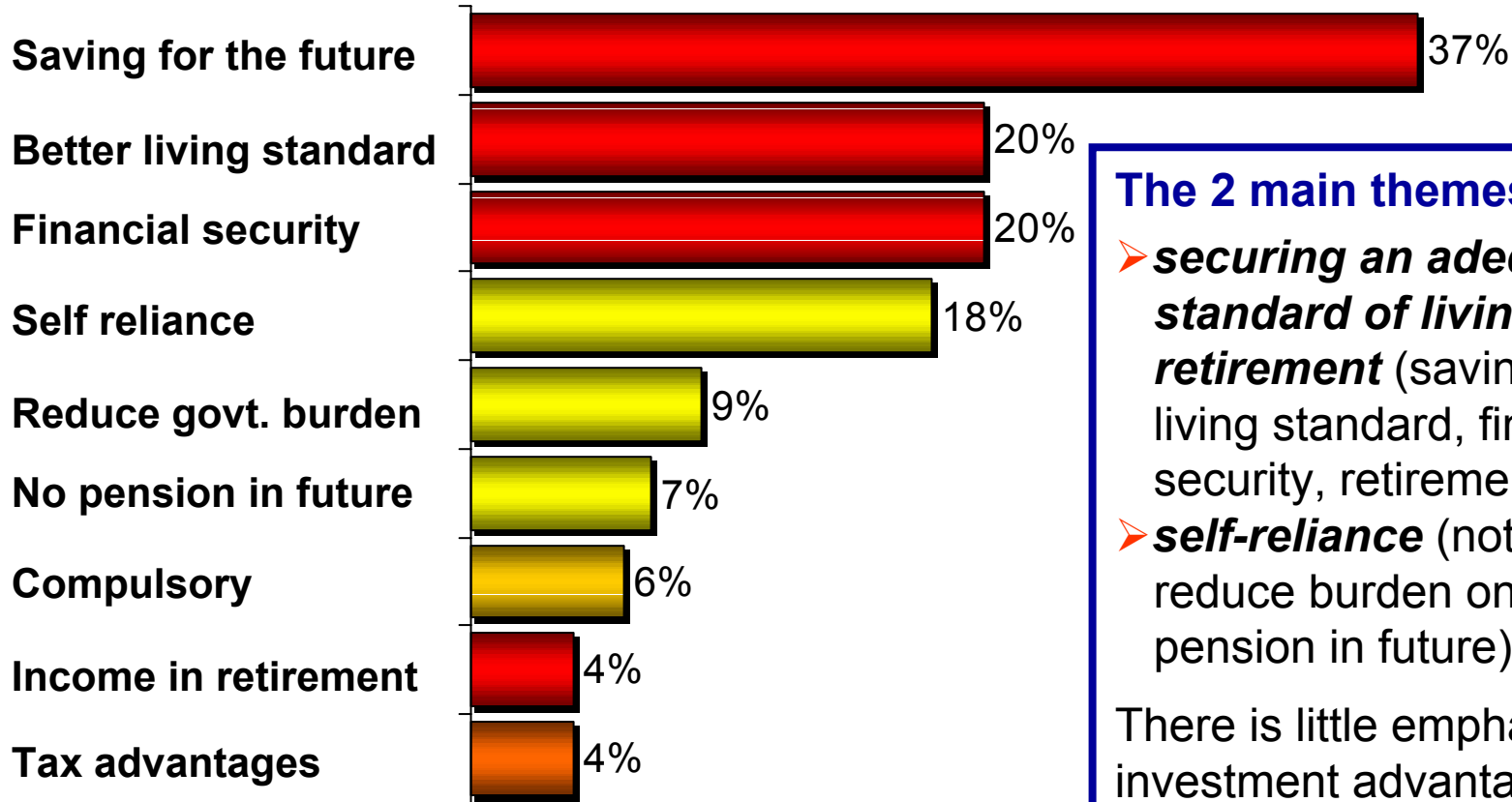
89%

82%

84%

78%

Nearly all (96%) can spontaneously nominate advantages of having superannuation. The main perceived benefits are:



The 2 main themes are:

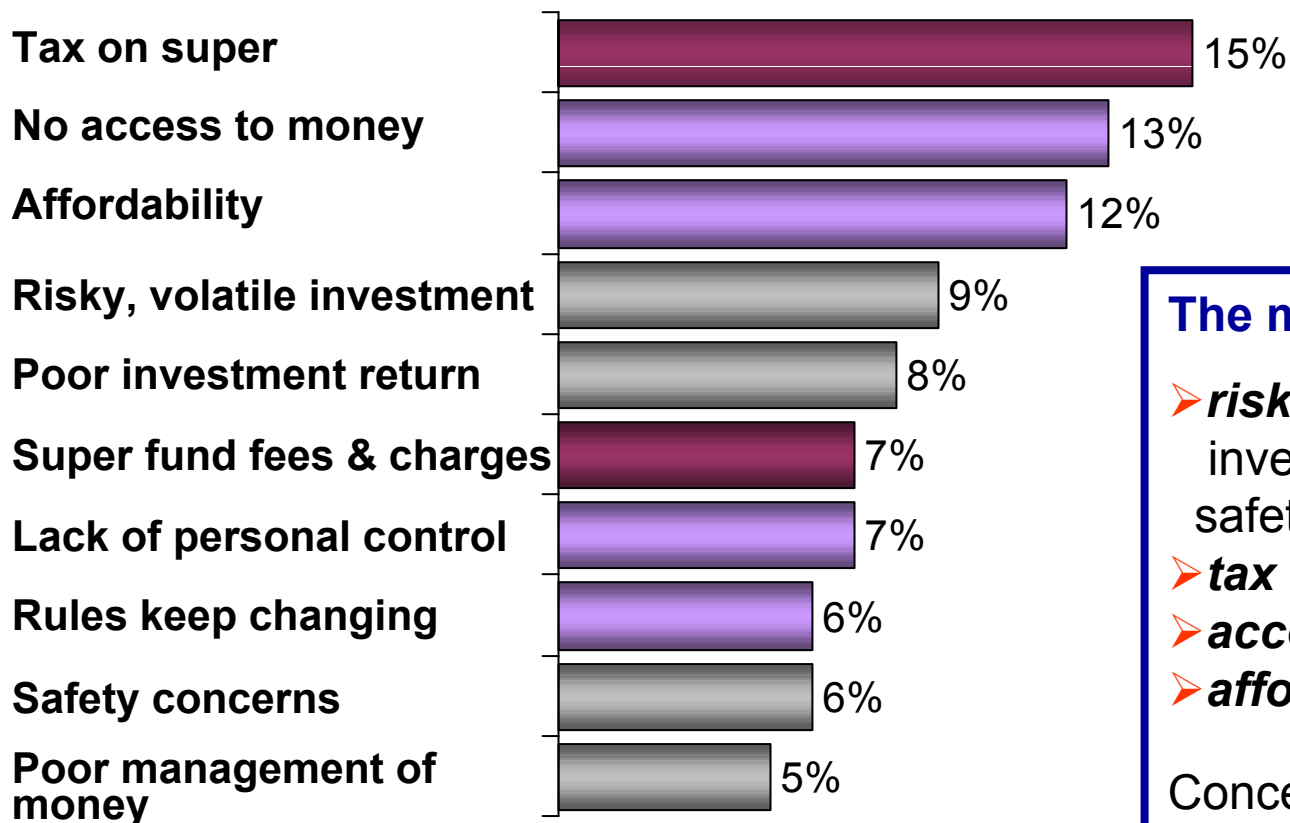
- **securing an adequate standard of living in retirement** (saving for future, living standard, financial security, retirement income)
- **self-reliance** (not rely on govt, reduce burden on govt, no pension in future)

There is little emphasis on investment advantages.

- Main responses to open-ended question -

The main perceived benefits are *securing adequate living standards in retirement* and *self-reliance*: the emphasis is on future outcomes and responsibility.

Three-quarters (76%) can spontaneously mention disadvantages of having superannuation. The main perceived drawbacks are:



The main themes are:

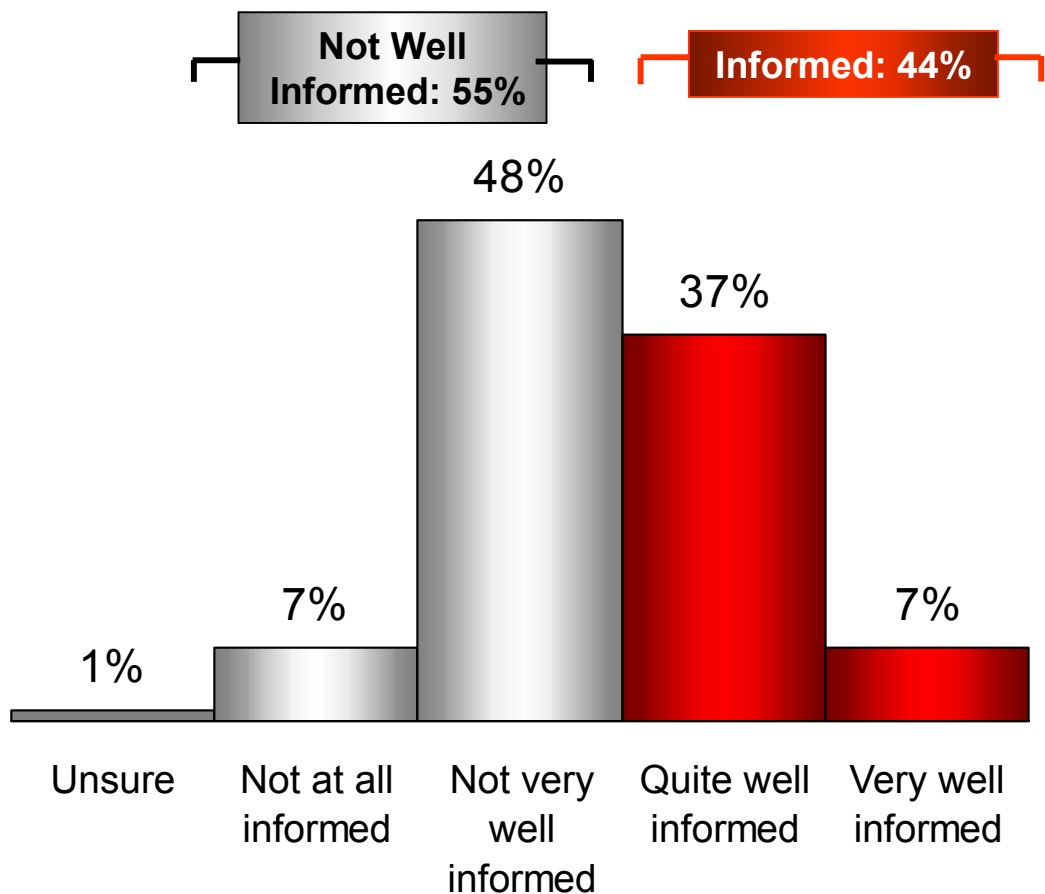
- **risk and security** (risky investment, poor return, safety, management)
- **tax on super**
- **accessibility**
- **affordability**

Concerns about risk & safety, tax and affordability have risen.

- Main responses to open-ended question -

The main perceived drawbacks are *risk and security*, *tax on super*, *lack of accessibility* and *affordability*.

Perceived Knowledge of Superannuation



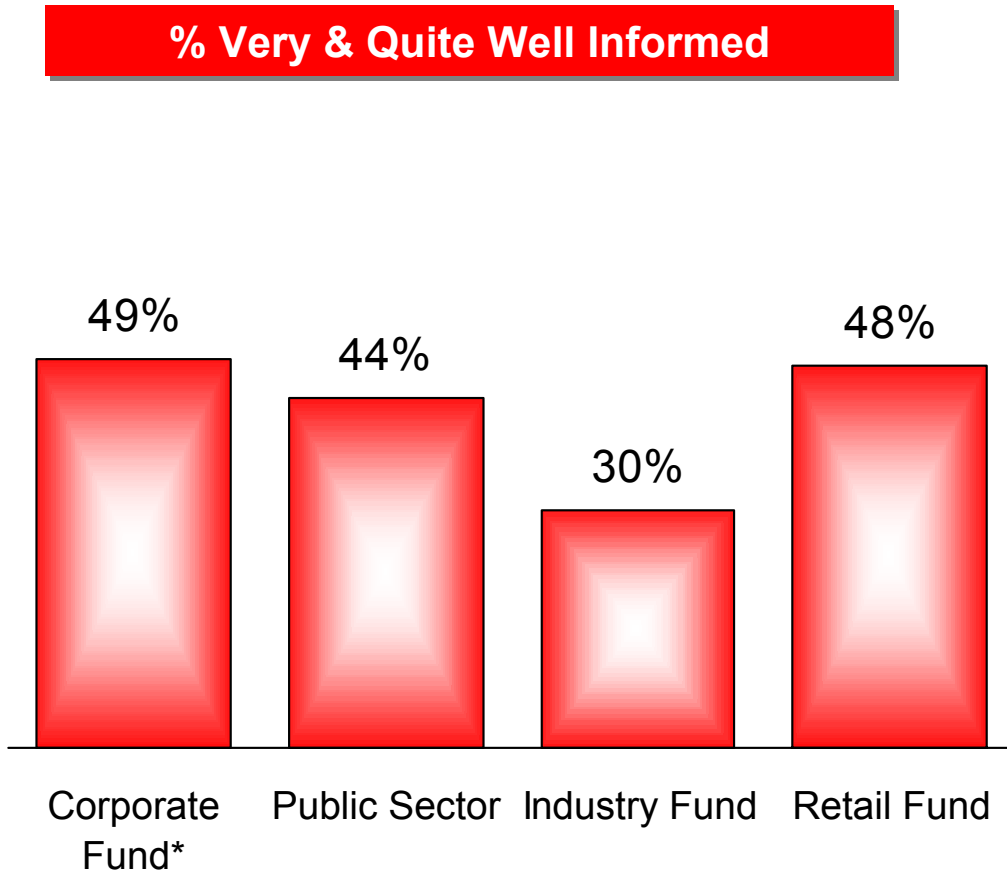
Key findings:

- 44% feel at least quite well informed about how Australia's superannuation system works, whereas 55% do not.
- These results suggest that general understanding of the 'mechanics' and general principles of a complex system is increasing, but still has some way to go.

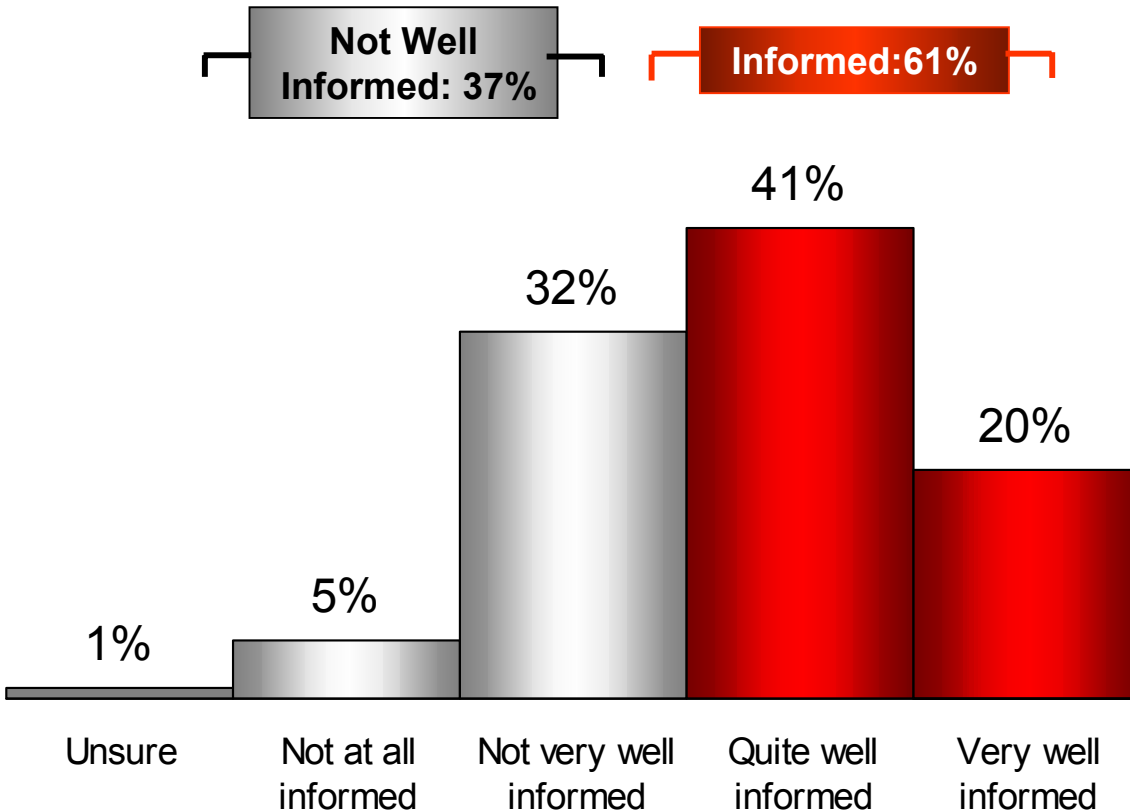
Perceived understanding of how Australia's superannuation system works continues to have room to improve, but four in ten feel informed.

Perceived knowledge of Australia's super system is related to:

- Perceived knowledge of **own** super fund... **this is the strongest driver**
- SES (household income, occupation)
- Gender: *women feel less well informed than men*
- Hours worked: *part-time workers feel less well informed*
- Likelihood of contributing more into super
- Type of fund membership



Those more likely to feel uninformed are: less skilled; lower income; part-time workers; women.

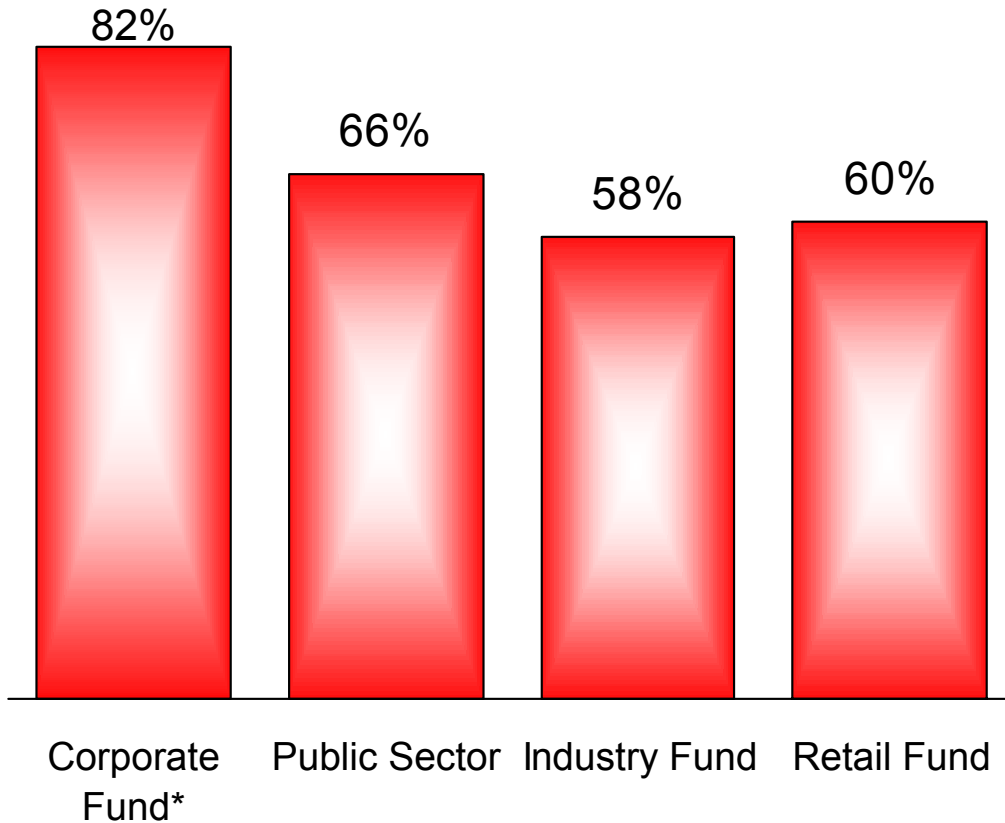


Key findings:

- 61% feel very or quite well informed about their **own** superannuation fund.
- This indicates a **reasonable level of comfort** with their own fund.
- Perceived knowledge of own fund is a key driver of general understanding and knowledge of super.

The majority feels at least quite well informed about their own super fund.

% Very & Quite Well Informed



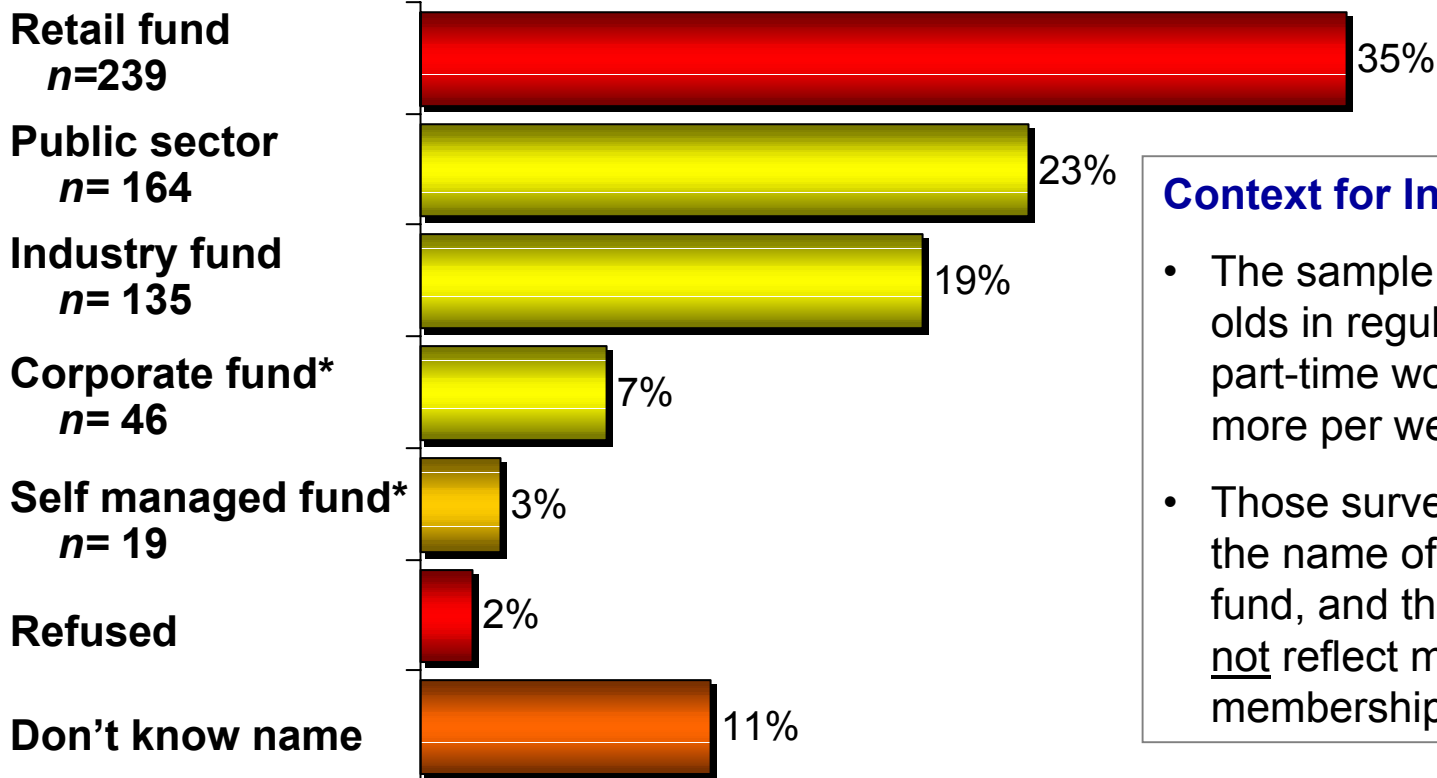
Perceived knowledge of own super fund is related to:

- Type of fund membership
- Age: *45-64s feel significantly better informed than 25-34s*
- Gender: *men feel better informed than women*
- Hours worked: *full-time workers feel better informed*
- Company size: *those from larger companies feel better informed*
- Occupation: *managers/professionals feel better informed*

Those who feel best informed are corporate fund members*, older workers and men.

- Only 3% reported that they did **not** have any superannuation.
- 87% of those with super named their **main** super fund, and ASFA classified them according to sector.

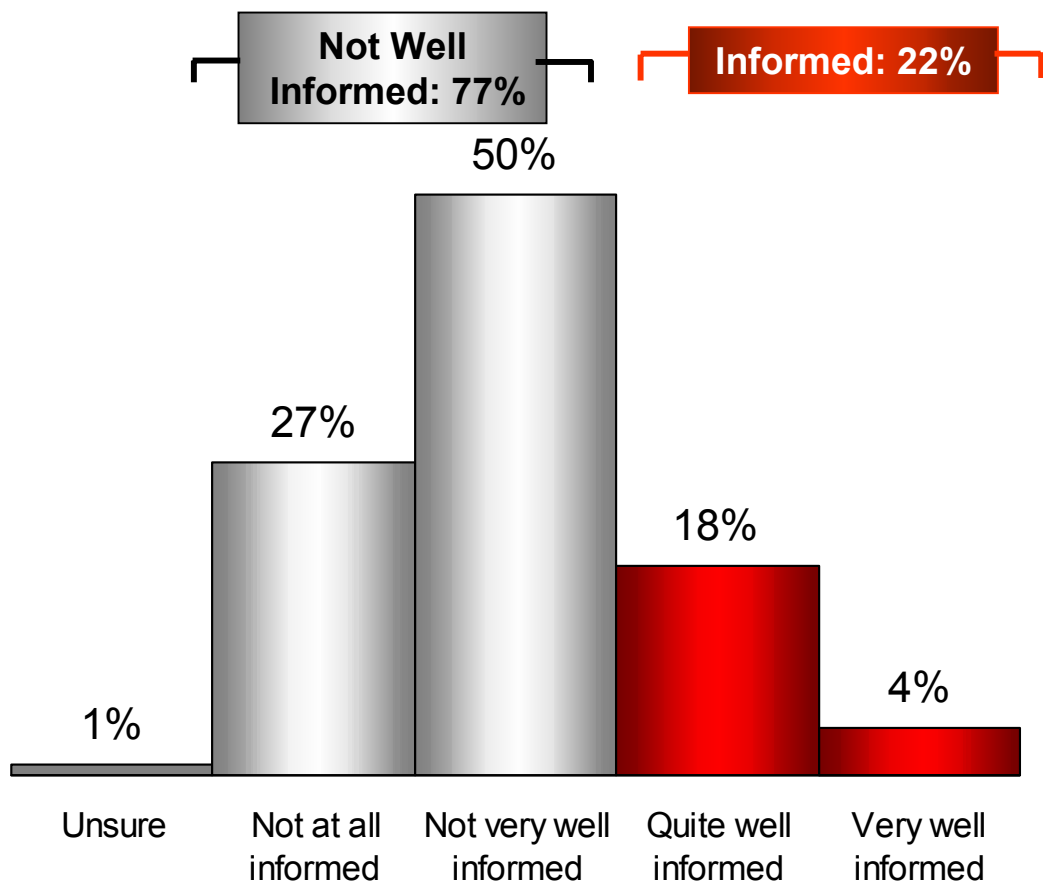
Main Super Fund (Classified into Sectors by ASFA):



Context for Interpretation:

- The sample is 25-64 year olds in regular full-time or part-time work (16hrs or more per week).
- Those surveyed were asked the name of their main super fund, and thus the results do not reflect multiple fund membership.

The great majority know the name of their superannuation fund, indicating good basic consciousness of their own superannuation arrangements.

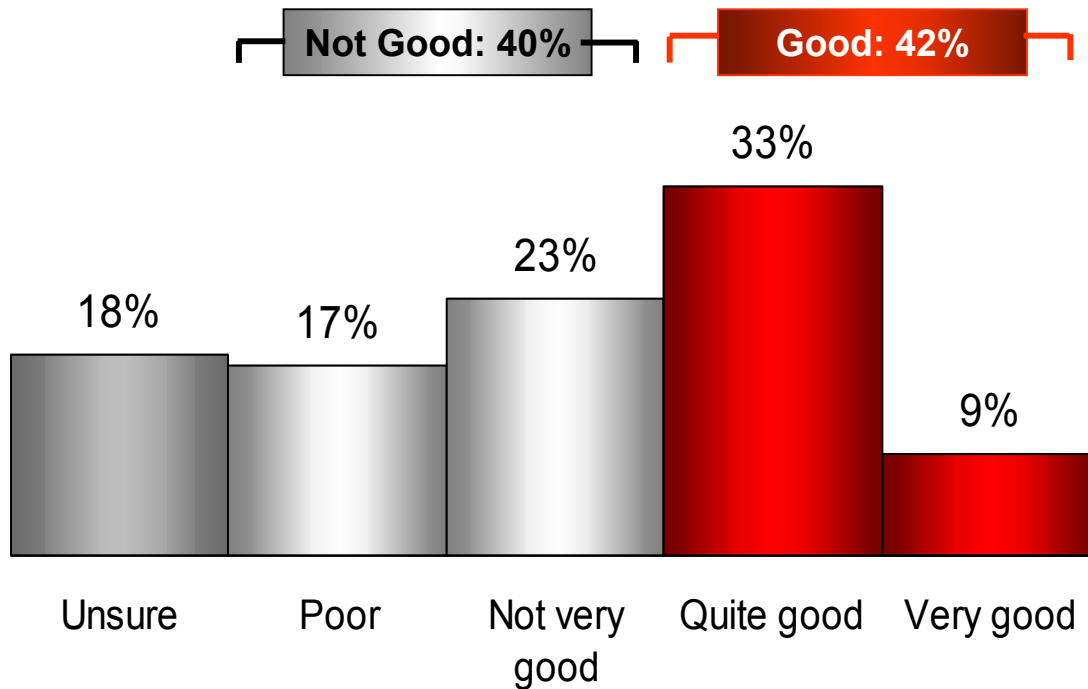


Key findings:

- 77% feel poorly informed about the rules for receiving the age pension when you have savings in super.
- Perceived knowledge is only slightly higher among older groups (45-64s). In terms of fund sector, it is lowest among corporate fund members*.

Perceived knowledge of specific "complex" issues is low.

Attitudes to Returns, Fees & Charges and Tax Issues



Key findings:

- As of late July, the news of potential poor returns had reached only 40%.
- 42% feel that the returns from their super fund are currently very good (only 9%) or quite good (33%).
- 18% admit that they do not know how their fund is performing.

➔ **A backlash is likely when awareness of low returns increases.**

Results indicate that many are still unaware of the bad news to come.

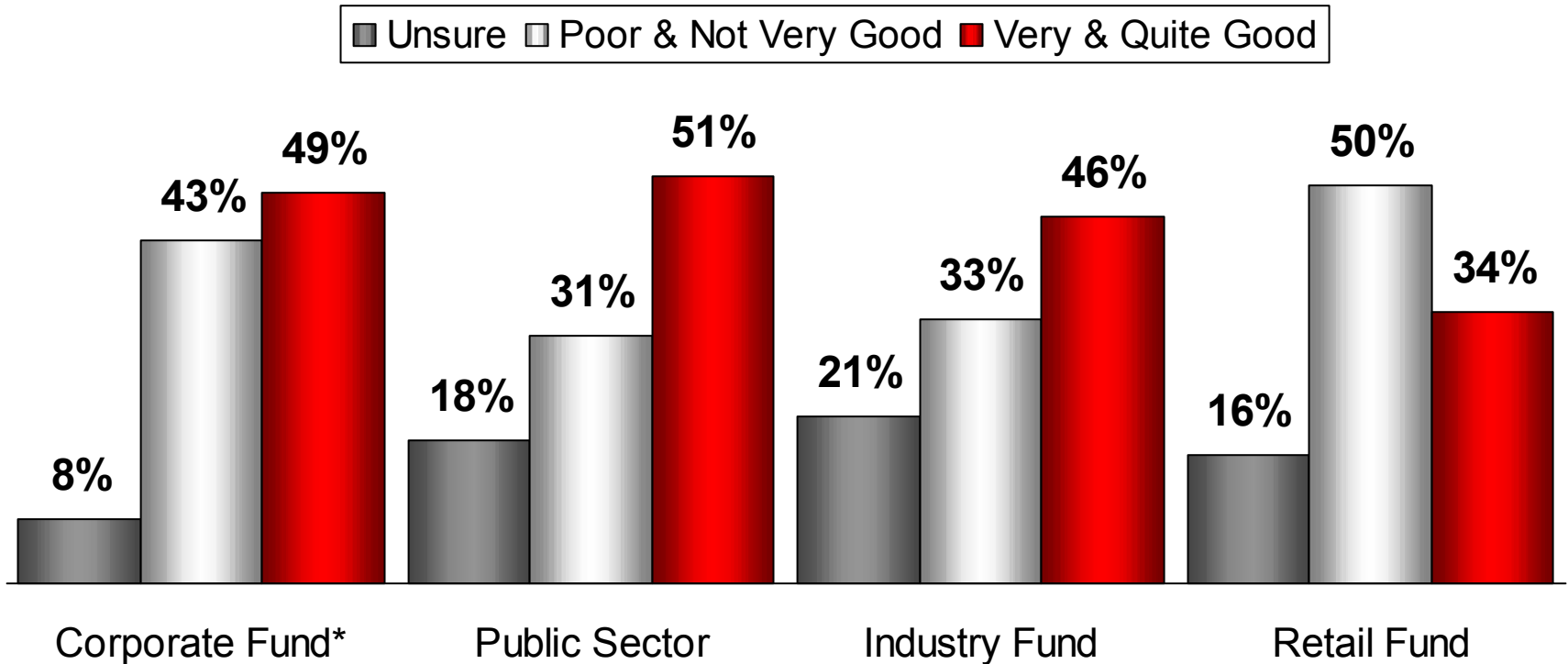
Why returns are perceived as "good" - the 42%

- Reasons given by those who perceive returns as 'very or quite good' **reflect a general satisfaction with, or confidence in, their fund.** Only a small minority mentions that returns have been good but will be affected by the market downturn.

Why returns are perceived as "not good" - the 40%

- Reasons given by those who perceive returns as 'not very good' or 'poor' **reflect knowledge of the current environment**, ie market downturn, resulting in low or negative returns. A minority link poor returns with fees & charges and with poor performance of super compared to other investments.

- Main responses to open-ended questions -



- Public sector fund members have the most favourable perceptions, and retail fund members the least.
- Men and those from higher income households are also more likely to perceive low returns.

Retail fund members have the least favourable perceptions of current fund performance.

- A majority indicate that **they understand the returns may vary, but a majority would like the returns to be more stable** than other investments because of the compulsory nature of superannuation.
- Only one-third is clearly prepared to accept the risk of poor returns** in some years to receive high returns over the long term.

■ Agree a Lot
 ■ Agree a Little
 ■ Disagree a little
 ■ Disagree a lot

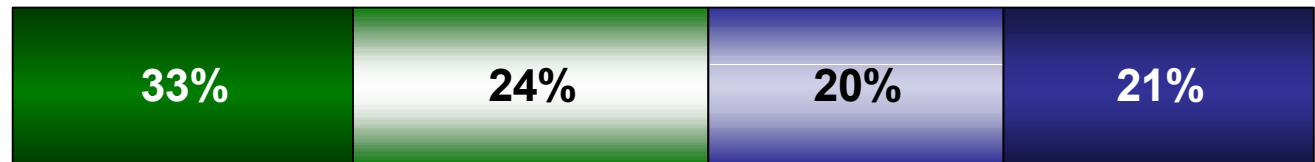
Understand that returns may vary from year to year



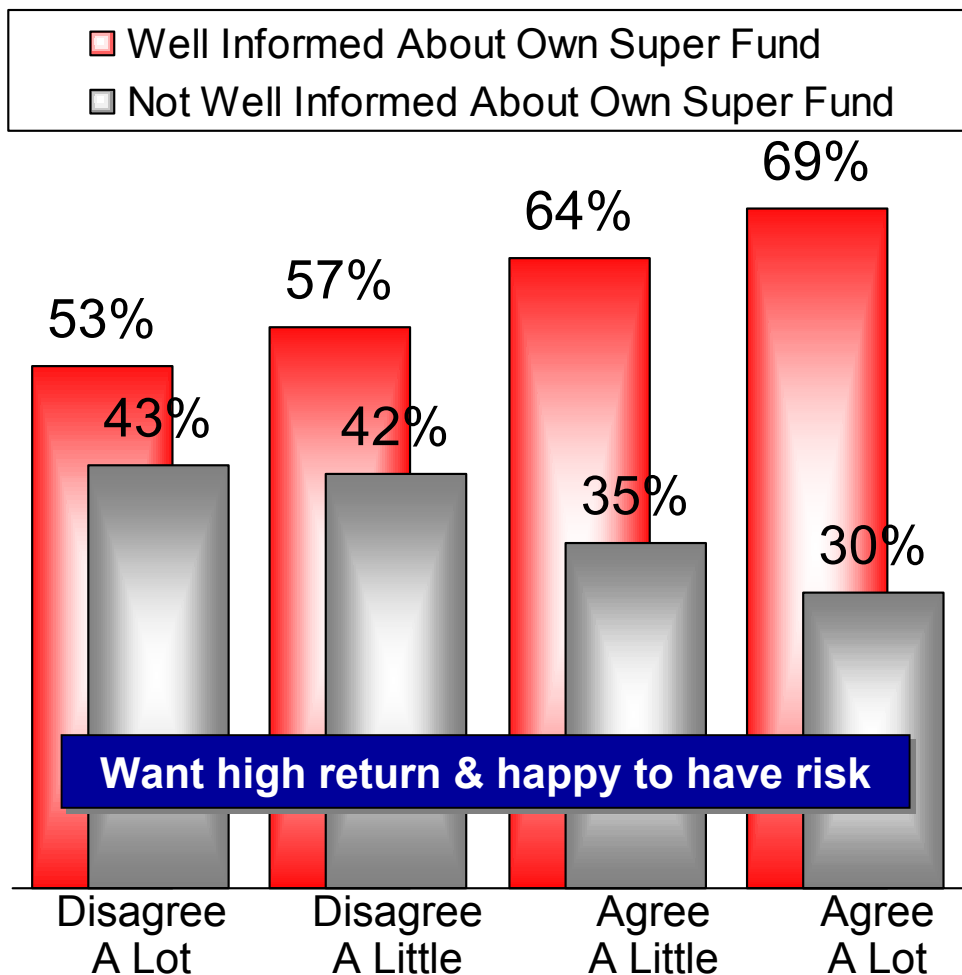
Returns should be less risky than other investments



Want high return and am happy to have risk of poor returns



There is a desire for security and certainty about superannuation returns.



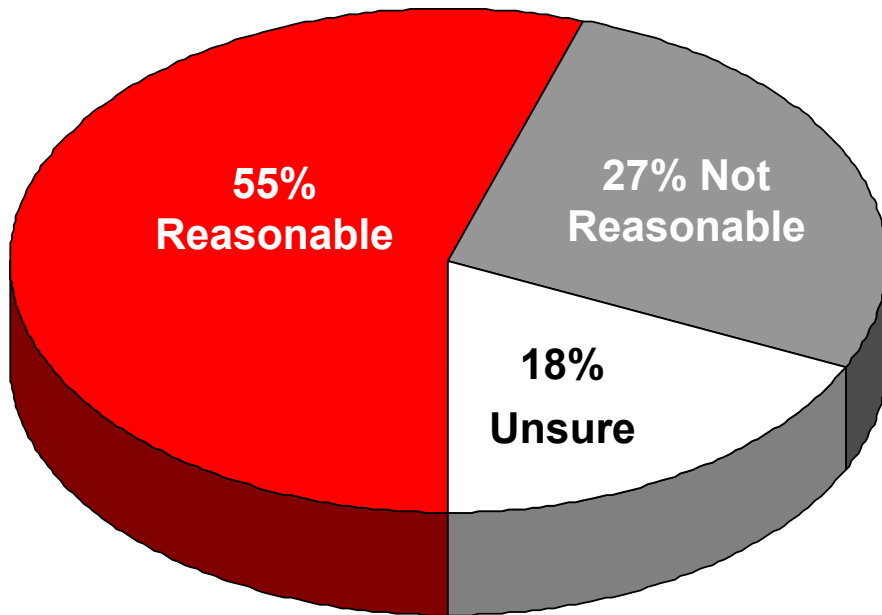
Higher propensity to accept risk:

- corporate* & retail fund members
- men & full-time workers
- managers/professionals
- higher household income

Lower propensity to accept risk:

- industry & public sector fund members
- women & part-time workers
- older workers
- lower household income.

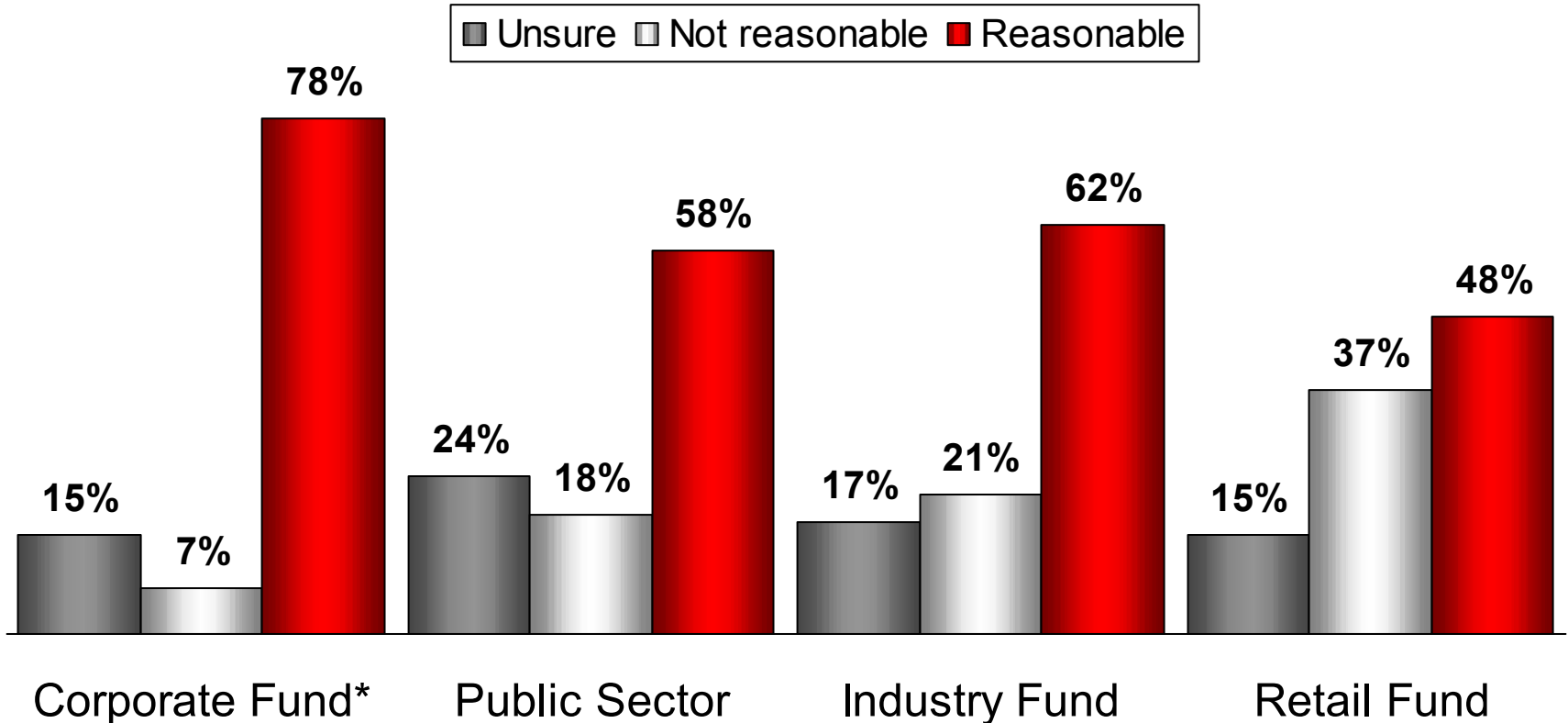
Propensity to accept risk is clearly related to knowledge and understanding.



Key findings.

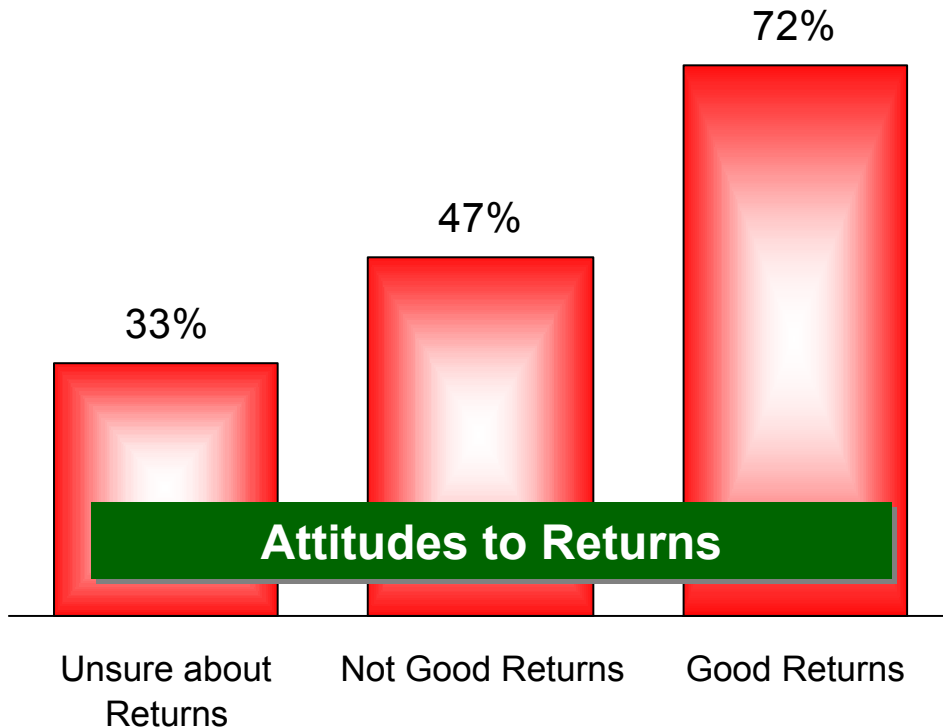
- As of late July, only 27% believe that their fund's fees & charges are unreasonable, whereas 55% regard them as reasonable.
 - 18% admit that they do not know enough to judge.
- **Unfavourable attitudes are likely to increase when members receive their statements later in the year and assess fees & charges in the context of low returns.**

Only one-quarter is currently unhappy with their fund's fees & charges.



Corporate fund members are most satisfied with fees & charges, and retail fund members the least.

% Fees & Charges Are Reasonable

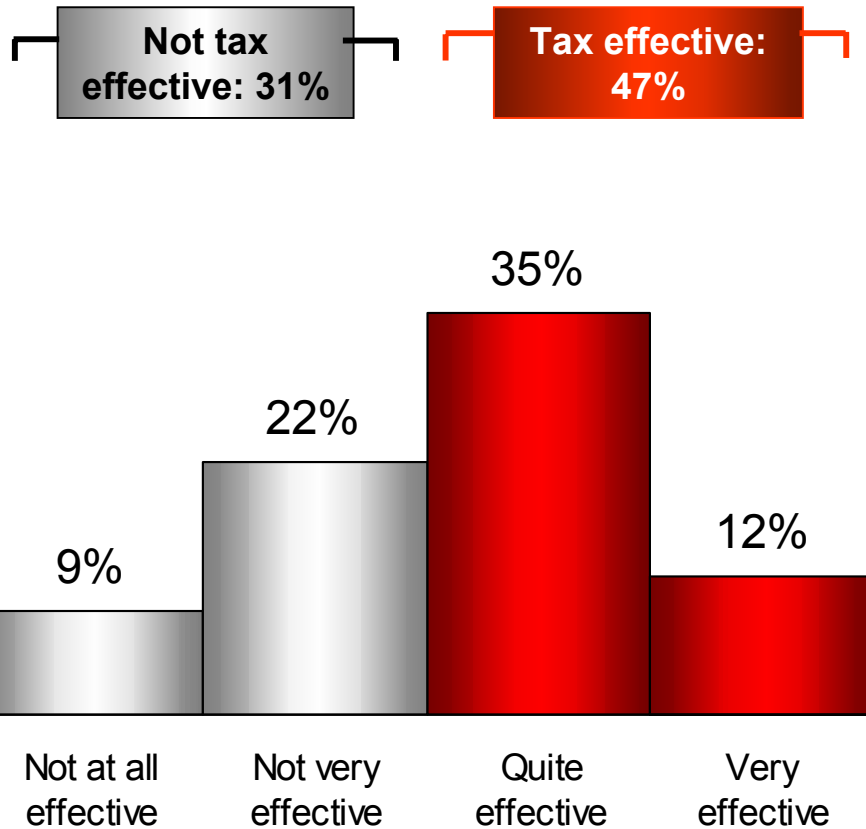


Key findings:

- There is a **strong relationship between attitudes to fees & charges and returns.**
- The main reasons given by those who regard fees & charges as **unreasonable**, are that fees & charges on super funds should be low, and that high fees cannot be justified especially if they result in negative growth.

→ **This is a potential hot issue**

Attitudes to fees & charges and returns are inextricably linked.

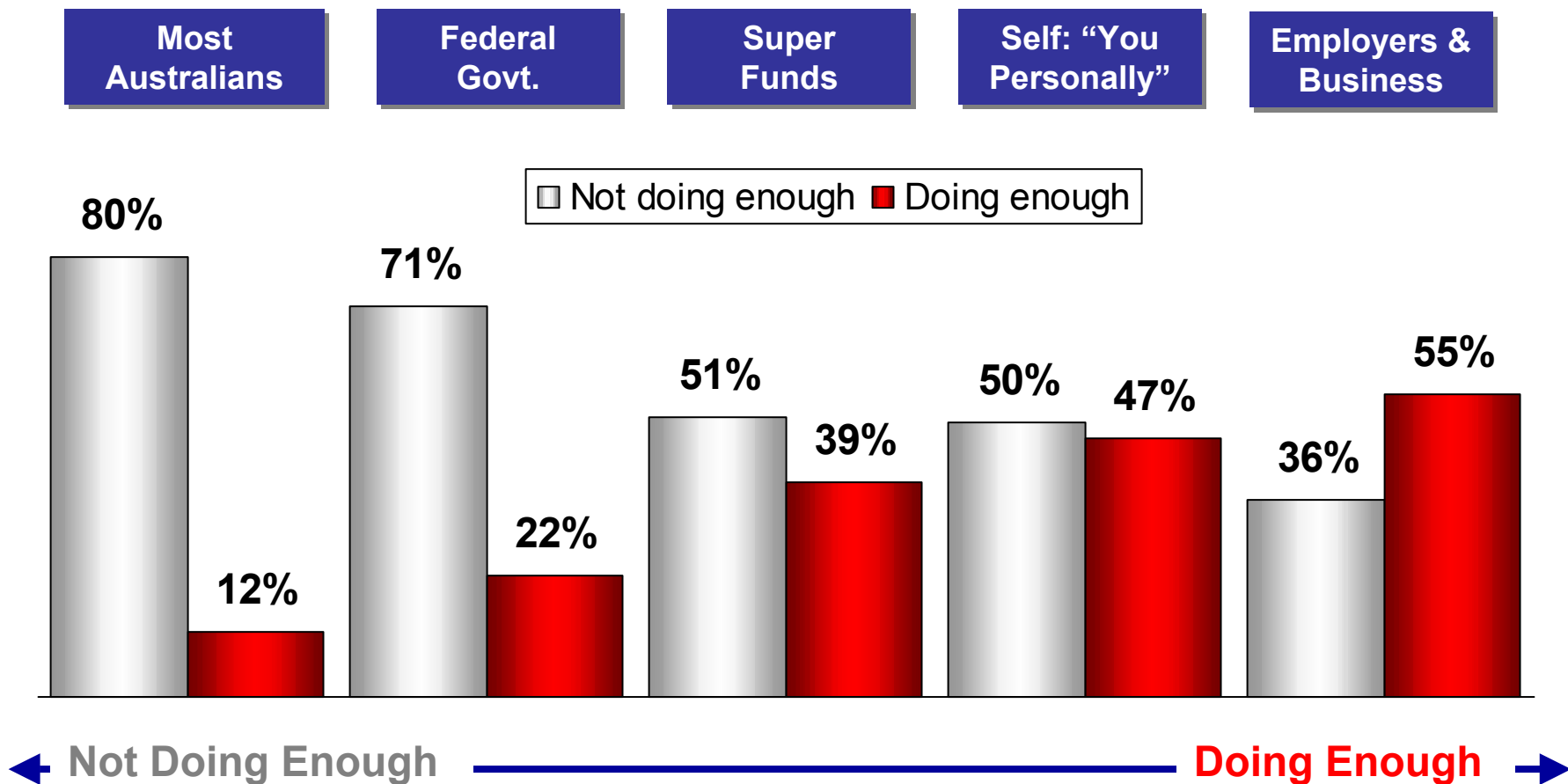


Perceived tax effectiveness is higher among those for whom super is most tax effective:

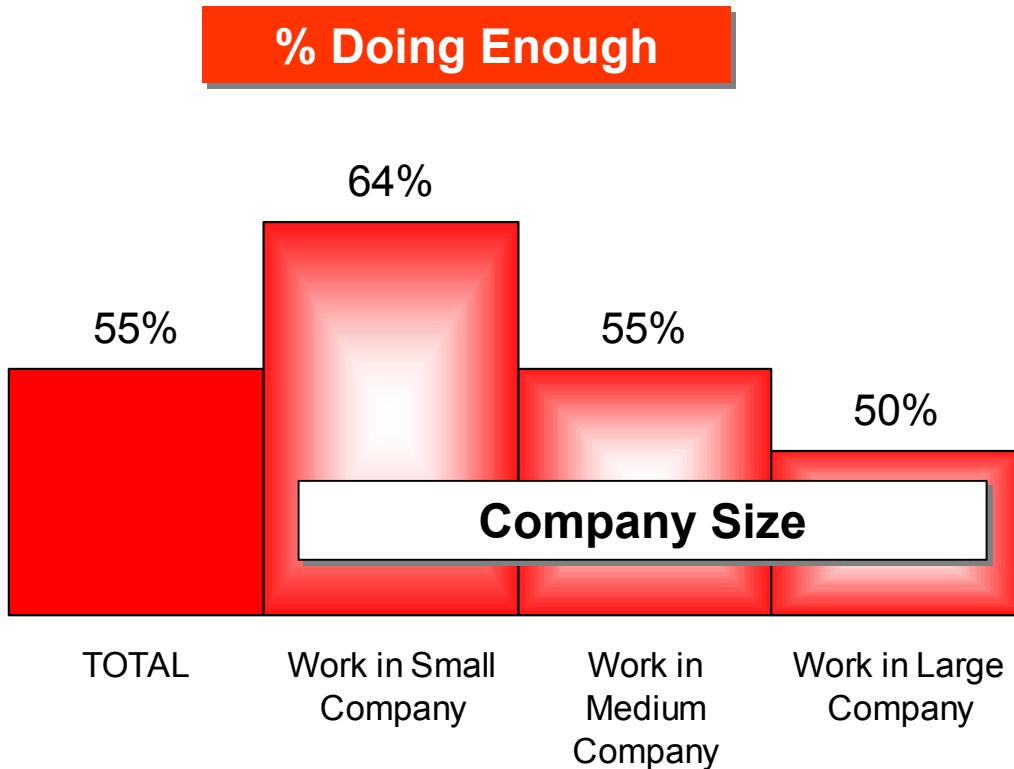
- those from higher income households
- those feeling informed (about how super works & own fund)
- corporate* & retail fund members
- full-time working men
- older groups (45-64)

There is a reasonable appreciation of the tax benefits of superannuation, especially considering the complexity of the issue.

Perceived Adequacy of What Various Parties Are Doing



There is a strong perception that most Australians and the Federal Government are **not doing enough** to ensure adequate retirement savings - and there is a significant gap between perception of individual's own situation and that of "most Australians".



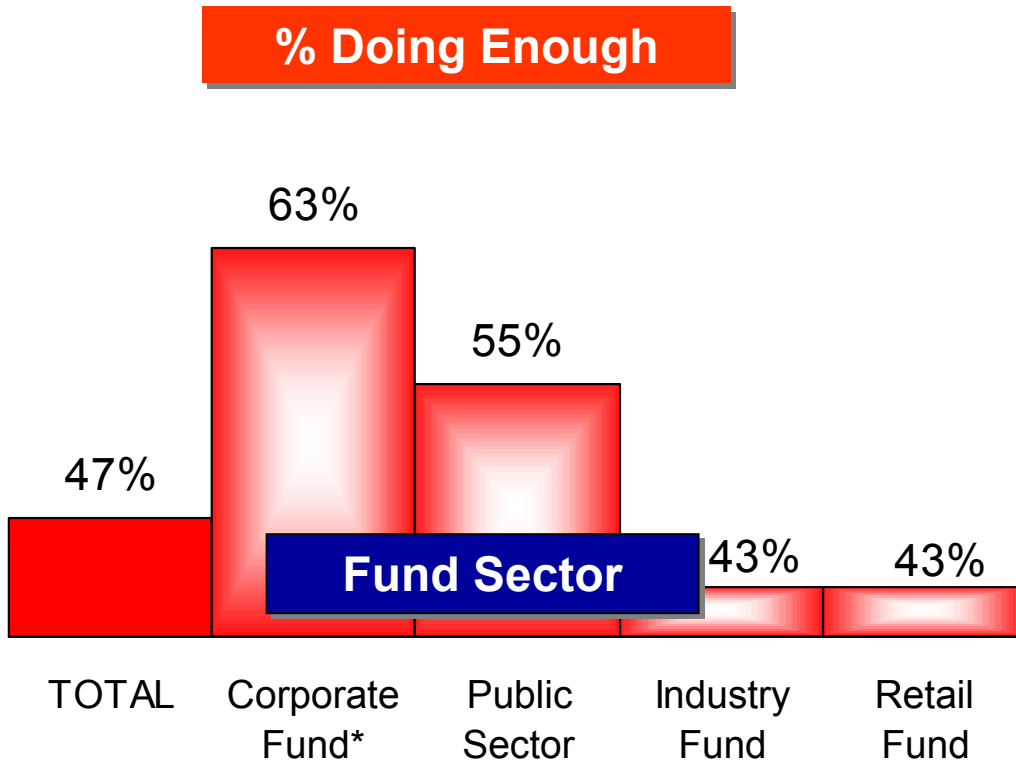
The "Doing Enough" response is higher among:

- those who work in small companies (1-20)
- those with highest household income (\$100k or more)
- part-time workers

The "Not Doing Enough" response is higher among:

- those closest to retirement (55-64s)
- public sector fund members
- those who work in large companies (500 or more)

Over half feel that employers and businesses are doing their bit.



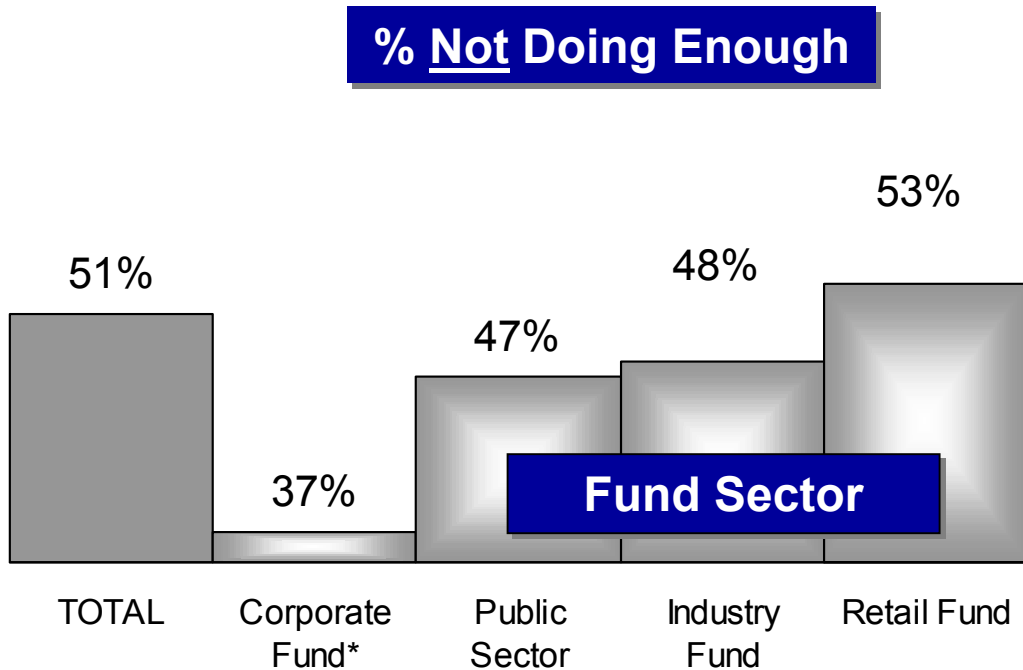
The "Doing Enough" response is higher among:

- those closest to retirement (55-64s)
- those feeling informed (about own fund & how super works)
- corporate* & public sector fund members - and those who work in large companies
- those from higher income households.

The "Not Doing Enough" response is higher among:

- part-time workers
- retail & industry fund members
- women

Overall, slightly fewer than half feel that they personally are doing enough to save adequately for their own retirement.



The "Doing Enough" response is higher among:

- corporate fund members*
- those feeling informed (about own fund & how super works)

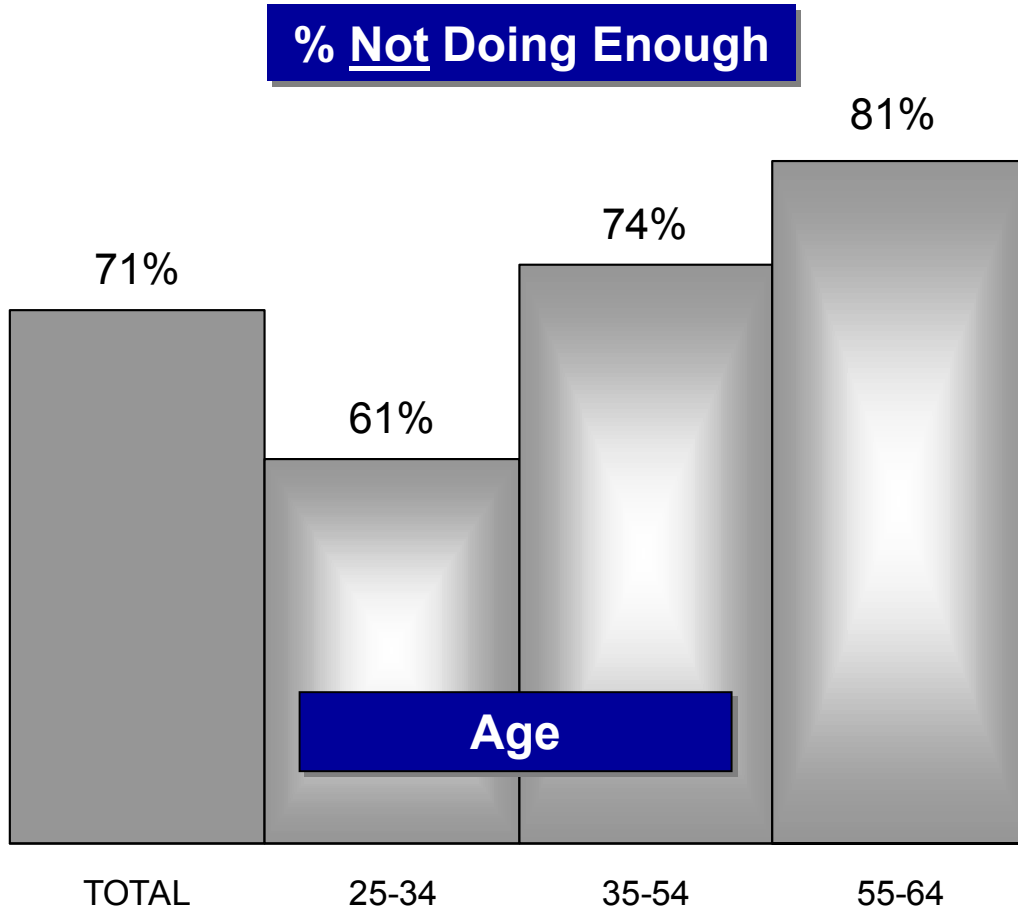
The "Not Doing Enough" response is higher among:

- those who don't feel well informed
- retail fund members

% Doing Enough:

39% 55% 41% 42% 37%

Overall, about half feels that superannuation funds are not doing enough to help people save adequately for their retirement.



The minority "Doing Enough" response is slightly higher among:

- the youngest group (25-34s)
- part-time workers
- retail fund members
- those working in small companies

The "Not Doing Enough" response is higher among:

- those closest to retirement (55-64s)
- corporate fund members*
- those working in large companies
- those with highest household income (\$100k or more)

The perception that the Federal Government is not doing enough increases with age.

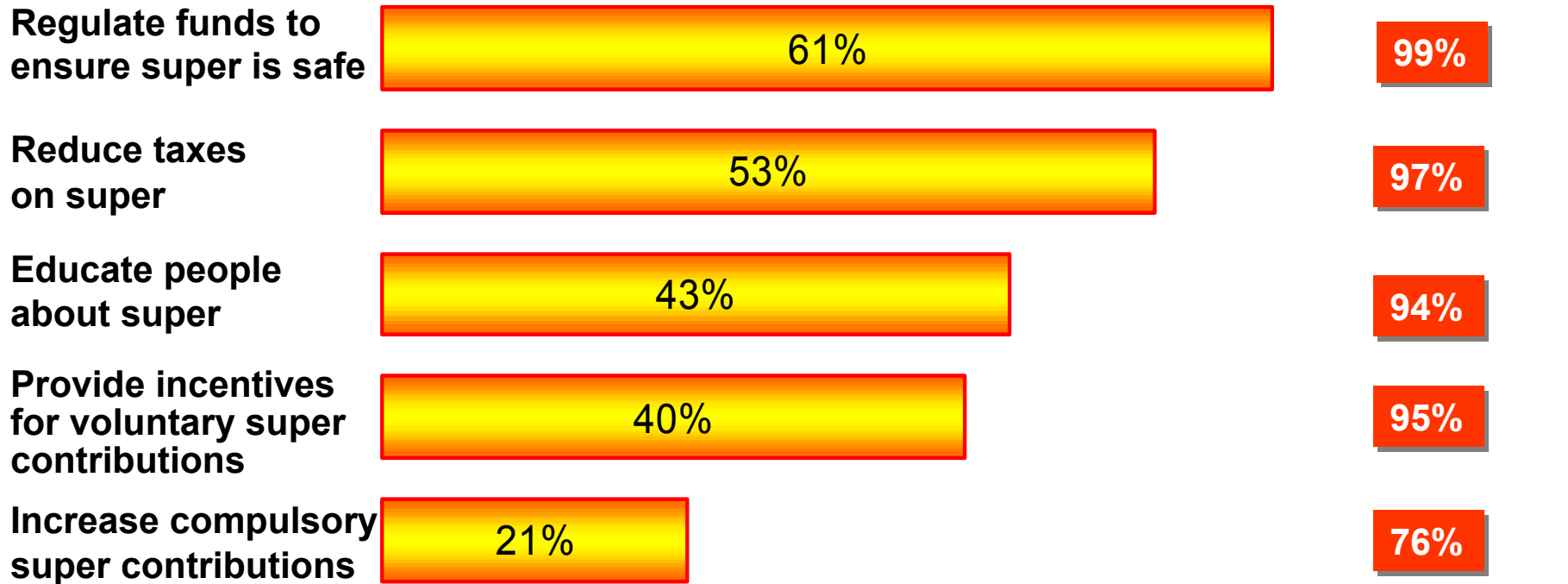
- **Around 8 in 10 in all sub-groups believe that most Australians are not doing enough to save adequately for their retirement.**
- There is little difference between sub-groups, although the "Not Doing Enough" response is slightly higher among:
 - corporate* & industry fund members
 - those with highest household income (\$100K or more)

The great majority feel most Australians are not doing enough to save adequately for their retirement.

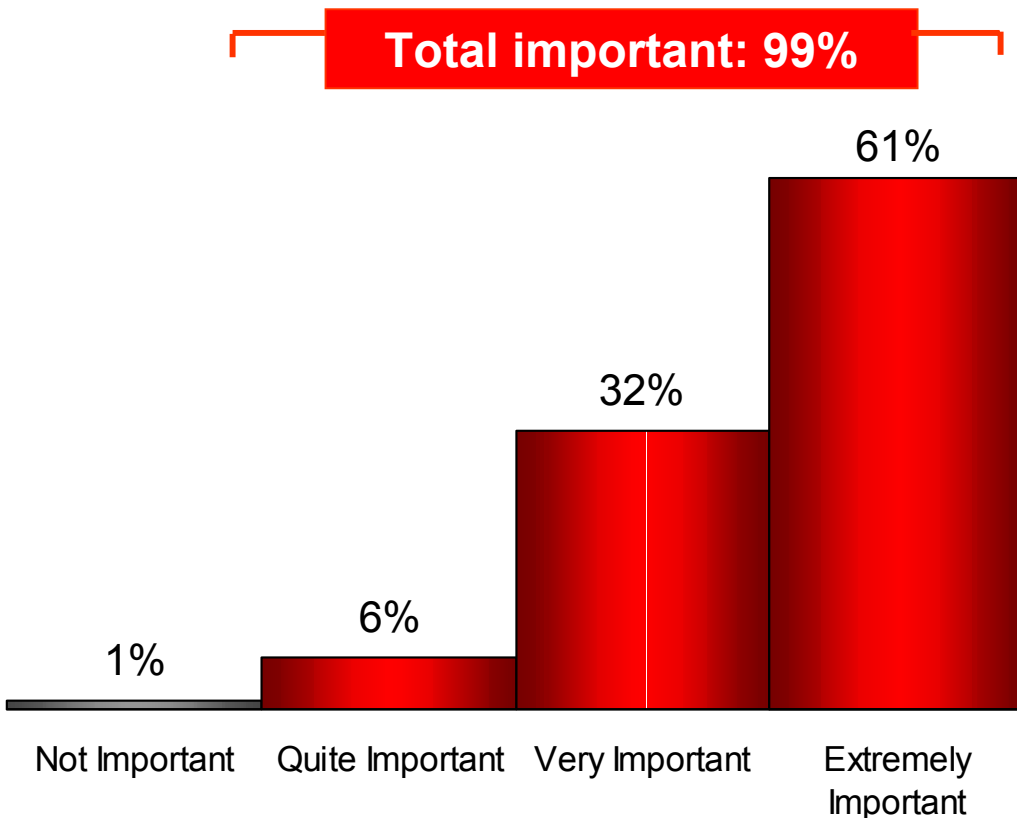
Attitudes to What the Federal Government Should Do

- Those surveyed rated the importance of the following five possible courses of action:

■ Rated as "Extremely Important"



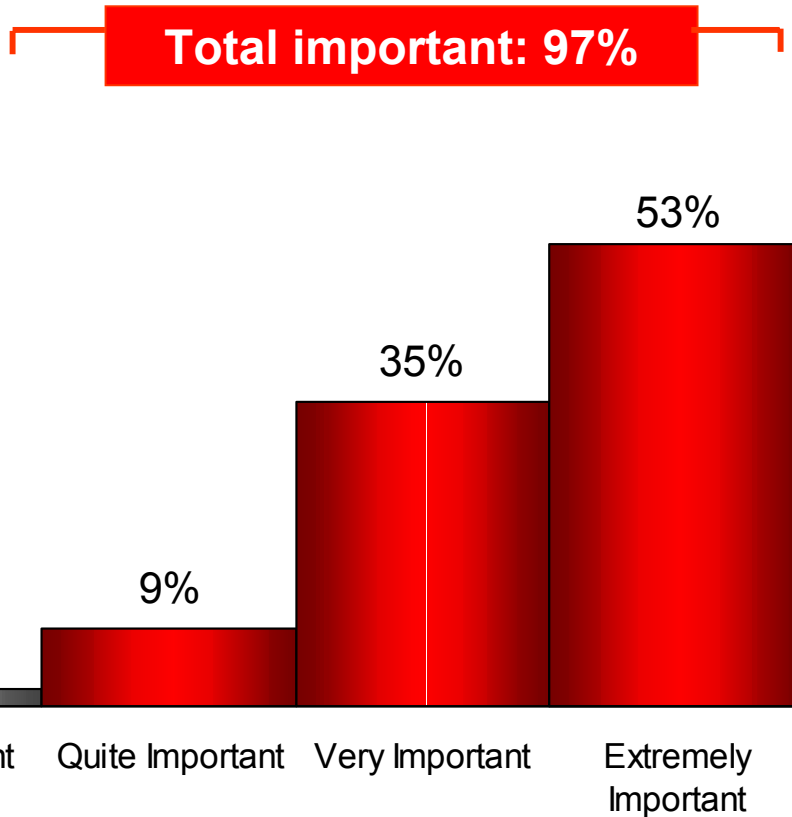
The top perceived Federal Government priorities are *ensuring super is safe* and *reducing taxes on super*.



Key findings:

- 61% rate this as *extremely* important, and another 32% as *very* important.
- The very high level of importance reflects **current concerns about safety and risk**.
- The perceived level of importance is slightly higher among 55-64s, public sector fund members and women.

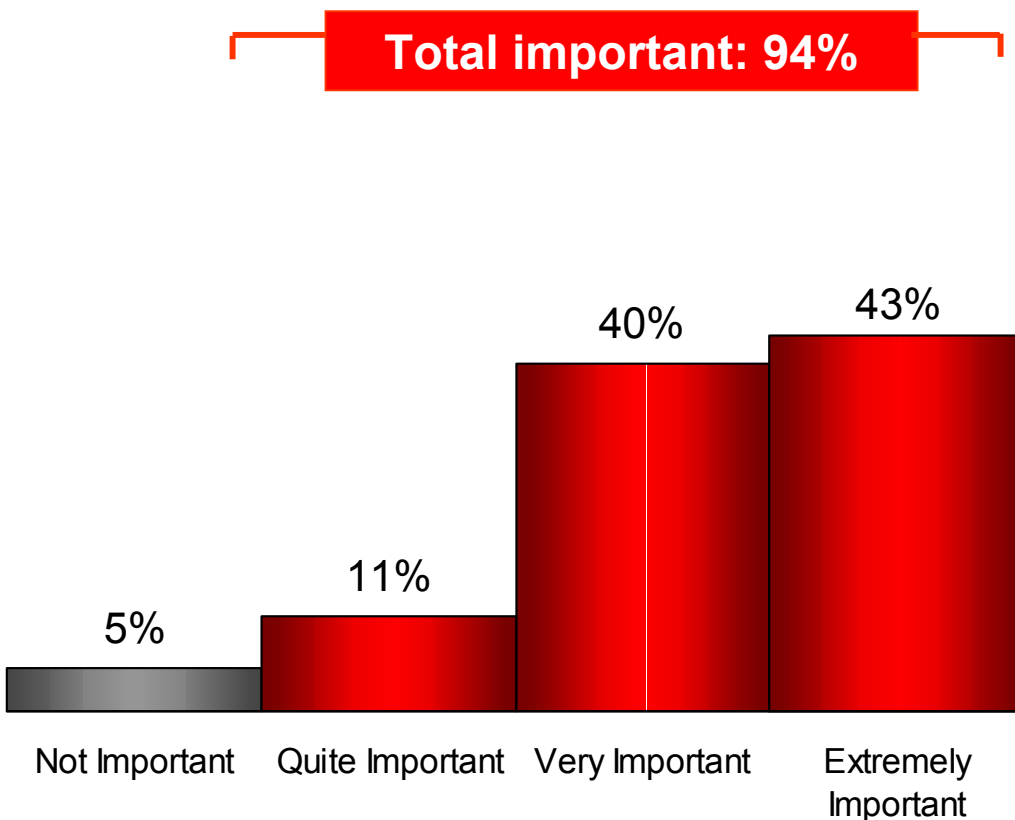
The overwhelming majority believe it is very important for the Federal Government to ensure the safety of superannuation funds.



Key findings:

- 53% rate this as *extremely* important, and another 35% as *very* important.
- The very high level of importance reflects **concerns about super taxes being too high.**
- The perceived level of importance is slightly higher among 55-64s, corporate fund members* - and also among those who feel the Federal Government is currently "not doing enough".

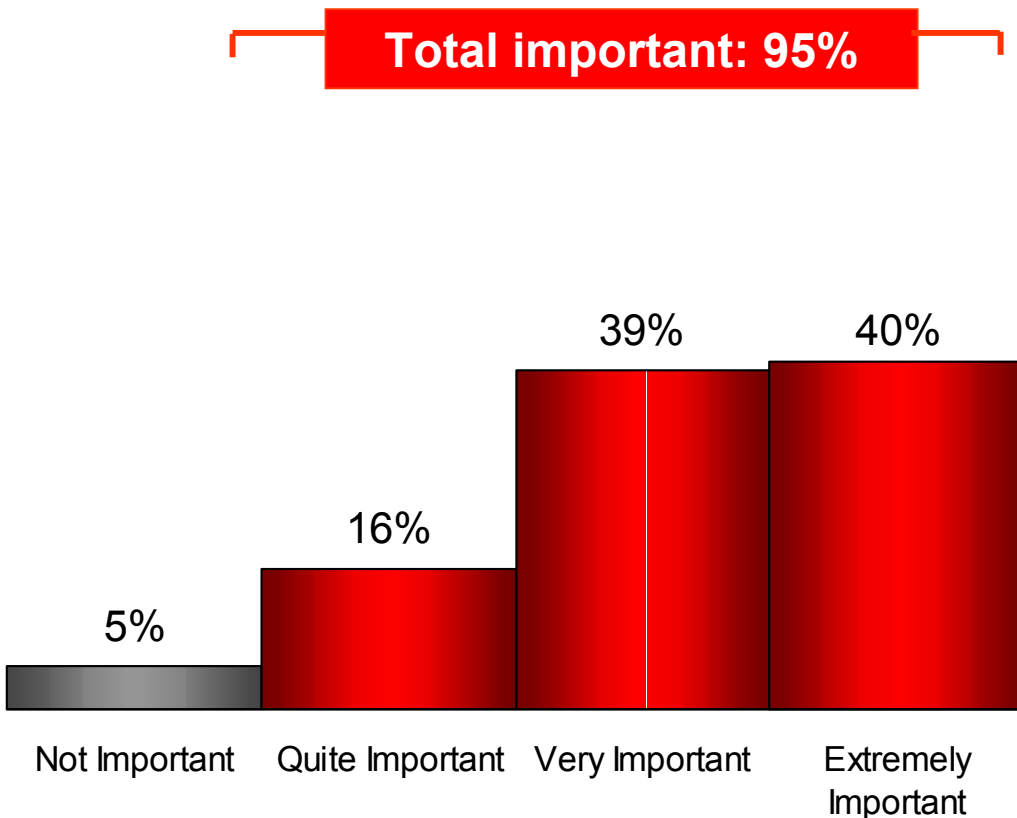
Reducing taxes on super is seen as a very high priority for government.



Key findings:

- 43% rate this as *extremely* important, and another 40% as *very* important.
- The high level of importance recognises the **room to improve public understanding of Australia's super system.**
- The perceived level of importance is slightly higher among high income households, corporate fund members*, women - and those who do not feel well informed about how super works.

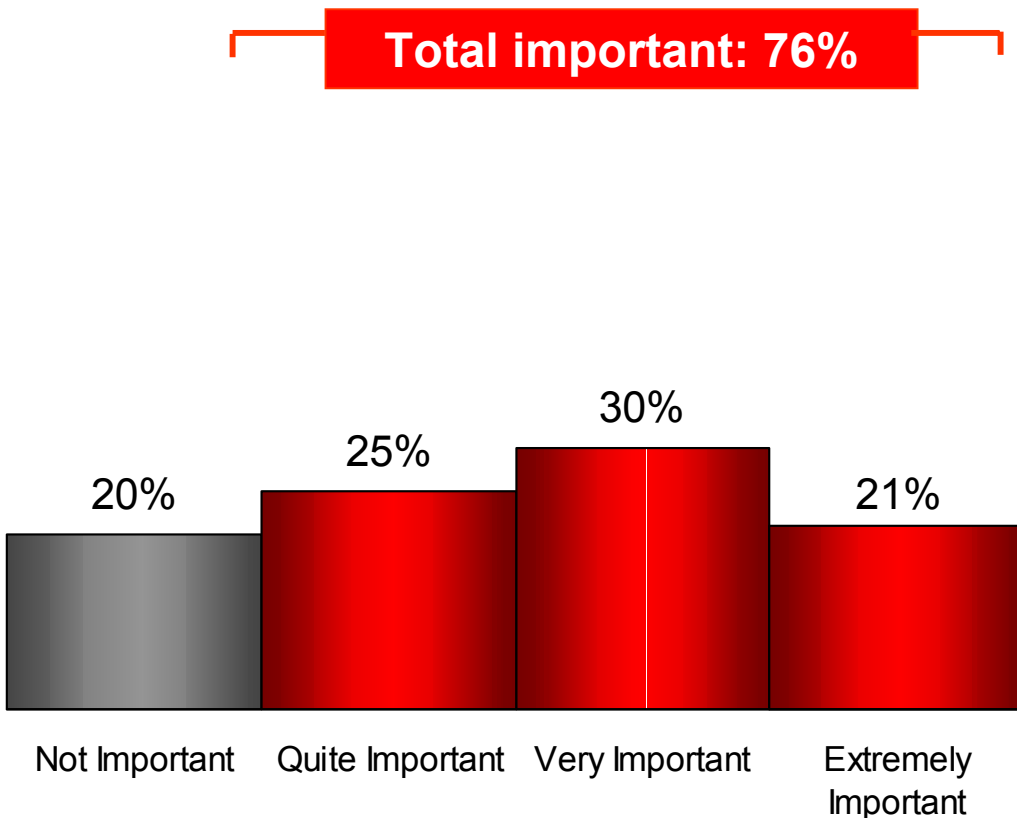
Increasing public understanding of super is seen as an important priority.



Key findings:

- 40% rate this as *extremely* important, and another 39% as *very* important.
- The high level of importance reflects the **perception that many are not saving adequately for retirement.**
- The perceived level of importance is slightly higher among 55-64s, public sector fund members, high income households - and those most interested in making voluntary contributions in the next couple of years.

Providing incentives for people to increase their super savings is seen as an important priority.



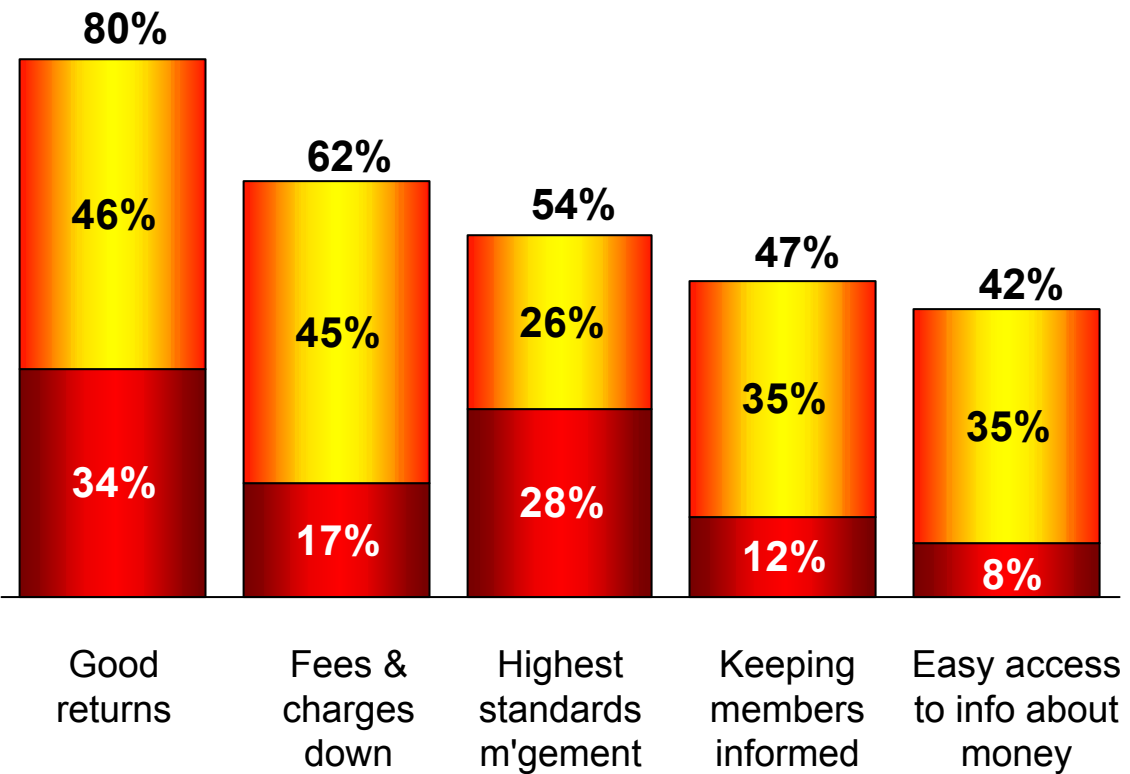
Key findings:

- While important, this emerges as the lowest priority of the five investigated. 51% rate it as *extremely* or *very* important.
- Perceived importance is slightly higher among corporate fund members* - but also 25-34s, low income households and those working in medium-large companies.
- A slightly lower level of importance is found among those working in small businesses, related to their view that employers & businesses are currently "doing enough".

Relatively lower importance is attached to increasing the SG, undoubtedly related to the issue of "who pays".

Attitudes to What Superannuation Funds Should Do

■ Most Important
 ■ Next 2 Most Important

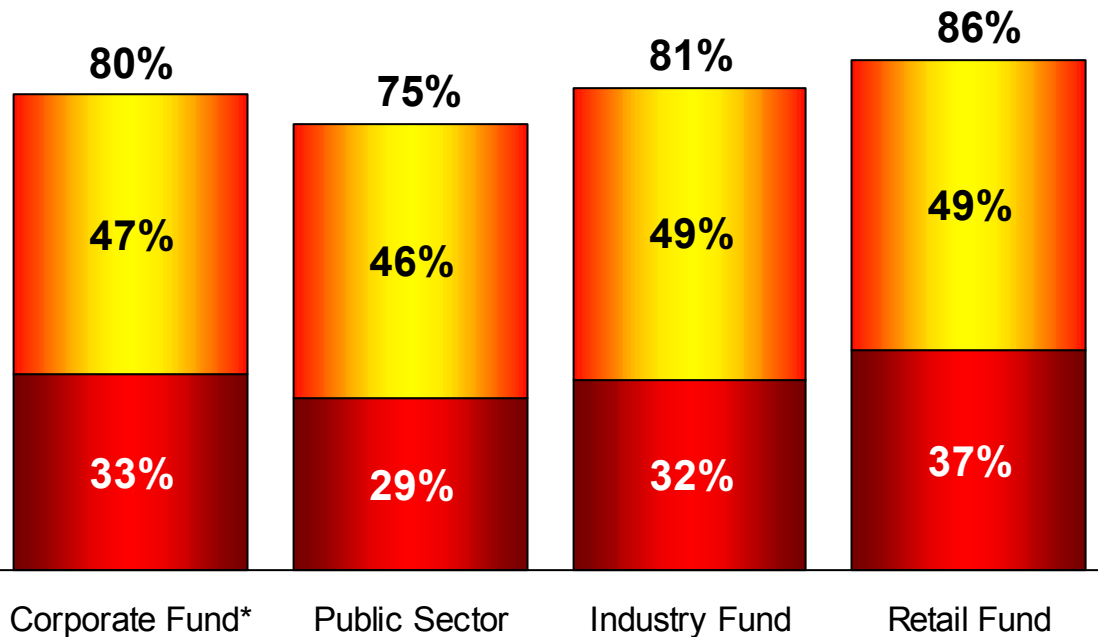


Key findings:

- Those surveyed nominated the *one* most important, and then the *next 2 most* important priorities for super funds, from this list of five.
- The highest priority is placed on ensuring *good financial returns*, followed by keeping *fees & charges down* and ensuring the *highest standards of management* (no.2 "most important").

The overall emphasis is clearly on financial performance and fees & charges, with corporate governance very much on the agenda.

■ Most Important
 ■ Next 2 Most Important

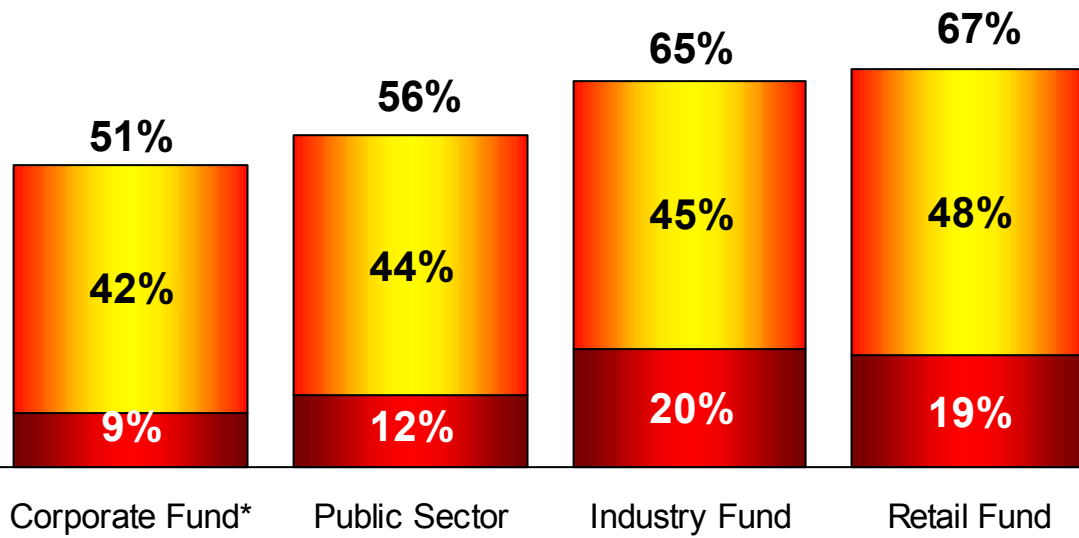


Perceived importance is higher among:

- retail fund members
- those who want high returns & are happy to have risk
- those who rate current returns are "not good".

Ensuring good financial returns is the top perceived priority for super funds.

■ Most Important ■ Next 2 Most Important

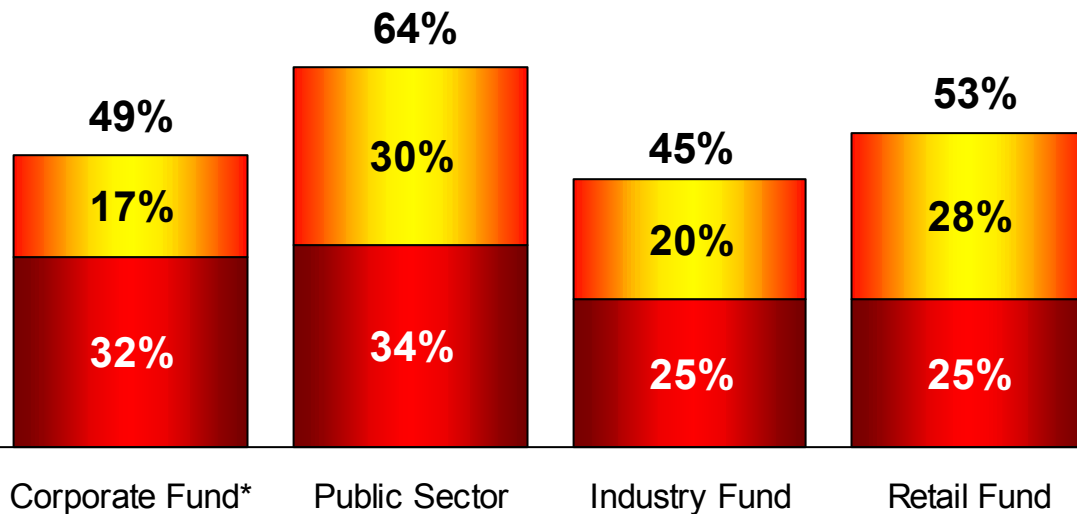


Perceived importance is higher among:

- retail & industry fund members
- those who regard current fees & charges as "not reasonable"
- part-time workers
- youngest group (25-34s)
- those from mid-income households (\$40-\$59K)

Keeping fees & charges down is the second highest perceived priority.

■ Most Important
 ■ Next 2 Most Important

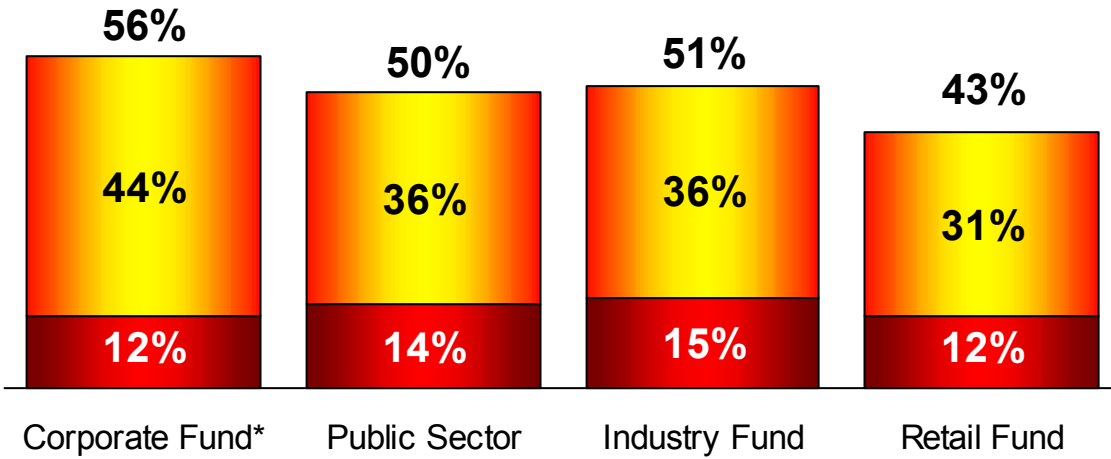


Perceived importance is higher among:

- public sector fund members
- those from high income households (\$100K or more)
- older groups (45-64s)
- those feeling informed
- those likely to contribute more into super.

The priority placed on corporate governance reflects concerns about safety.

■ Most Important ■ Next 2 Most Important

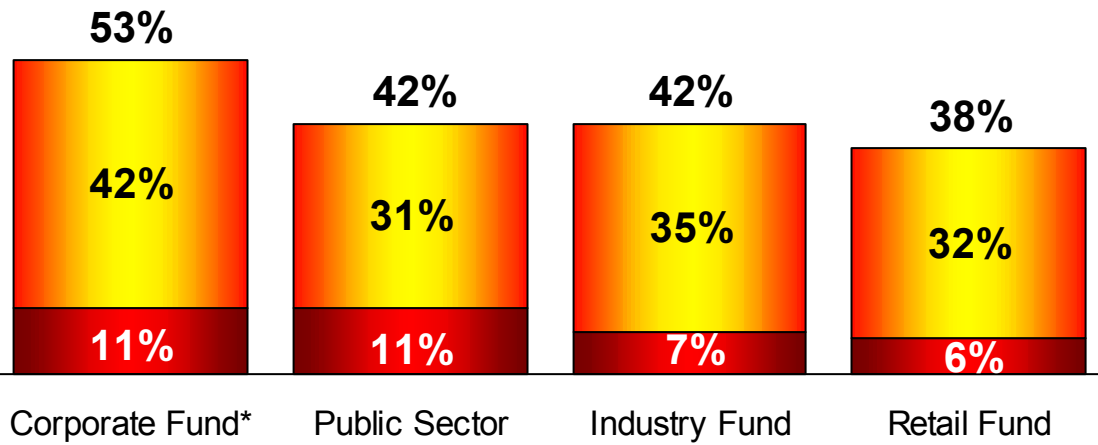


Perceived importance is slightly higher among:

- corporate fund members*
- part-time working women
- those who do not feel well informed about their fund, particularly about fees & charges

Educating members is a slightly lower order perceived priority.

■ Most Important ■ Next 2 Most Important



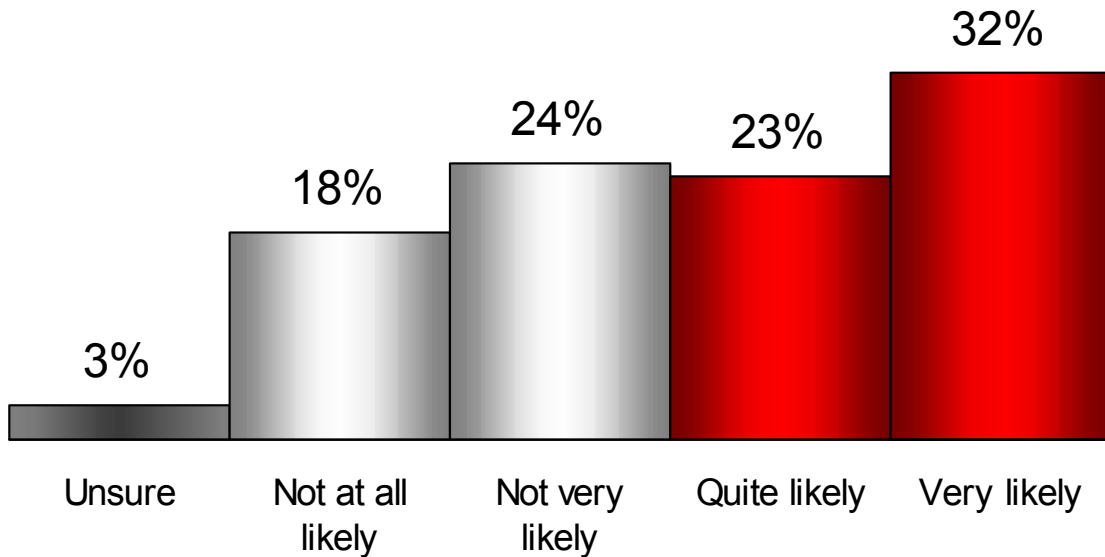
Perceived importance is slightly higher among:

- corporate fund members
- full-time working women
- those who feel very well informed about their fund

Providing easy access to information about their savings emerges as the lowest priority out of the five, except among corporate fund members.

Attitudes to What Individuals Are Likely to Do

Likelihood of contributing more than compulsory amount in next couple of years

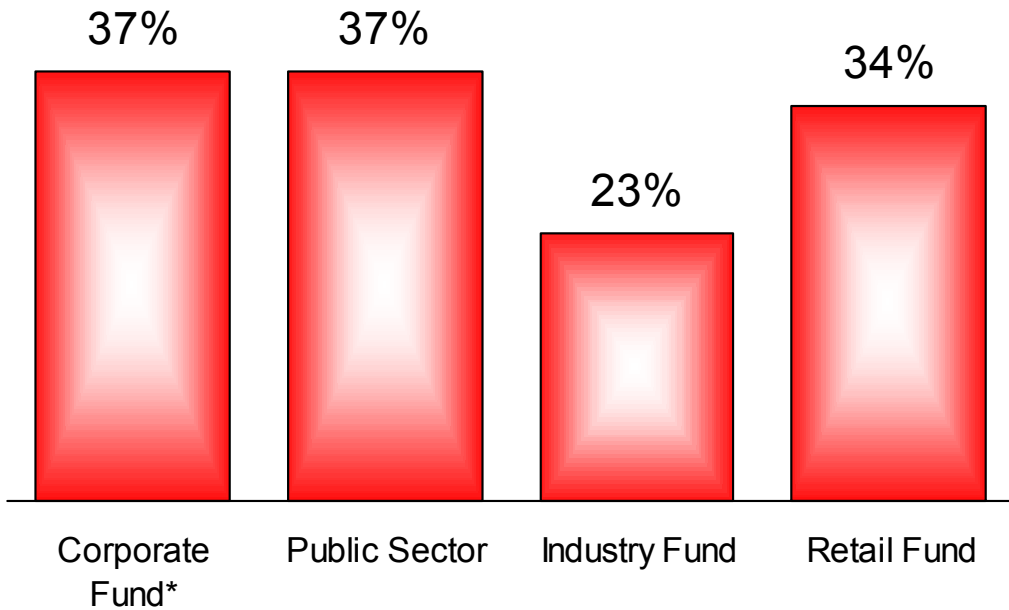


Key findings:

- 32% show a strong propensity to make voluntary super contributions - and some of these are already doing so.
- An additional 23% show some inclination to do so.

Only one-third reveals a strong intention to contribute more than the SG.

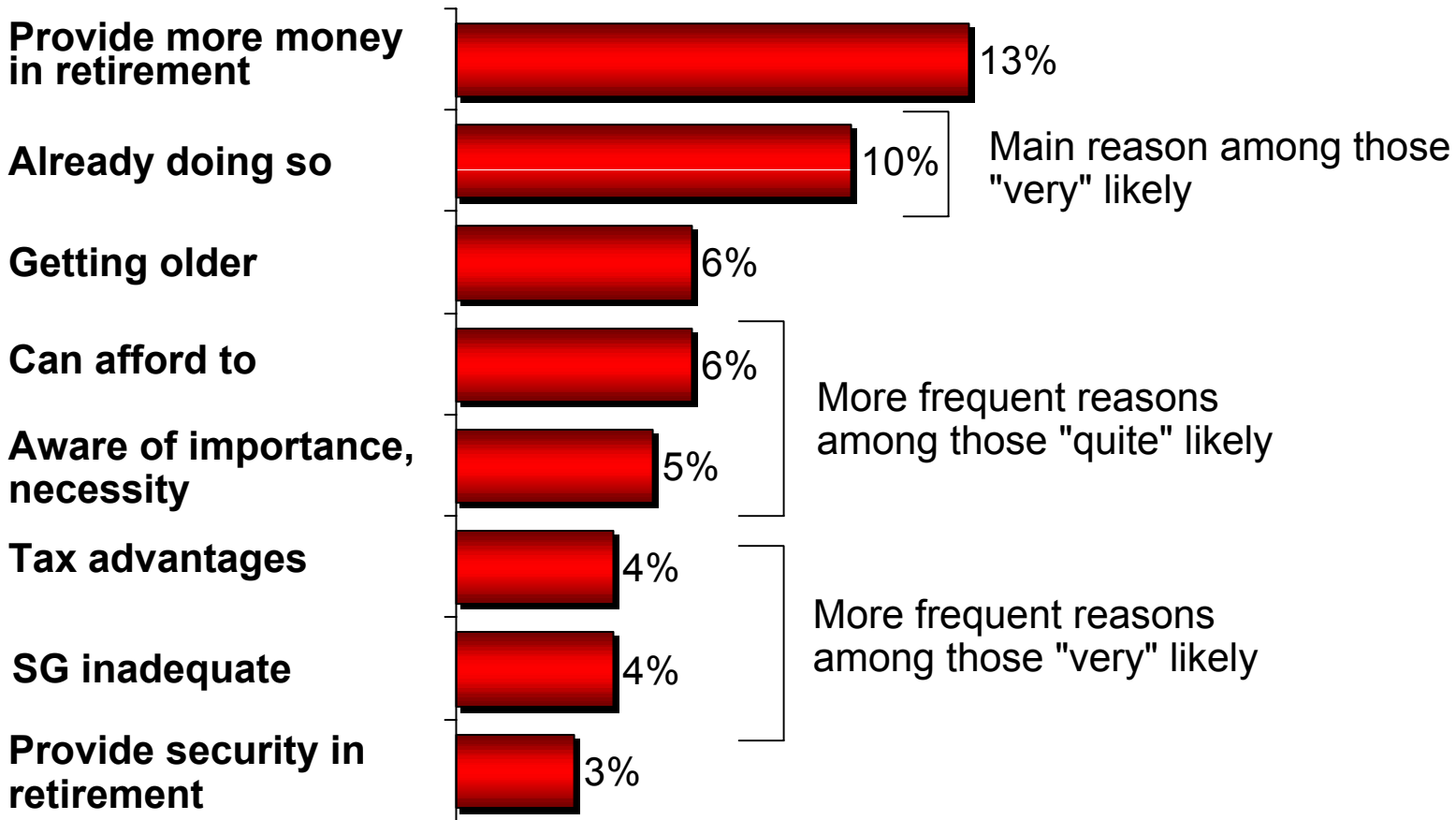
% Very Likely to Contribute More than Compulsory Super



- Propensity to contribute more than SG is related to:**
- Type of fund membership
 - Household income: *high income h'holds most likely*
 - Perceived knowledge: *the well informed are more likely*
 - Company size: *those from large co's more likely; those from small co's least likely*
 - Age: *55-64s most likely; 25-34s less likely*
 - Hours worked: *full-time more likely than part-time*

Those already contributing above the SG are the most likely to continue to do so.

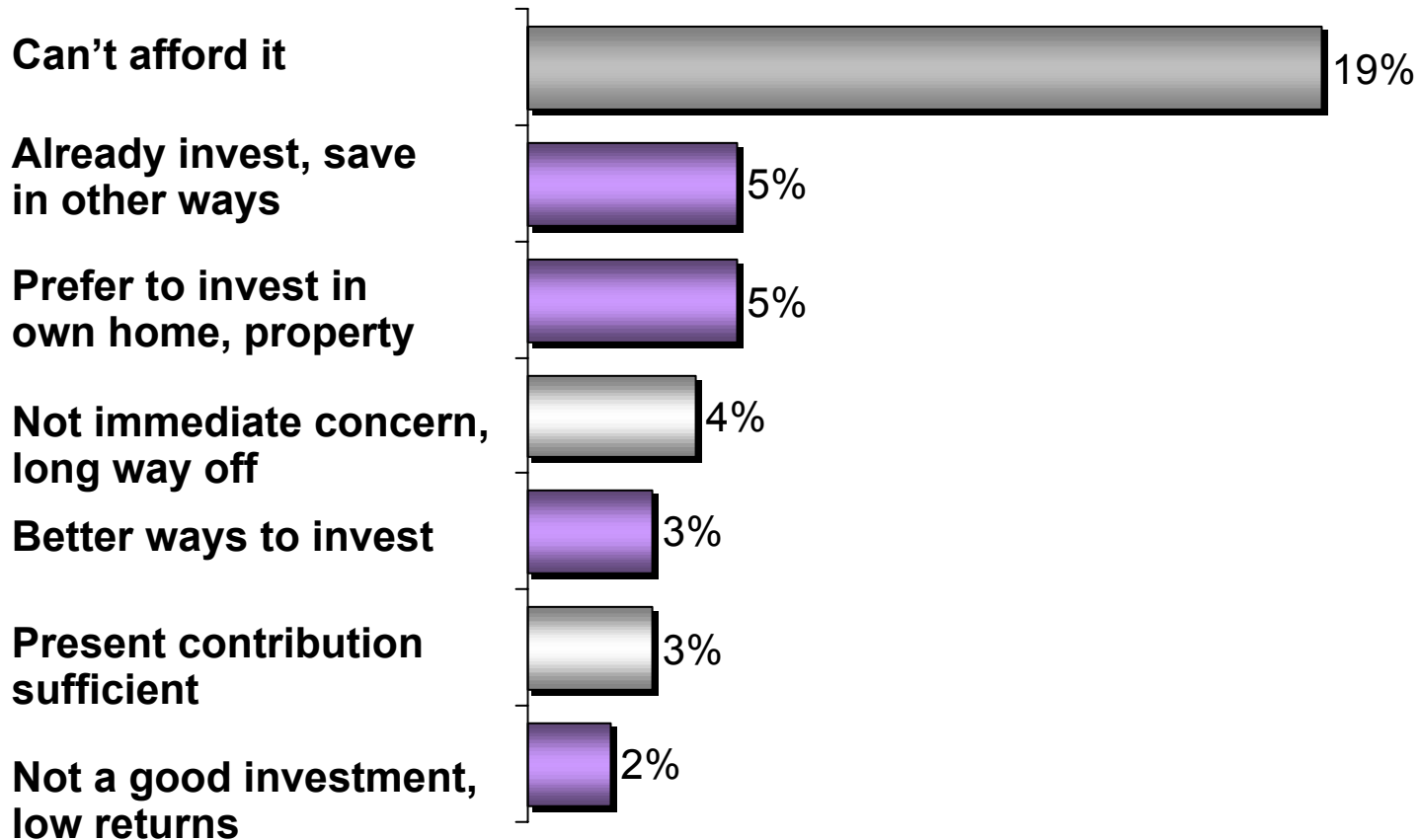
Main reasons among the "very" & "quite" likely - the 55%:



- Main responses to open-ended question -

Main reasons for contributing more are to provide a better standard of living in retirement.

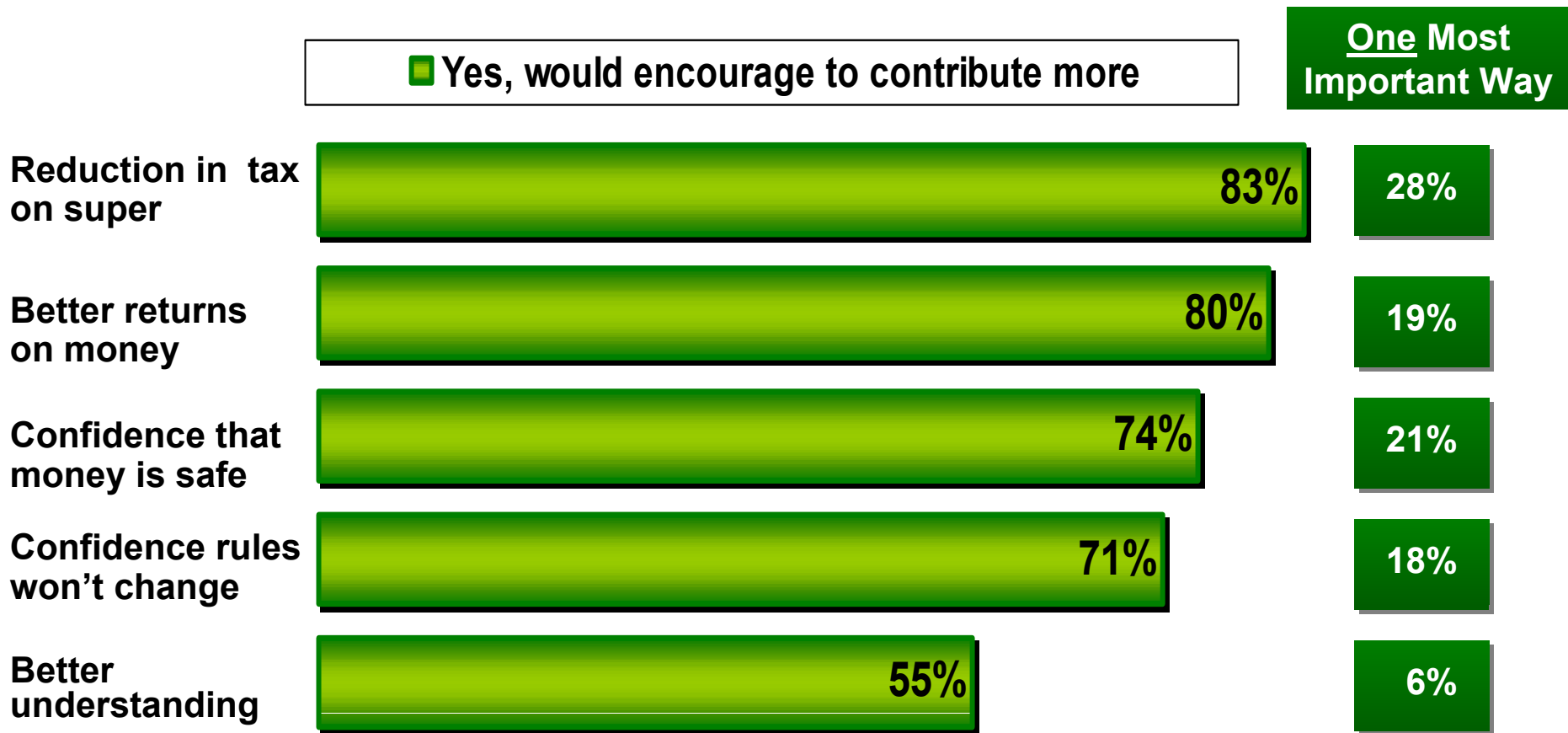
Main reasons among the "not very" & "not at all" likely - the 42%:



- Main responses to open-ended question -

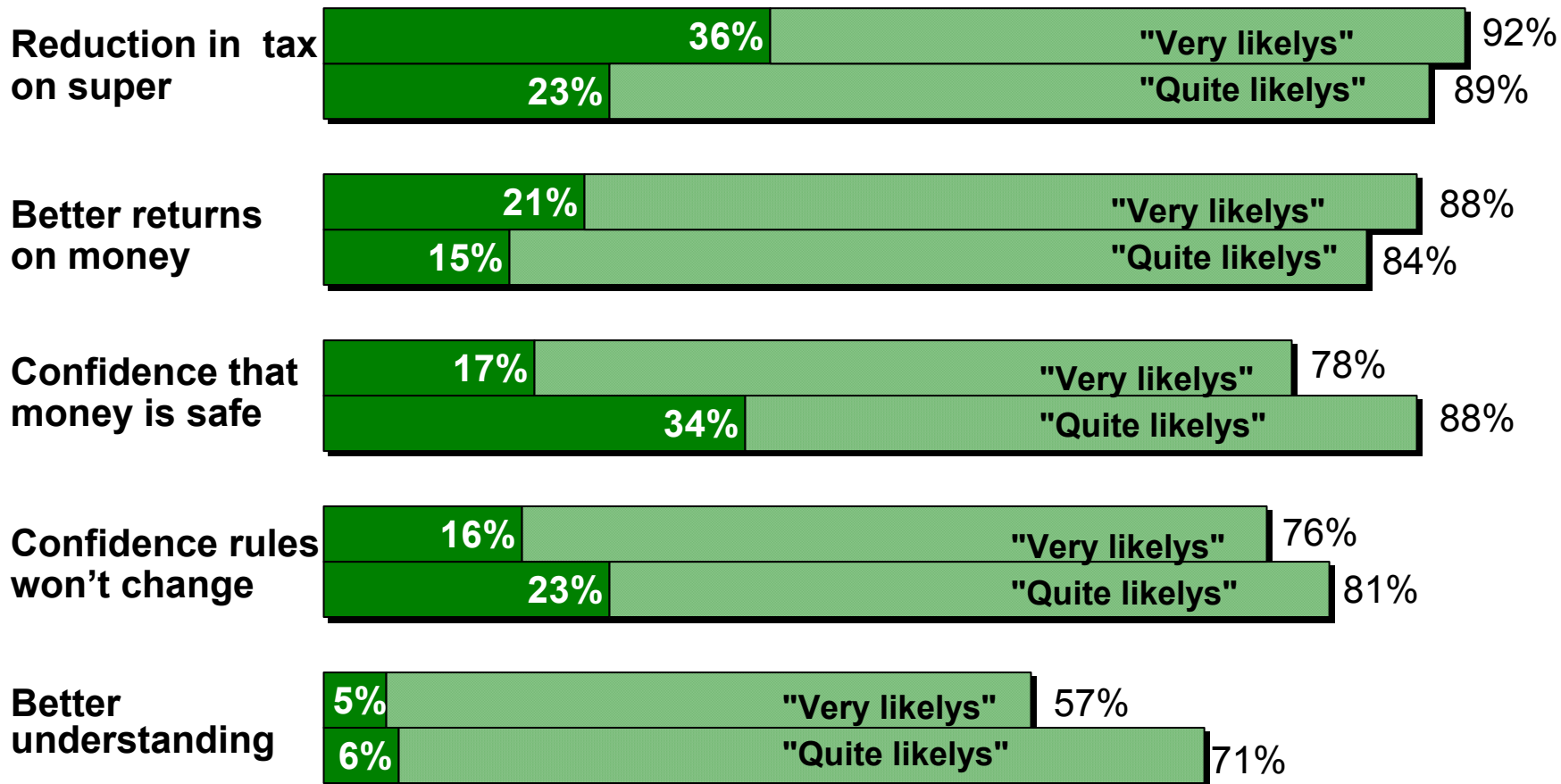
The key barrier is affordability, but there is also some preference for other savings & investment options.

- Those surveyed indicated which of the following ways would encourage them **personally** to put more money into super - and which is the **one** most important way:



The main drivers are a reduction in tax on super and better returns, but safety and stability are also important.

■ One most important way
■ Yes, would personally encourage to contribute more



Tax and returns are more important drivers among the most likely to contribute, while confidence is a more important consideration to the less committed.