

Community attitudes to superannuation, retirement income adequacy and government policies on superannuation

Results of the survey conducted for the
Association of Superannuation Funds of Australia
by Auspoll

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INTRODUCTION

- This report presents summary results of a survey among working Australians conducted in order to determine their perceptions, attitudes and expectations towards superannuation in the aftermath of the global financial crisis. The survey respondents also recorded whether they had changed superannuation fund and/or their level of contributions in the last year. Attitudes to a number of superannuation policy questions were also explored. This research report focuses on the policy questions. A companion research report analyses the survey findings on member attitudes to their fund and member behaviors such as switching investment option or fund.
- The survey builds on similar surveys conducted for ASFA since 2001, although the earlier surveys were conducted by different providers and used slightly different terminology. The sample used in 2009 was both larger than in previous years and was conducted online rather than over the phone.
- The research builds on the earlier research, but also addresses a number of new and topical issues.
- The survey was conducted between 19 October - 21 October 2009. The main results were released at the ASFA National Conference in Melbourne in November 2009.
- The overall sample size was 1011, segmented and weighted to be nationally representative of Australia's population by gender, age and location. However, the sample was restricted to those aged 25 to 69 in employment given the focus was on attitudes to superannuation.
- 9% of the sample was aged 25 to 29, 61% was aged 30 to 49 and 30% was aged 50 to 69. 64% of the sample was employed full-time, 26% were employed part-time, and 10% were casually employed. 16% of the sample was self employed.
- The accuracy of the results at an overall level is +/-3.1% at the 95% confidence interval. This means, for example, that if the survey returns a result of 50%, there will be a 95% chance that the actual result will be between 46.9% and 53.1%.
- Note: All percentage figures in this report are rounded. Accordingly, totals may not add up to 100%.

KEY FINDINGS

- Despite the upheaval and uncertainty brought about by the global financial crisis Australians have not panicked and remain largely positive about their superannuation funds.
- Having enough money to retire with is regarded as the second most important financial concern after having enough money to pay everyday expenses.
- Whilst Australians are placing a high priority on having enough money to retire, an overwhelming majority have not made big changes to their super arrangements

throughout the crisis and are not likely to make changes.

- Around two-thirds of respondents consider that contributions in excess of 9% of wages are needed. Nearly 90% of respondents indicated that a retirement income of \$30,000 a year or more is needed in retirement to maintain an adequate retirement lifestyle.
- The public remains supportive of strengthening superannuation when it comes to policy options for the federal government. Reductions in the co-contribution are opposed, support for increased compulsory contributions is strong and there is opposition to increasing the respective ages at which both the age pension and superannuation can be accessed.
- The majority of respondents considered that the self employed should be brought within the compulsory system, with 50% of even the self employed considering that this should be the case.
- The current taxation arrangements for superannuation are regarded as not fair by 44% of the respondents, with the overwhelming majority nominating too much tax and too many taxes on super as the reasons for this belief.
- There is also a clear lack of confidence in legislative certainty regarding future government policies for superannuation.

GENERAL ATTITUDES TO SUPERANNUATION AND RETIREMENT INCOME

Unprompted issues/concerns about superannuation

As a general opening question survey respondents were asked to identify any issues related to superannuation that had caught their attention recently and to specify what they were. Superannuation in most years is not a "barbecue stopper", and unprompted raising of superannuation issues normally occurs with around 30% to 40% of respondents.

In 2009, however, 53% of respondents raised an issue that had caught their attention. Investment losses or poor investment performance were issues mentioned by 35% of respondents. Other issues mentioned were high fees (6% of respondents) and changes to the co-contribution and the reduction in contribution caps (3%).

This level of awareness of superannuation issues is high by historical standards and is linked to the developments in investment markets impacting on the great bulk of those with superannuation. As well the changes to the tax and co-contribution arrangements are likely to have generated negative sentiment to those changes. Increasing average superannuation balances also lead to greater engagement

Most important financial concerns of Australians

Respondents were asked which of seven listed financial concerns (with the list presented to respondents being rotated to avoid any bias) was the biggest concern or second biggest concern. The concern "having enough money to retire with" was listed as the biggest concern by 25% of

respondents and as the second biggest concern by 17%. Having enough money to retire with came in as the second biggest concern after “Paying for everyday expenses”. However, having enough money to retire with rated as a greater concern than “Paying my mortgage”, “Losing my job”, “Healthcare expenses”, “The global financial crisis”, and “Affording education expenses”.

Clearly having enough money to retire on is one of the most important financial concerns in the community.

CHANGES MADE TO CONTRIBUTIONS AND INVESTMENT OPTIONS

Changes in the level of contributions in 2008-09

The decline in investment returns had a clear impact on the level of contributions made to superannuation, with 17% of respondents reporting a decrease in contributions. Those aged 50 to 65 were the most likely to reduce contributions, with 22% of respondents reporting that they had reduced contributions. 18% of females reported decreasing contributions, compared to 15% of males.

However, 4% of respondents reported increasing their contributions, with this not varying to any degree with the age or gender of the respondent.

Changes in investment option in 2008-09

Overall 13% of respondents reported changing their investment option as result of the decline in investment returns, with 18% of males reporting changing their investment option and 9% of females.

The figure for males is relatively high compared to change in investment option data directly obtained from superannuation funds. Some respondents, perhaps males in particular, may have sought in their response to indicate that they were in control.

Anticipated change to contributions in 2009-10

In the current financial year there is a more positive attitude to making contributions, with 12% of respondents indicating that they will contribute more, but there still are 9% of respondents indicating that they will decrease contributions.

In those aged 50 to 65 there are bigger groups of those who are optimistic and those who are pessimistic, with 13% indicating they will contribute more but with a further 13% indicating they will contribute less. However, these are indication. Not all intentions turn into action.

ATTITUDES TO FUTURE SUPERANNUATION POLICY CHANGES

Expected likelihood of policy changes

Stability in superannuation tax arrangements was not expected by the bulk of respondents. 20% of respondents

indicated that superannuation tax arrangements will be very different to what they are now, with 31% expecting them to be quite different.

Those aged under 40 anticipate the most change, with 24% expecting the superannuation tax arrangements to be very different, with 40% expecting them to be quite different. This difference in expectations might be due to both differences in attitudes and in the number of years to retirement – those aged under 40 have more years in which changes can happen before they retire.

Change to the Age Pension eligibility age

The announced future increase in the age at which it will be possible to claim the Age Pension has not achieved popular support. 41% of respondents opposed this measure, with a further 26% strongly opposing it – a total of 67% opposing the change. Of those aged 50 to 65 29% strongly opposed the change, with being closer to the eligibility age an apparent factor.

Low income earners (those earning less than \$40,000 a year) were more likely to oppose the change, with 68% opposing or strongly opposing, compared to a figure of 59% for those earning \$70,000 or more a year.

It is likely that those who do not consider that they will qualify for the Age Pension are more supportive of an increase in the eligibility age in that it will not directly impact on them, and may lead to taxes being lower than they otherwise would be.

Change to the preservation age for superannuation

There was even stronger opposition to the preservation age for superannuation being raised to age 67. The possibility of such an increase was canvassed by the Henry Tax and Transfers Review and has also been suggested by some commentators.

85% of respondents opposed or strongly opposed such a change. It was particularly unpopular with females (with 88% opposed or strongly opposed) and by those aged 50 to 65 (again with 88% opposed or strongly opposed).

The superannuation co-contribution

There are high levels of awareness of the co-contribution, with 75% of both male and female respondents indicating that they are aware of the scheme. Awareness is even greater for older persons, with 82% of those aged 50 to 65 aware of the scheme.

The reduction in the maximum co-contribution introduced in the last budget was opposed or strongly opposed by 53% of respondents. The change was particularly unpopular with females, with 56% opposed or strongly opposed (most recipients of the co-contribution are female). Older persons particularly opposed the change, with 58% opposed or strongly opposed compared to 49% of those aged under 40.

LEVEL OF CONTRIBUTIONS AND RETIREMENT INCOME NEEDED

Level of retirement income

A large majority (67% of respondents) consider that contributions of more than 9% of wages are needed to ensure adequate retirement savings for most people. There was not much variation between groups in this view, with 65% of males of this opinion and 69% of females. There was no real variation in views across age groups.

35% of respondents considered that contributions of 12% of wages are needed, 43% considered that contributions of 15% are needed, with 14% of respondents considering that contributions in excess of 15% are needed. Again there was very little variation between males and females and between age groups in views about required contributions.

Level of income needed in retirement

A large majority (88%) of respondents consider that an income of more than \$30,000 a year is needed in retirement to maintain an adequate retirement lifestyle.

Those aged under 40 have higher expectations/requirements, with 69% of respondents indicating that an income of more than \$40,000 a year in retirement is required.

	Male	Female	Under 40	50 to 65	Total
Under \$20,000	1	2	1	2	1
\$20,000 - \$29,999	12	10	9	14	11
\$30,000 - \$39,999	26	28	22	33	27
\$40,000 - \$49,999	25	24	26	22	24
\$50,000 - \$59,999	20	20	24	16	20
\$60,000 plus	17	16	19	14	16

ATTITUDES TO POSSIBLE POLICY CHANGES

Attitude to soft compulsion

There was strong support for a system of additional contributions where employees would have the option to contribute an extra 1% into super each time they receive a wage increase or start a new job, up to a maximum of 3%. This would be on top of the 9% compulsory super.

Only a very small proportion of respondents opposed such an arrangement. Those aged 50 to 65 were the most supportive of the proposal. This might be due an increased perception on the part of this age group of the inadequacy of their current savings for retirement.

	Male	Female	Under 40	50 to 65	Total
Strongly support	19	16	15	23	17
Support	62	62	61	59	62
Oppose	7	6	9	5	7
Strongly oppose	2	2	1	2	2
Don't know	11	16	16	11	12

Superannuation and the self employed

There was strong support for the self employed having to contribute to superannuation. 61% of total respondents supported this, with 50% of self employed respondents also supporting compulsion.

Fairness of superannuation tax arrangements

A significant proportion (44%) of respondents believe that the current tax treatment of superannuation is not fair. This proportion is higher for males (47%) and for those aged 50 to 65 (48%).

	Male	Female	Under 40	50 to 65	Total
Yes	26	19	22	25	22
No	47	41	37	48	44
Don't know	27	39	40	27	33

The unprompted reasons given by respondents for why they consider that the tax treatment is not fair focus on the level and frequency of taxes on super, with the primary concerns about the level of taxation being that too much tax is levied on superannuation.

Of those respondents who believe the tax treatment of superannuation is not fair, 19% of respondents indicated that the reason for this belief is that superannuation is taxed multiple times, a further 16% consider that superannuation should be tax free, 24% consider that the too much tax is being paid on superannuation, and 5% consider that there is little incentive to save for retirement. Only 4% of those who believe that the tax treatment of superannuation is not fair nominate "favours high income earners or the wealthy" as reasons.