

Superannuation:  
Survey  
Of Key Voter Attitudes

By

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# Aims

- Identify priority personal retirement, financial, investment and voting issues and needs of Australians, top-of-mind and prompted.
- Test potential impact of key ASFA arguments
- Identify overall perceived performance of Government on key retirement issues .
- Recommend Strategic Imperatives for ASFA.



# Methodology : Stage 1

- **Focus groups conducted in Melbourne and Sydney early May 1998.**
  - **45-65 year olds**
  - **Soft Liberal voters, 35+**
  - **Small business owner / operators 35+, superannuation contributors**



## Methodology : Stage 2

- **To validate focus group findings: Representative Adult Australian workers**
- **The data was weighted according to population age & gender characteristics.**
- **Gathered between 4-5 October 1999.**



# Issue Importance

- Not the most important top of mind issue

**BUT**

- Over the last few years noticed growing top-of-mind concern about
  - increasing complexity of super
  - “creeping” tax increases
  - need for all in the community to be more self reliant



# “Baby boomers” and the Ageing population

**45+ aware of the implications of size of “baby boomers” demographic.**

**Familiar with Australia’s ageing population issue + implications for country / future:**

***“.... baby boomers in 10 to 15 years time are going to be retiring...there are going to be less people in the work force for everyone who is on a pension, super or whatever.. Now that’s a big problem.”***



## **“Baby boomers” and the Ageing population**

**Seriously concerned about capacity / willingness of governments to fund the retirement of older Australians into the future:**

***“... the Government doesn't want to pay the pension (any more). When you get to pension age the sooner you die the better as far as they are concerned. You are a burden, you're a burden to them, to everyone who works and pays taxes.”***



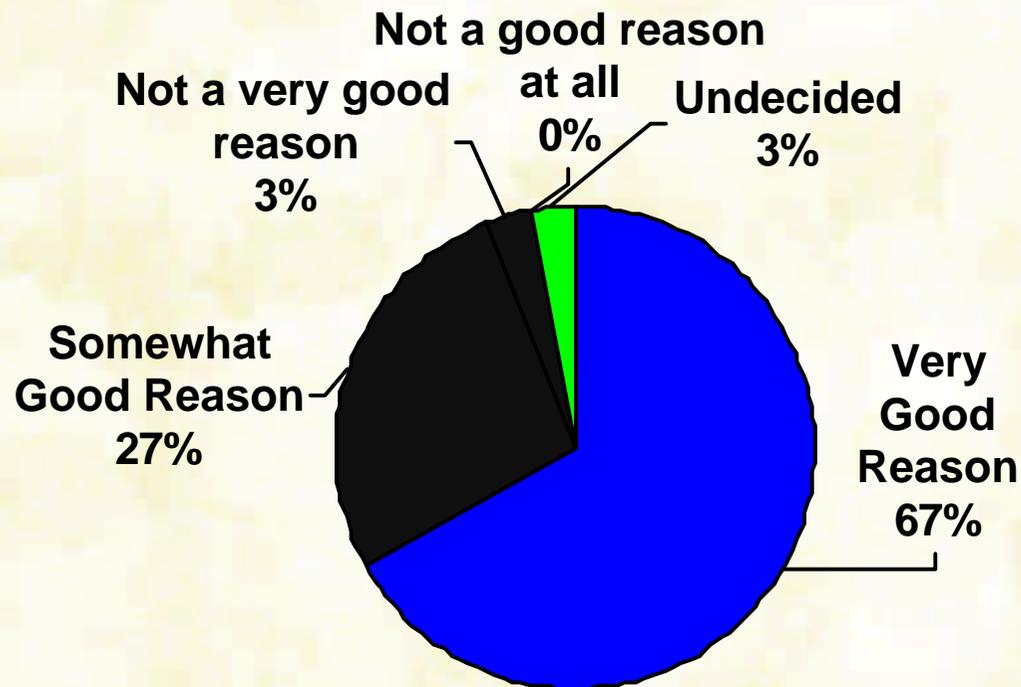
## “Baby boomers” and the Ageing population

Prompted with predictions:

- The percentage of Australians aged 65 and older could near double by 2031 +
- The potential tax increases required to cater for this could be up to 20%,  
..... participants became extremely concerned & adamant that some positive steps be taken in preparation for this eventuality:



## ASFA Argument Test: Ageing population / System can't cope: Compelling Reason for Government Attention



*The Australian Bureau of Statistics projects that the number of people aged 65 and over will rise from 12% of the population in 1991 to more than 20% of the population by 2031. This will mean that the costs of health care and the aged pension will increase from 10% to 22% of GDP which will mean a \$60 billion per year cost to the community. .. is a very good reason, somewhat good reason, not a very good reason or not a good reason at all for government to give more attention to this issue?*

## Attitudes toward compulsory superannuation

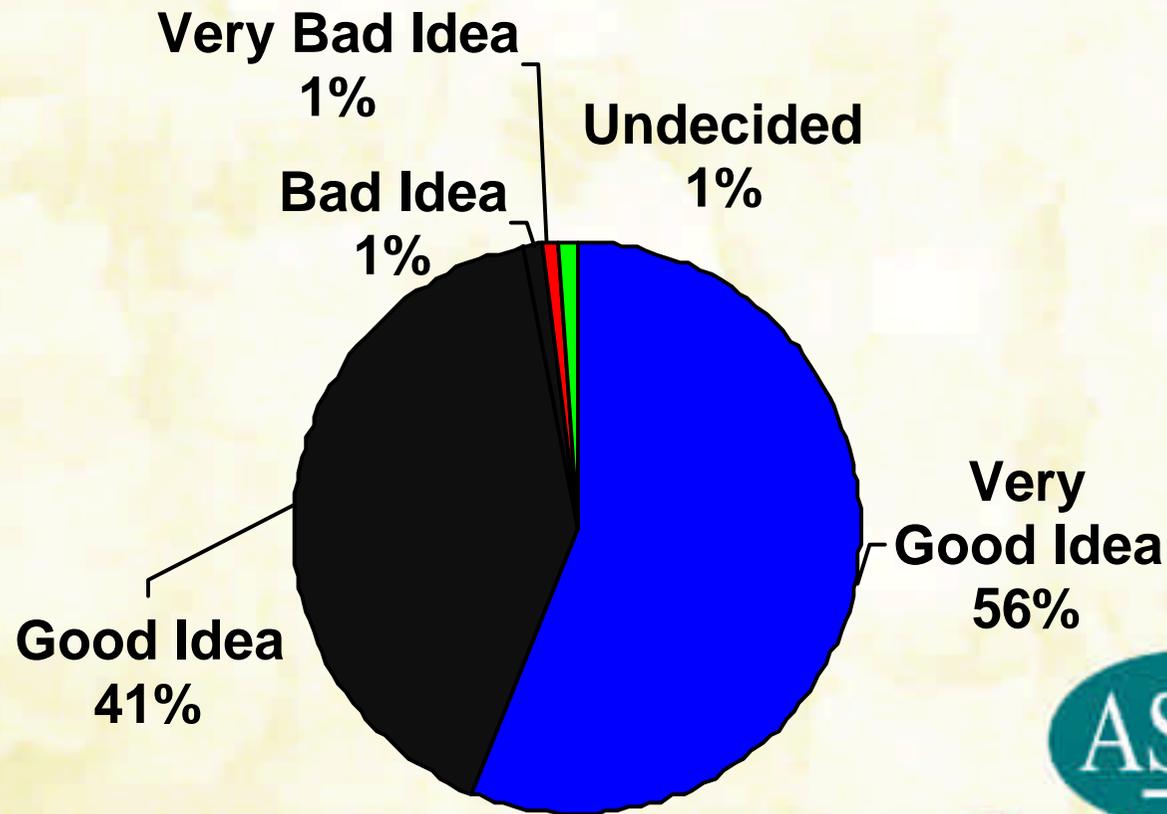
The need for forward planning

**Need to plan ahead for ageing population lead to strong support for compulsory superannuation regime:**

***“I think one good thing they've done is to make it compulsory. They're looking at the future and trying to get people more responsible for their own retirements.”***



# 97% think it as a good idea to have compulsory superannuation System



## Attitudes toward compulsory superannuation

does compulsion bring about resentment?

**Normally, Australians resent government intervention into lives + generally want government to “get off their backs”.**

**Critical point: imposition of a compulsory superannuation levy is not one of these instances.**



## Attitudes toward compulsory superannuation

does compulsion bring about resentment?

**BOTH accept need to plan ahead for coming wave of “baby boomer” retirements but also view compulsory superannuation as a necessary and desirable “intervention”:**



## Why Australians can view compulsory superannuation as a necessary and desirable “intervention”

### 1. The promotion of self sufficiency and personal responsibility

**Do not discount the values of freedom and personal choice.**

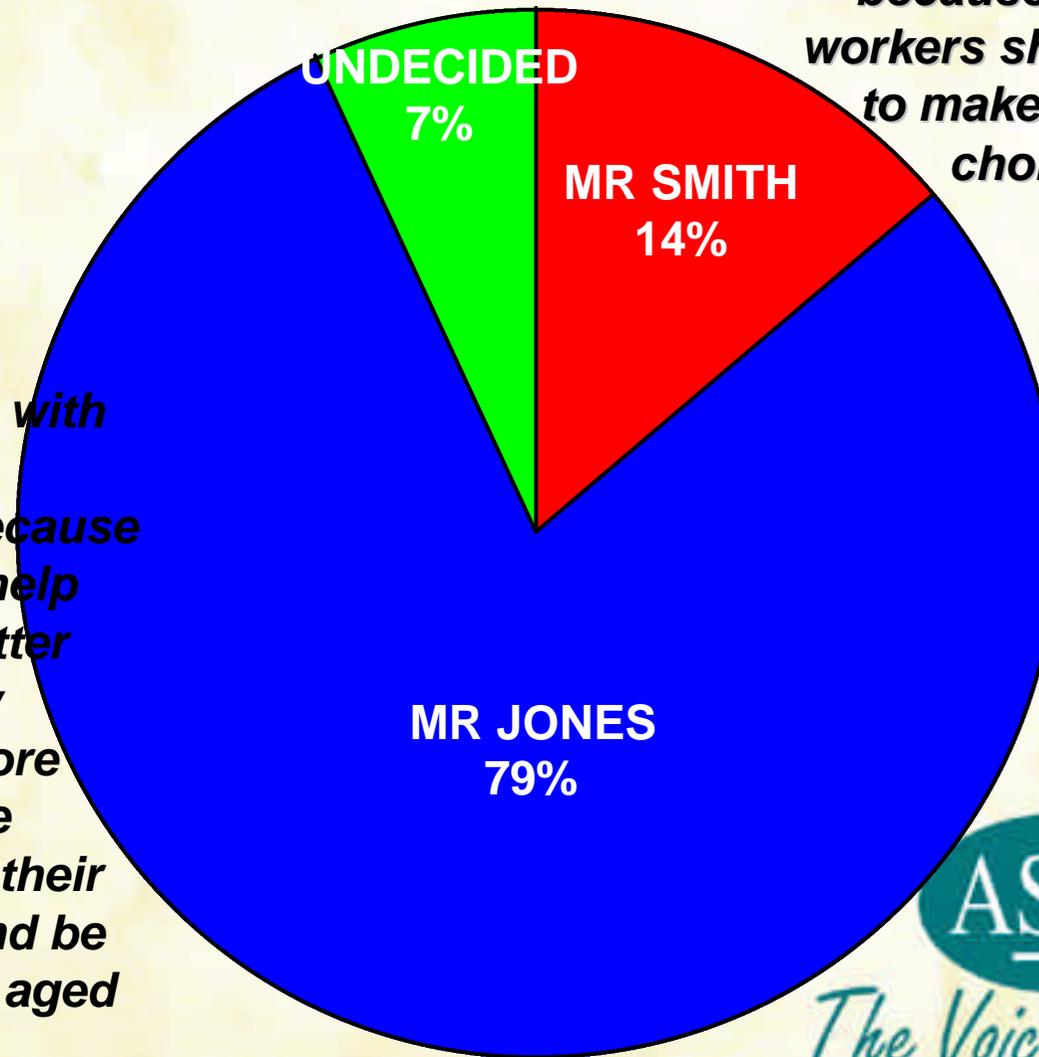
**Just place greater value on (enforced) personal responsibility and self-sufficiency:**

***“If you only had voluntary super, then too many people would say: ‘Why save? When I retire I’ll bludge off the government. That’s not right!’”***



***“Mr Smith doesn't agree with compulsory superannuation, because he thinks workers should be free to make their own choice ...”***

***“Mr Jones agrees with compulsory superannuation, because he thinks it will help provide for a better retirement by encouraging more people to take responsibility for their own retirement and be less reliant on the aged pension”***



**ASFA**  
*The Voice of Super*

## Why Australians can view compulsory superannuation as a necessary and desirable “intervention”

### 2. We need forced saving

Australians view own inability to plan for the future as an example of “market failure”.

Savings seen as critical

**BUT**

Seriously doubt the ability of themselves and fellow Australians to do it if left to own devices:

*“I have a daughter aged 15 and a son 18 and her first pay cheque had super taken out. In a way I wish that had have happened to me.”*

*“I left a large company years ago and got a big pay-out. And I spent it. And I realise now I shouldn't have but I spent it.”*



## Why Australians can view compulsory superannuation as a necessary and desirable “intervention”

### 3. Compulsory super is “part of life” now

Appears that both employers and employees view the super regime as “a part of life”.

Both “accepting” of the compulsory aspect of new super regime, despite seeing it as substitute for extra pay, rather than an addition.



## Should the compulsory levy be increased?

Such is the perceived necessity, acceptance of, and support for compulsory superannuation that it is thought it should be actively promoted and indeed fortified:



## Should the compulsory levy be increased?

***“Something’s got to be done about the baby boomers and if it’s a choice between taxes going up to pay for more pensions or increasing compulsory superannuation, then I’d much rather super goes up.”***

***“I read somewhere that you need to save something like 15% of your income for 30 years to retire on. No-one's going to do that unless you make them. No-one!”***



# Should the compulsory levy be increased?

Some employers realised “it didn’t matter” who made additional contributions

**BUT**

View that IF any additional contributions from employees -- gives symbolic “ownership” of super, promoting a cultural shift?:

*"Employees don't really think of it as their own money. If you made it come from them, it mightn't make a difference, but it would make them realise its their money."*



# simplifying superannuation

**Few able to identify any positive changes to super  
by current Government.**

**A minority pointed to the new requirement for  
choice of funds.**

**For businesses, this represents an impending  
administrative nightmare:**



## simplifying superannuation

***"At the moment I can tell employees that you are in X fund and that makes it simpler for me because I can just deduct 7% from their salaries and that all goes into the one fund. But after the first of July they can all come and say they can go wherever they want. So you have to set up a (huge) flow of paperwork ... it's going to be a nightmare."***



# simplifying superannuation

## Employees similarly unexcited:

***“If you are employed in the private sector it used to be that you contribute 7% into the employer sponsored superannuation fund. Now we’re told that the laws are going to be changed and that the company has to offer us a choice of up to 5 alternate funds. Now what that’s done in most workplaces is that it’s caused confusion. We’ve had them all come in. They’ve all told us how wonderful their funds are, what they can do for you. And they all just want our money.”***



# simplifying superannuation

Being in control = knowing where they stand + certainty of outcomes

➤ freedom to generate wealth through own investments.

Many BBs see themselves as “novices” in *new* financial world + many doubt ability to invest wisely:



# simplifying superannuation

***"It's very difficult to know what shares to buy. It's very difficult and you can't always trust the advice you get."***

***"You hear all the terms, fully franked and so on, but I don't really understand it properly."***

***"It is a profession. People go to school to learn about it. I wouldn't be confident in my ability to go out and get it right. Too much stress."***



# simplifying superannuation

**“Perfect” system of compulsory super  
among both employers and  
employees?**

**Theme:**

**Simplicity**



# simplifying superannuation

## Consumer / personal perspective:

- desire for simplicity = peace of mind + security in decision
- outweighs freedom to choose;

## From national values perspective:

- value PERSONAL RESPONSIBILITY (albeit through “encouraged” saving)
- above freedom of choice.



## simplifying superannuation

If the Government continues to claim to have done its job on super by increasing “choice” they are in real danger of marching to a beat far different from that which sounds for ordinary Australians



## Attitudes toward voluntary superannuation

**For the same reasons that participants support the idea of compulsory superannuation, they are even more supportive of voluntary superannuation.**



# The importance of national savings

**Need to plan for the ageing  
population, participants**

**+**

**Need for Australia to develop a  
savings pool via a savings  
“mentality”**



# The importance of national savings

**News of drops in Australia's rate of savings:  
Prompts desire for voluntary superannuation to be  
actively promoted to boost national savings:**

***"That means we have no ability to repay our debts,  
which makes us a bad credit risk. Then people aren't  
going to put money into the country."***

***"If savings drop that means you need to borrow more  
money from overseas to fund your spending.***

***Then you get in that whole debt spiral."***



# The importance of national savings

## Importance of self sufficiency

Again, individuals view voluntary superannuation as something which they + fellow Australians, should be contributing toward.

Very high value placed upon personal responsibility and their own desire to be “self sufficient” in retirement.



# Making voluntary super attractive

Rather than viewing the present discounted tax rates for superannuation as attractive, participants see them as punitive:

Because of value placed on self-sufficiency + personal responsibility, thought to be short sighted + “plain wrong” of Government to tax voluntary superannuation contributions.



## Making voluntary super attractive

Desire for government to “bias the system” in favour of those BBs unlikely to be fully self sufficient, but prepared to try and save as much as possible.

The argument that voluntary super a bit of a “tax rort” prompts strong disagreement.



# Making Voluntary Super Attractive

Far from a tax dodge, voluntary superannuation seen as an re-investment in Australia

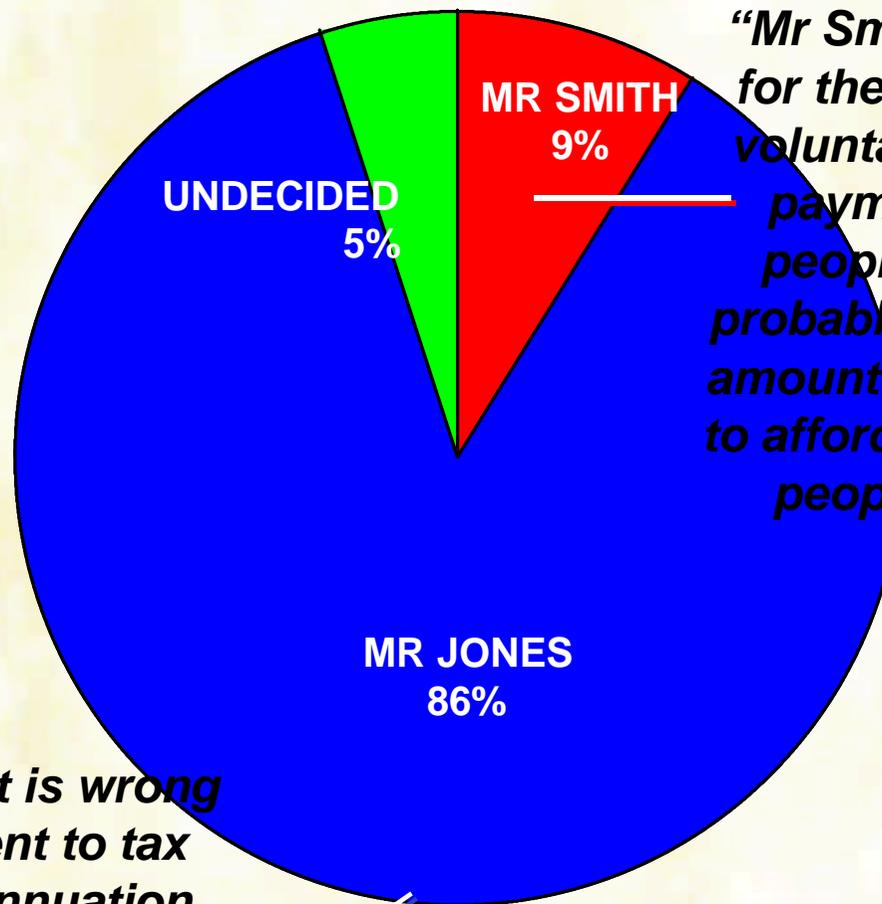
A “wholesome” investment by ordinary, honest people + provide for themselves

“Rich tax rorters” do something else entirely

Minority worry: “Big end of town” may take advantage of more favourable tax arrangements

**BUT**

Restrictions on self managed funds and/or setting maximum limits to tax free voluntary contributions seen as solution



***“Mr Smith thinks it is right for the government to tax voluntary superannuation payments because the people who make them probably have a reasonable amount of money to be able to afford it and these are the people who should be taxed”***

***“Mr Jones thinks it is wrong for the government to tax voluntary superannuation payments because it penalises people who want to do the right thing and provide for their own retirement without putting pressure on the taxpayer”***

# Tax upon tax upon tax

Fortunately for polities, few are aware of the frequency / level at which super is taxed. When confronted with the ASFA's arguments:

- Australia only country to tax superannuation at three stages and;
- By taxing superannuation contributions AND earnings (rather than the final pay-out), governments "creamed" more than \$17 billion

.... reaction ranged from utter disbelief to measurable outrage



# Tax upon tax upon tax

To tax the savings pool, which is supposed to provide for retirement incomes for an ageing population is extremely short sighted:

*"The government never thinks beyond the next election. They never think for the future."*

*"We're diving into someone else's funds to fund our current lifestyle. If more people knew about this there would be a lot more noise about it."*



# Tax upon tax upon tax

**Government's are just out to "get more tax" and are seeking to do it the easy way rather than the right way:**

***"It's like a honey pot. It's easy money for them."***

***"... they started off with good intentions, but very quickly they used super as a defacto tax system."***

***"That's turning people off. It's turning me off. They're taxing you on something you've already paid tax on. And then when they run out of money again, they'll just hit the super fund again. ... it's just a big pile of money just sitting there just ripe for the picking."***



# Tax upon tax upon tax

Penalising people for endeavouring to “do the right thing” for themselves / the country “plain wrong!”:

*"The scheme is supposed to stop people scrounging off the government when they get old, right? Well why do they tax it then?"*

*"You may as well sit on the park bench and stick out your hand for the \$200. Why try and be better, why try and have a nicer lifestyle when you retire."*

*"The taxation system in Australia, it's like you get your income, it's taxed. You save it for a rainy day, it gets taxed.*

*You go to get your money,  
it gets taxed again. It's not very fair."*



*The Voice of Super*

# Which Tax is Best/Worst

Of the three separate tiers of taxation: most want removal of tax at the front end because:

- taxes at the front end the most visible disincentive;
- reduction in the “front end” taxes provide *real* benefits  
BUT reduction in the “back end” taxes only =  
“potential” benefits -- possibility that the  
government could renege!;
- in removing the taxes on the front end, government’s  
allow individual investments and the pool of  
saving to grow not be “stifled”:



# Superannuation Surcharge

**Follows that the superannuation surcharge is seen as an UNFAIR and “SILLY” measure by the minority who are actually aware of it**



# “They Keep Changing the Rules”

**Penchant for governments to “keep moving the goalposts”.  
Regular changes the reason why voluntary superannuation  
unattractive:**

**(1) Changes promote mistrust -- Unsure about what will happen  
long term / after future rule changes**

***"The problem is they keep changing all the rules. Previously you put your money in, you got encouraged to do so. Now they keep changing all the rules because the government wants to keep getting more and more tax. And the latest one is this surcharge. So it gets back to what this gentlemen was saying before, where you really do wonder if there's going to be anything there at the end of it."***

**ASFA**  
*The Voice of Super*

# “They Keep Changing the Rules”

**(2) Constant changes making superannuation “too complex” for people to understand:**

***“Simplicity. Just give me something you can understand.”***

***“If you have something complicated you think ‘forget it’, ‘lets look for something else’.”***



# Who's to blame?

**Most neither knew or cared which party was responsible for the superannuation system problems**

**Most common assumption is that "it is a combination of both parties":**

***"There's no difference."***

***"It's been a contribution of both."***



# Who's to blame?

**Few could identify the choice of funds provision and the superannuation surcharge**

**BUT**

**Most unable to point to one single measure by Government to address important super issues --**

**Adequate pool of retirement savings, reduced reliance on the age pension + promoting simplicity, certainty and “peace of mind”.**



# Super as a Political Issue

**Government is NOT suffering politically because of super issues**

**BUT**

**If Government claims to be “on track” with super policies / claim “Australians have confidence in the super system” they risk being seen as completely out of touch with the views of ordinary Australians:**

*“The government’s on track? What track?”*

*“Yes it’s on track all right.  
They’re creaming tax off it very nicely.”*



*“Who said that? Santa Claus?”*

*The Voice of Super*

# Super as a Political Issue

If super issues were to attract stronger focus /  
increase in salience:

Poor perceptual stock of any presiding  
government exposed to the glare of critical and  
cynical public.



# Summary

Because ALP introduced compulsory super, trade union funds etc, Liberals reacted by emphasising choice --Understandable but erroneous.

Most votes and even soft Liberals support compulsory super. They rationalise this as means of making others be responsible



# Summary

**Opportunity for Government to review / reform super to promote simplicity and provides greater incentives for providing for own retirement**

**Simplifying and incentivising super savings by reducing “front end” tax of super for low/middle income earners may be as effective as tax cuts which are viewed very cynically**

