

EXECUTIVE SUMMARY

Update on Workforce Perceptions & Attitudes to Superannuation

**Key Results from National Re-Interview
Survey of 25-64 Year Olds in Workforce**

November 8, 2002

- In July 2002, ANOP Research Services conducted a **national survey of 25-64 year olds in the workforce** for the Association of Superannuation Funds of Australia (ASFA). A re-interview survey was carried out from **19-22 October 2002**. The annual statements had been released by most superannuation funds by this stage.
- The main aim of the research is to follow-up key issues arising from the July 2002 national survey and to measure reliably any shifts in attitudes to superannuation in the current environment. Of primary focus is the impact of the release of annual statements on fund members' attitudes to returns.
- **356** fund members, out of the 706 interviewed in the July 2002 survey, were re-interviewed by telephone. The October 2002 re-interview sample mirrored the original July sample both attitudinally and demographically.

The October 2002 re-interview survey covered:

- **Topical superannuation issues** (top-of-mind issues related to superannuation, prompted level of concern about five issues)
- **Annual statement** (reported receipt and readership of statement)
- **Current returns** (perceptions of current returns from own fund, perceived causes of lower returns, comparisons with other super funds and other investments, expected returns next year)
- **Fees & charges** (whether fees & charges are reasonable)
- **Investment options** (knowledge of own option, whether considering change)

Consciousness of Topical Superannuation Issues

- When asked to nominate (unprompted) issues related to superannuation that have caught their attention recently, three in ten fund members spontaneously mention low returns. However, nearly six in ten has not noticed any recent superannuation issues. Thus, top-of-mind concern about the current low returns is not widespread, but instead restricted to the well informed and engaged minority.
- When fund members are asked to rate their level of concern about five issues, the top three (prompted) concerns are safety and security, tax on super and returns:
 - The concern about safety and possible fund collapses reflects broader community insecurity about corporate collapses generally.
 - Tax on super emerges as a slightly greater concern than low returns, despite the media focus on returns and despite most members having recently received their annual statements.
 - Super funds' fees & charges and corporate governance emerge as lower order concerns.

Annual Statement

- Towards the end of October, the majority of fund members had received their annual statement and half reported that they had read it. These findings indicate an increasing level of interest in their own superannuation fund.

Attitudes to Current Returns

- Unfavourable perceptions of returns have increased but fund members' reaction has been relatively benign to date. One half now rates their fund's performance as "poor" or "not very good" compared to four in ten in July. The increase in unfavourable perceptions is less than may have been expected considering that most have received their annual statements.

Attitudes to Current Returns Cont.

- Awareness of actual returns, when known, is often over-stated: three in ten can nominate a percentage return, and only one in seven mentions that they received a negative return. This low awareness of the reality is obviously one of the reasons for the muted reaction to the current poor returns.
- The large majority nominates global economic uncertainty and the decline in the stockmarkets as the main causes of lower returns. Investment strategies by fund, standards of fund management and regulatory issues are held responsible by only small minorities. Thus, the lower returns are primarily attributed to external economic factors rather than the funds themselves... another reason for the benign reaction.

Perceptions of Own Fund's Returns Compared to Other Super Funds and Other Investments

- The large majority feels that they are in the same boat or are better off with the returns than other fund members. Only a tiny minority believes that their fund has performed worse than others. This lack of differentiation and minimal feeling of being worse off than others reduces potential opprobrium attached to individual fund management.
- While the majority does not believe superannuation is faring worse than other comparable investments (such as shares and managed funds), one in four perceives their super returns as less competitive. Although in the minority, doubts about the value of super as an investment need to be watched.

Expected Returns from Super Funds Next Year

- Although the majority is not expecting better returns next year, one in four believes that returns will improve. Thus, there is a tinge of optimism about next year's returns. It will be difficult to maintain the existing benign reaction if there is more bad news.

Attitudes to Fees and Charges

- Six in ten continue to regard their super fund fees and charges as reasonable, reflecting a good level of comfort with their fund management. The fact that dissatisfaction with fees and charges has not increased is another indication that there has not yet been any significant backlash against returns. Fees and charges remain, however, an important barometer of confidence in fund management and satisfaction with performance.

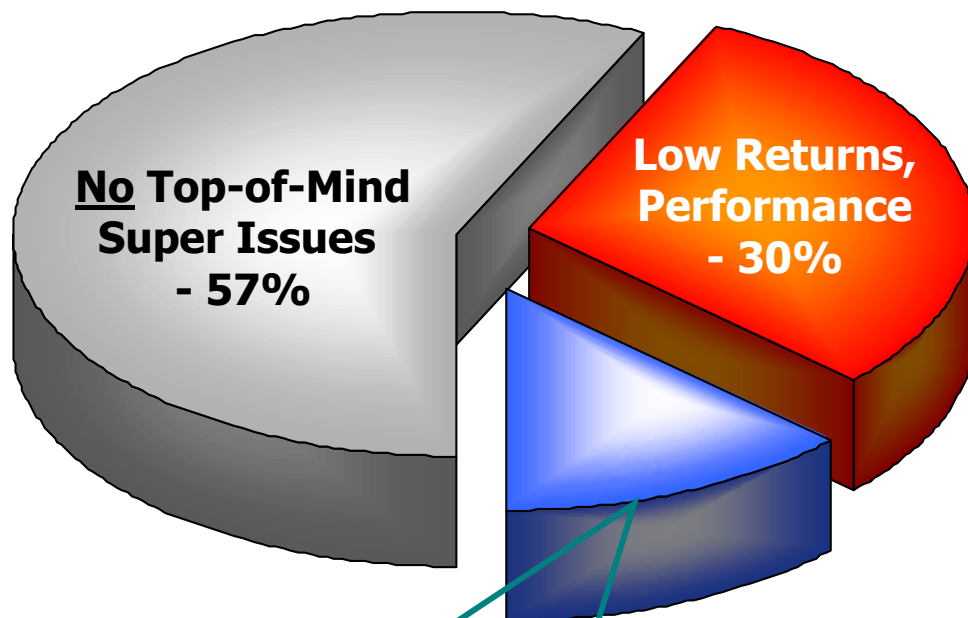
Awareness of Investment Options

- Nearly six in ten are aware that their fund offers investment choice. (*ASFA estimates some 80% have investment choice with their main fund.*) However, fund members' knowledge of what investment option they have is restricted to one in three.
- Only tiny minorities have changed or are considering changing investment options. These results indicate minimal behavioural reaction to current returns but also reveal a level of comfort with the investment choice available.

Topical Superannuation Issues

Consciousness of Topical Super Issues

Respondents were asked to nominate (unprompted) any issues related to superannuation that had caught their attention recently, to gauge top-of-mind current issues.



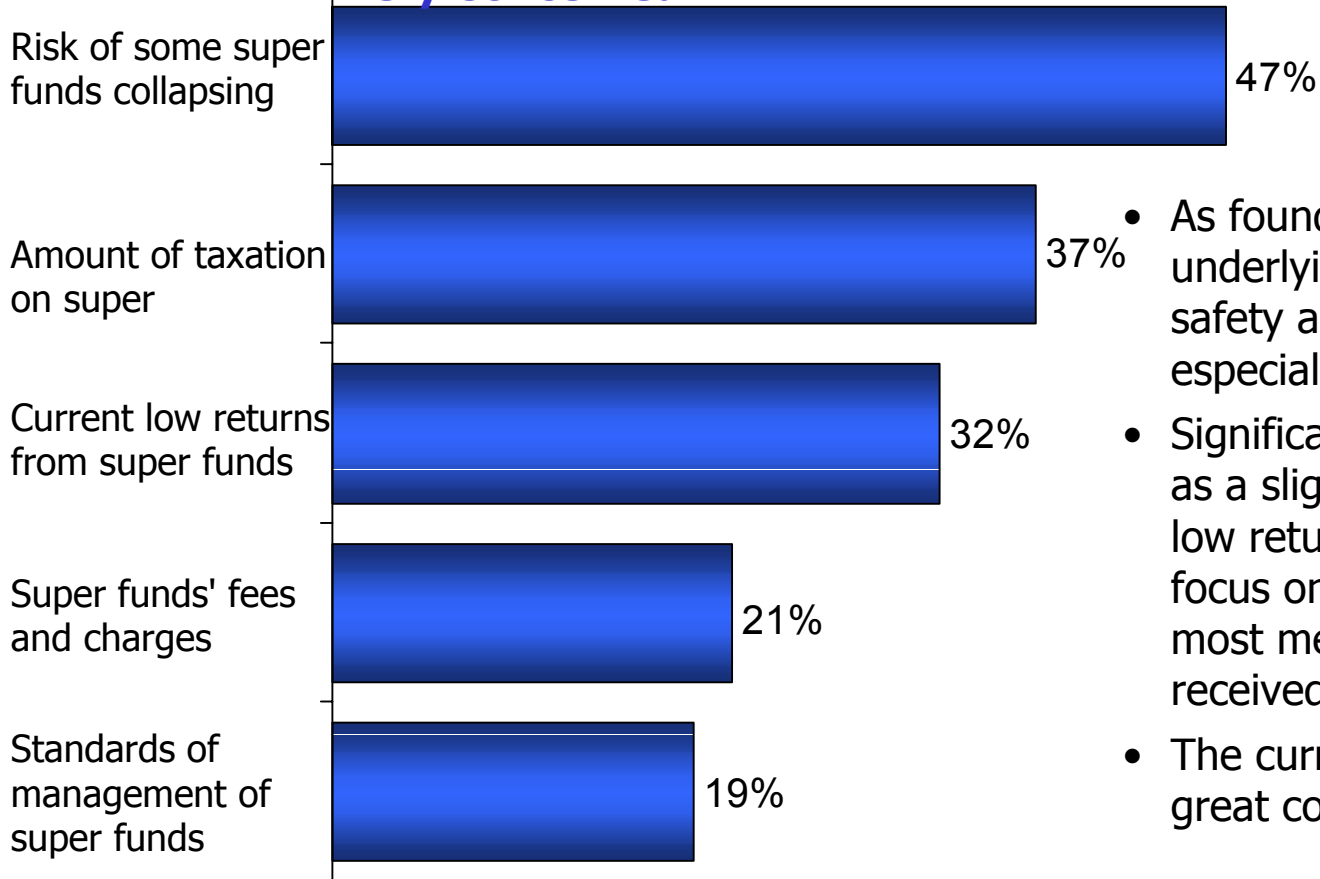
- Only 3 in 10 spontaneously mention low returns.
- Consciousness of low returns is higher among those who have read their annual statement, men, older fund members (45-64) and those from higher income households.
- The least engaged are from lower income households, women and Generation X (25-34).

The current low returns is a top-of-mind issue only for the well informed and engaged minority.

Level of Concern about 5 Issues: The 'Very Concerned' Response

Respondents were asked to rate their level of concern about 5 issues, to assess their relative (prompted) importance.

Very Concerned



- As found in July, there is underlying concern about the safety and security of super - especially among women.
- Significantly, tax on super emerges as a slightly greater concern than low returns, despite the media focus on low returns and despite most members having recently received their annual statements.
- The current low returns are of great concern to only 3 in 10.

The concern about possible fund collapses reflects broader community insecurity about corporate collapses generally.

Level of Concern about 5 Issues: The 'Total Concerned' Response

This shows the % 'very concerned' and 'quite concerned' about each issue.

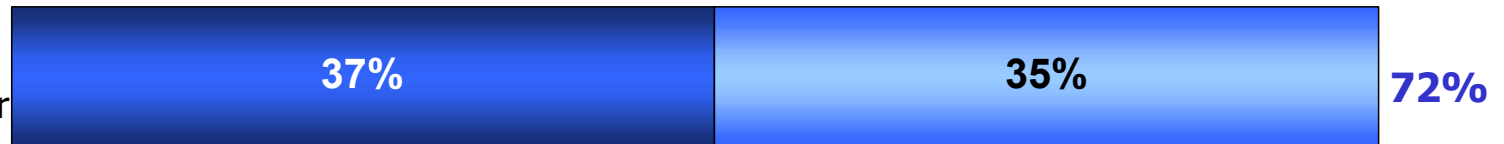
Very Concerned

Quite Concerned

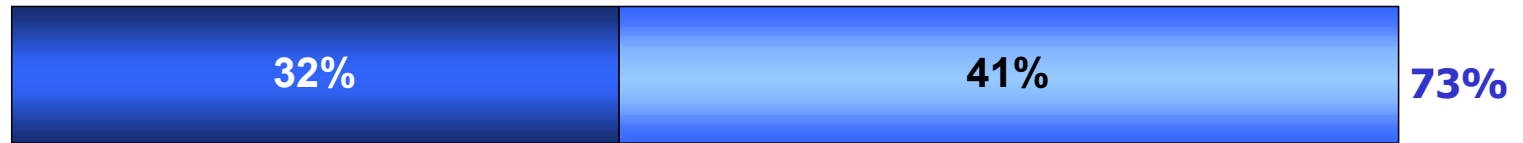
Risk of some super funds collapsing



Amount of taxation on super



Current low returns from super funds



Super funds' fees and charges



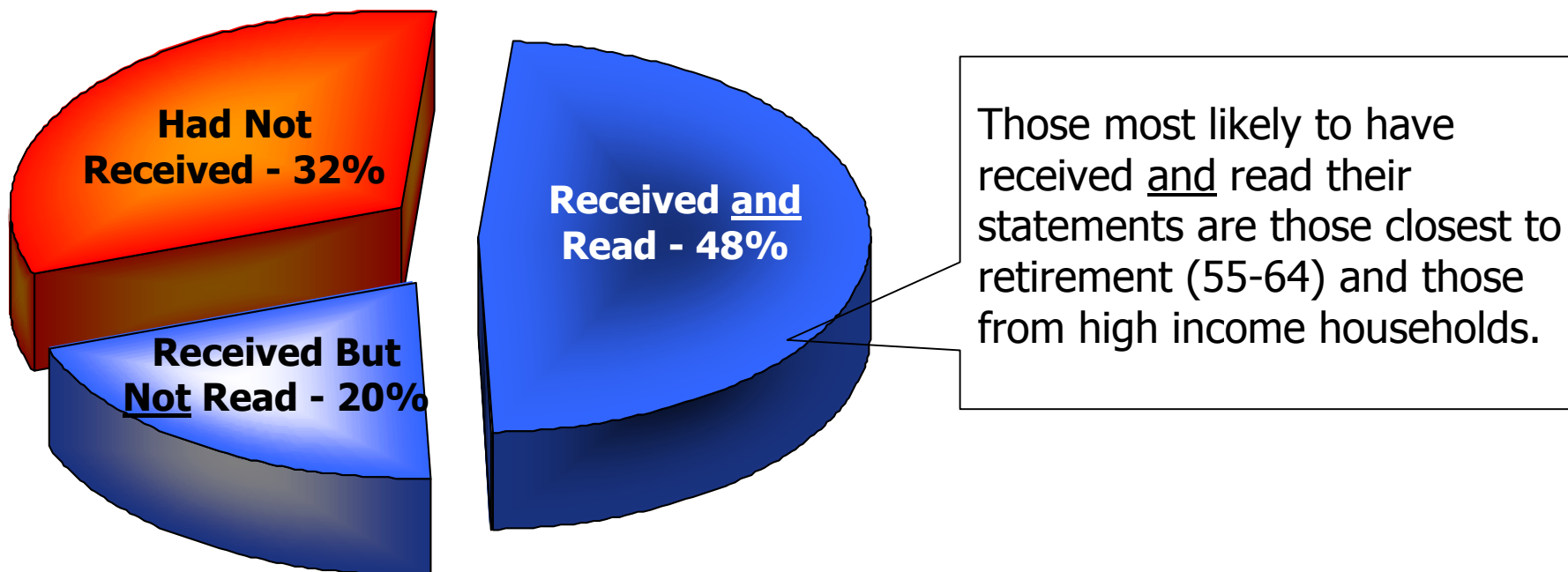
Standards of management of super funds



The top three concerns are security, tax on super and returns.

Annual Statement

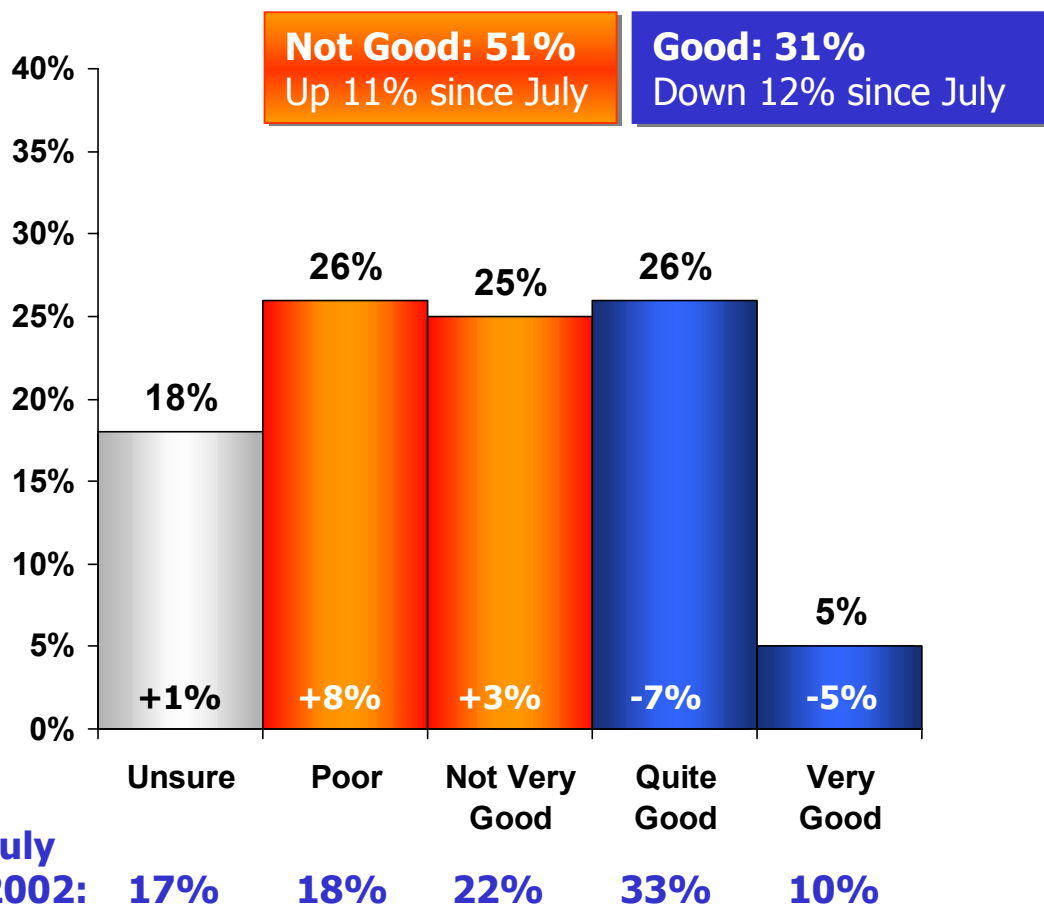
Receipt of Annual Statements



Towards the end of October, the majority had received their annual statement and half had read it.

Current Returns

Perceived Returns of Own Super Fund

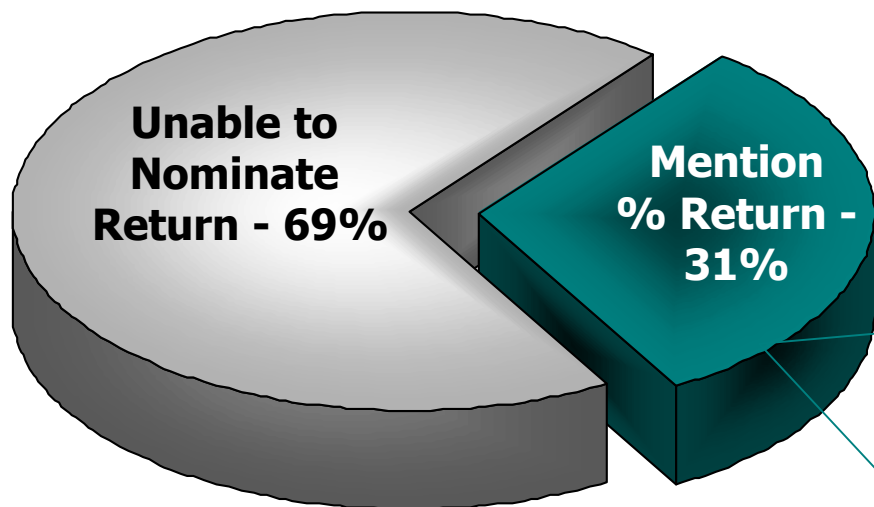


- Those who have read their statement are more informed rather than more negative (38% Good : 54% Not Good : 8% Unsure).
- As found in July, men and those from high income households are more likely to perceive low returns.

Unfavourable perceptions of returns have increased but fund members' reaction has been relatively benign to date.

Recall of Percentage Return

Respondents were asked what the percentage return was from their super fund for the past financial year.



What was the % return?

The 31%

| | | |
|------------------|----|-----------------|
| Over +5%..... | 7% | 14% Positive |
| +0.1 to 5%..... | 7% | |
| Zero..... | 3% | 14% Negative |
| -0.1 to -5%..... | 9% | |
| Over -5%..... | 5% | |

Expectations?

The 31%

| | |
|-----------------------------|-----|
| Better than expected..... | 5% |
| In line with expectations.. | 11% |
| Worse than expected..... | 14% |
| Had no expectation..... | 1% |

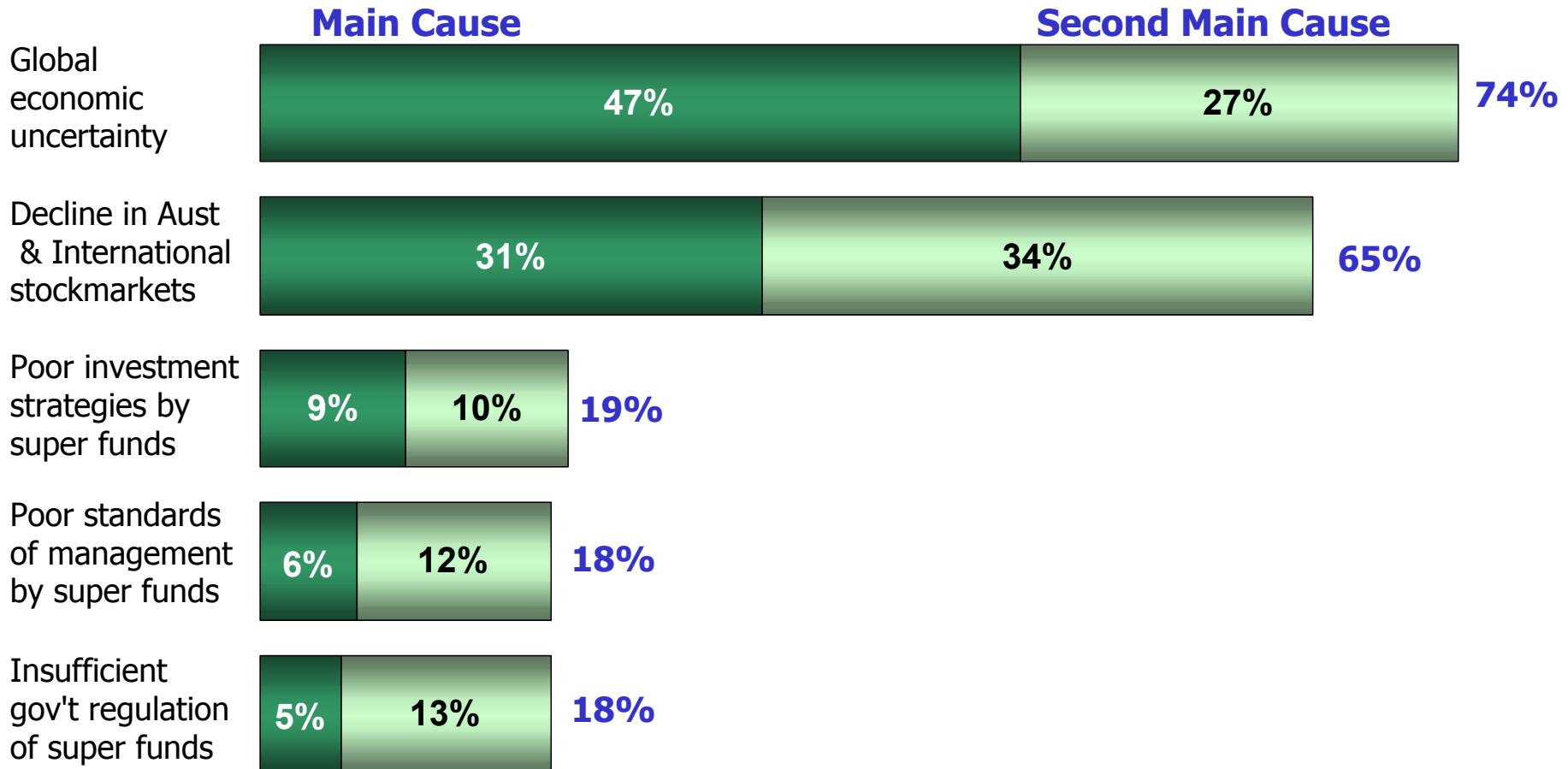
Who could mention % returns?

- Those closest to retirement (55-64)
- Those from high income households
- Men

Awareness of actual returns, when known, is often over-stated... contributing to the muted reaction to the poor returns.

Perceived Causes of Lower Returns

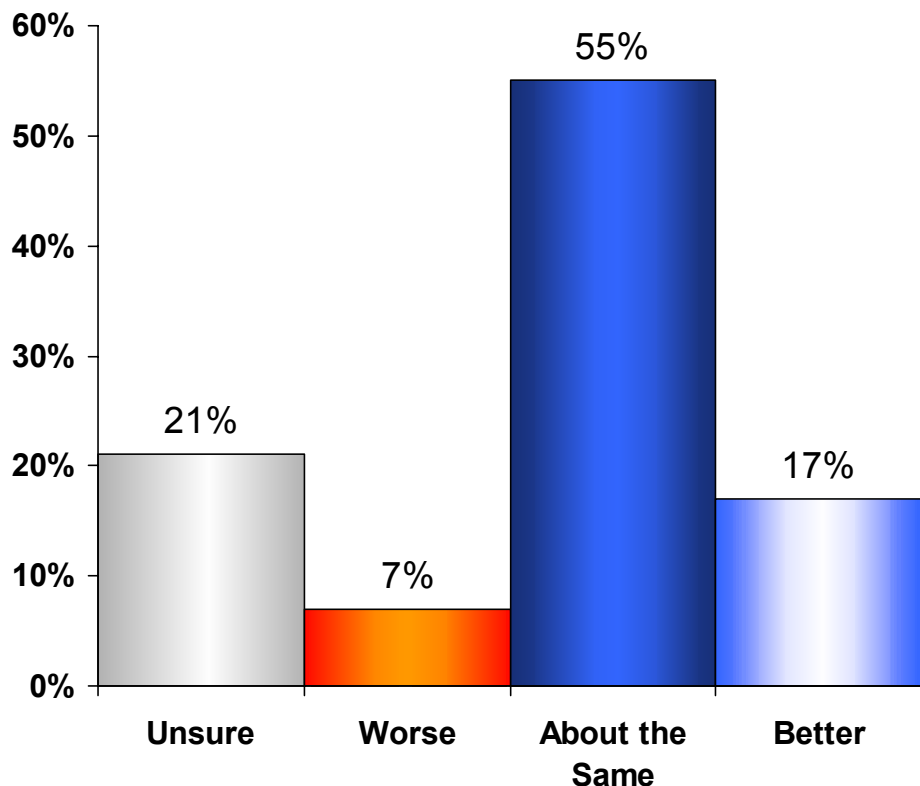
Respondents were asked to nominate the main cause and the second main cause of the lower returns from most super funds.



The lower returns are primarily attributed to external economic conditions... another reason for the benign reaction to returns.

How Own Fund's Returns Compare to Other Super Funds

Returns from Own Fund Compared to Other Super Funds

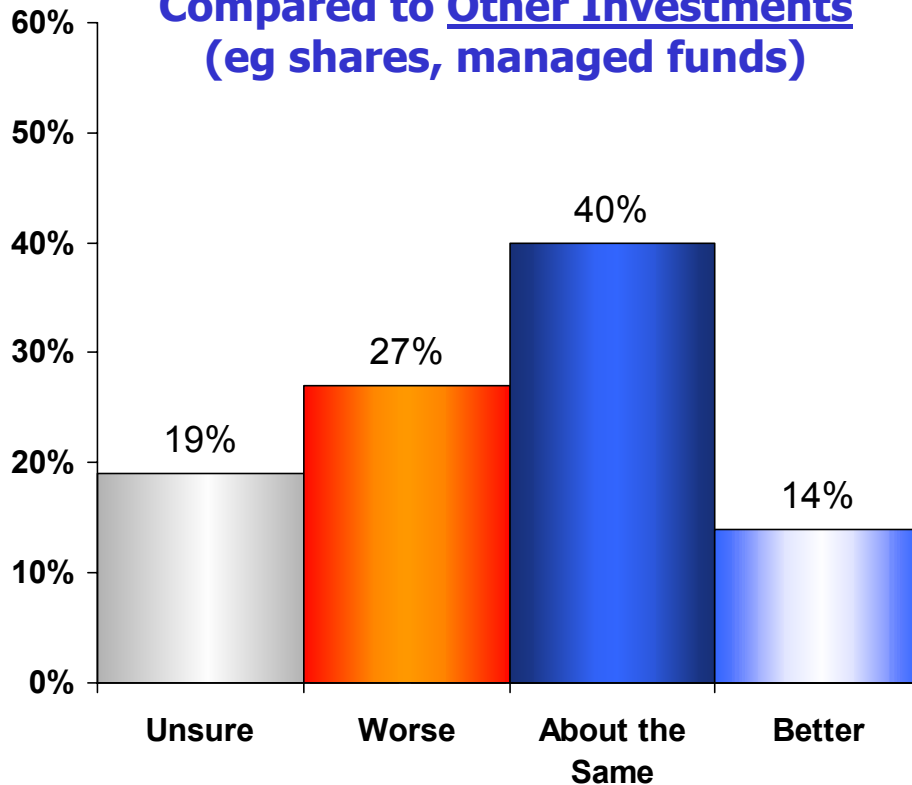


- Over half believes their fund's performance is about the same as other funds, and 1 in 6 feels that their fund's returns are better. Thus, the majority feels that they are in the same boat or better off than others.
- Older age groups (45-64) and those who have read their statement are more likely to feel better off.
- Only a tiny minority believes their fund has performed worse than others.

The lack of differentiation & minimal feeling of being worse off reduces potential opprobrium attached to individual fund management.

How Own Fund's Returns Compare to Other Investments

Returns from Own Super Fund Compared to Other Investments (eg shares, managed funds)

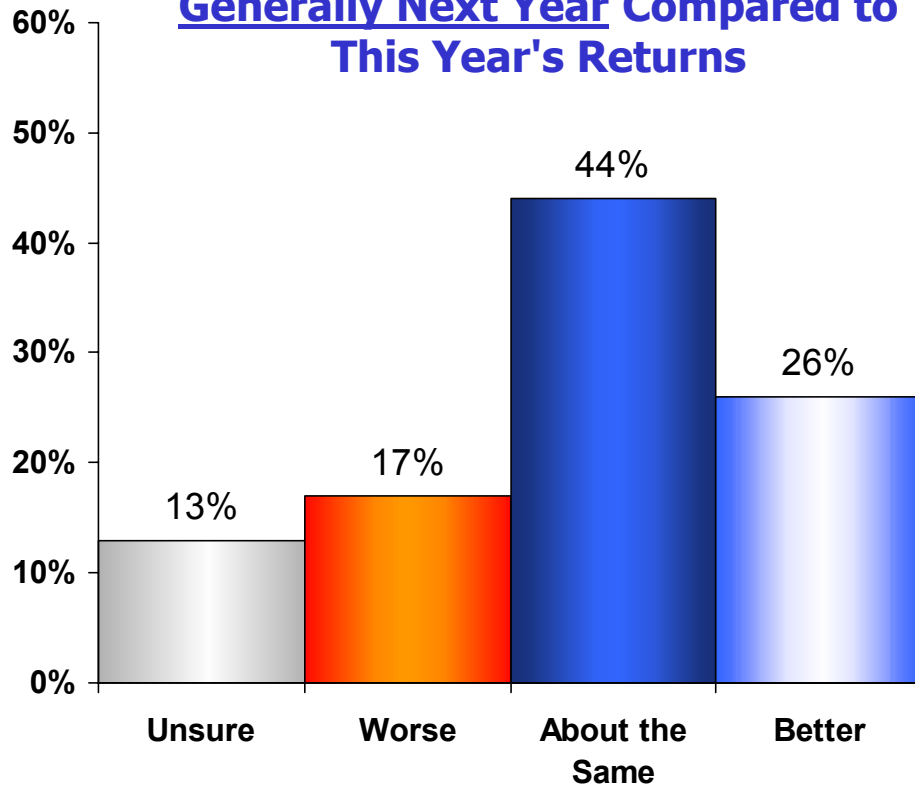


- While a majority does not perceive a difference between the returns from their fund and other investments, 1 in 4 believes that their fund is performing worse... indicating some doubts about the value of super as an investment.
- Generation X (25-34) is more likely to perceive their funds' returns as inferior to other investments.

The majority does not believe superannuation is faring worse than other comparable investments but there are some detractors.

Expected Returns from Super Funds Next Year

Likely Returns of Super Funds Generally Next Year Compared to This Year's Returns

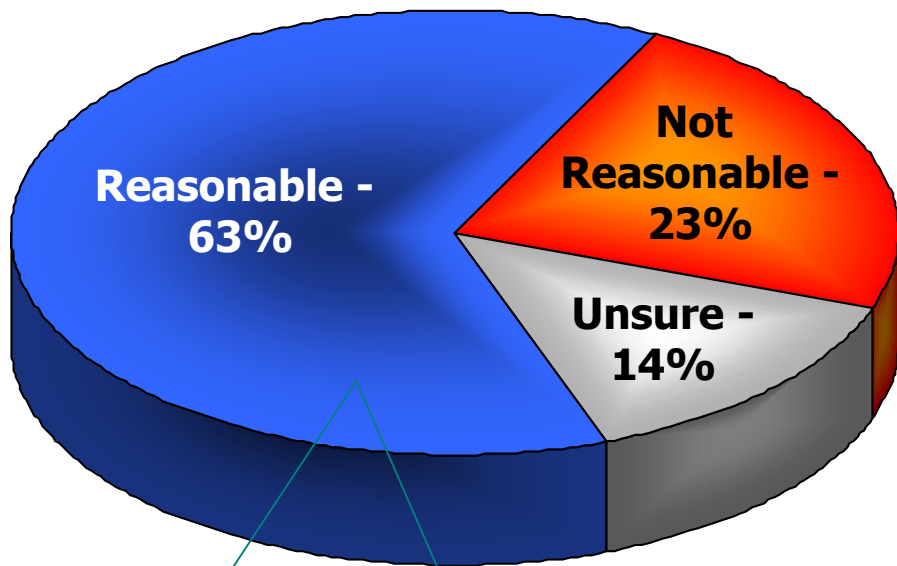


- While the majority is not expecting improved returns next year, 1 in 4 believe that super funds' returns will be better.
- Those more likely to be optimistic are those closest to retirement (55-64), from high income households and those who read their statement... those groups normally tend to be among the "better informed".

There is a tinge of optimism about next year's returns. It will be difficult to maintain a benign reaction if there is more bad news.

Fees & Charges

Attitudes to Fees & Charges



- 6 in 10 regard their super fund fees & charges as reasonable - indicating a good level of comfort with their fund management.
- Only a 1 in 4 minority continues to feel that their fees & charges are unreasonable. This perception is higher among those who have not read their statement, believe their returns are not good - as well as Generation X (25-34).

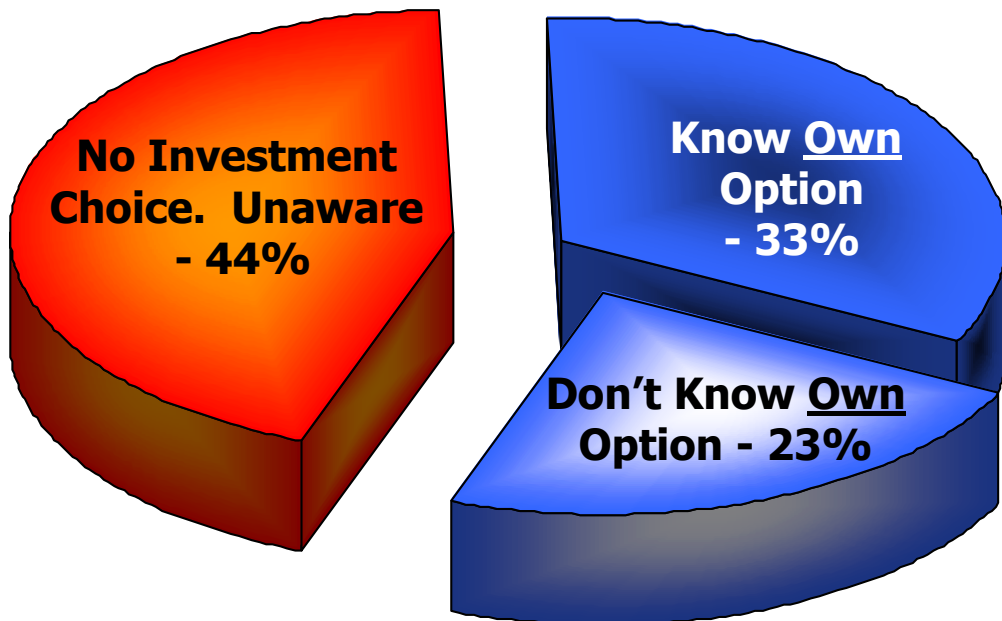
| Trends: | July '02 | Oct '02 | Change |
|----------------|----------|---------|--------|
| Reasonable | 56% | 63% | +7% |
| Not Reasonable | 25% | 23% | -2% |
| Unsure | 19% | 14% | -5% |

Dissatisfaction with fees & charges has not increased....another indication that there has not yet been a backlash against returns.

Investment Options

Awareness of Own Investment Option

Respondents were asked if their super fund offers investment options - and if so, which option they currently have.



- Nearly 6 in 10 (56%) are aware that their fund offers investment choice⁺.
- Precise knowledge is restricted to 1 in 3 (33%). The most common options reported are balanced (10%), high growth (7%) and capital stable (5%).

+ ASFA estimates some 80% of fund members have investment choice with their main fund.

The majority is aware of investment choice, but only 1 in 3 can nominate what option they have.

Whether Considering Changing Options

Changed investment option in last year?

- Only 5% report having changed options in the last year. Their main reasons are:
 - Changed super funds
 - Receiving a poor return
 - Wanted a better return
 - Moved to higher risk option

Considering changing in near future?

- Only 9% indicate that they may change options. Their main reasons are:
 - Want a better return
 - Receiving a poor return
 - Watching the markets
 - Seeking advice of financial advisor
 - Want money to grow faster, may take more aggressive option

Very few are changing investment options.... an indication of a minimal behavioural reaction to current returns.
