Lessons from the Latest Super Industry Research

CONSUMER ATTITUDES AND PLANS IN THE LIGHT OF RECENT GOVERNMENT POLICY CHANGES TO SUPERANNUATION - 2006

ASFA Conference 2006: Super – Going the Distance
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For the first time since Paul Keating took the brave decision to introduce compulsory superannuation and create what now has become a significant industry for this country, the federal government has again been adventurous and has changed the landscape for the industry. Have these developments changed the landscape for the ordinary consumer?

This was one of the areas the latest ANOP research has addressed. As regular conference attendees will know, ANOP has been conducting strategic market research for ASFA for many years. Last year in Melbourne we highlighted the growing clamour from baby boomers, increasingly worried about impending retirement and their ability to fund a comfortable lifestyle. Paul Keating never had much time for baby boomers and he based his super policies on a very long term vision concentrating on younger generations. But the government and treasurer Costello, perhaps sensing a market opportunity, have pushed the baby boomer button big time – at least among the better off ones, the ones who clamour the loudest. Again, in this research, we look carefully at which groups in the community have embraced Costello's courageous changes.

The latest ANOP research for ASFA was designed to answer the following questions:

Key questions in 2006

- How have the recent changes to super been received by consumers?
- Have the super changes altered consumer behaviour?
- Will consumers' retirement savings adequately meet their needs? What other initiatives are needed?
- How are super funds travelling in 2006?
- How many have changed funds in the last year?
- How is super viewed as an investment today?

- Just how have the government changes been received by consumers…are they all aware of the changes, and how have they reacted to them.
- More importantly, how have the changes impacted on consumer behaviour at this early stage.
- We also revisit a number of fundamental questions regarding the perceived adequacy of people's retirement savings and the consumer view of how much money is needed in retirement.
- We continue our theme from previous studies of other policy options to bridge the gap between expectations and reality, and explore new policy ideas like soft compulsion.
- Then some questions closer to home for fund managers …how are super funds travelling in the eyes of consumers, and how do their members feel about the returns they are receiving and the fees they are charged.
- We have also followed up the impact that choice of fund has had so far, by looking at how many have changed funds in the last year and why.
- Finally, in this new golden era of super, we have investigated super's standing as an investment after the recent government changes.

ANOP's 2006 research for ASFA

ANOP

What:	Builds on previous studies since 2001 and addresses topical issues in 2006
Who:	750 working Australians 25-69 years
When:	September 2006

So, ANOP's 2006 research for ASFA builds on previous studies but also addresses some new and topical issues. We boosted our research sample to 750 people aged 25 and over in the workplace – in other words, people with compulsory super. The bigger sample allowed us to compare the generations – particularly to see the attitude dynamics of baby boomers versus the younger generations. This national telephone survey was conducted during September 2006.

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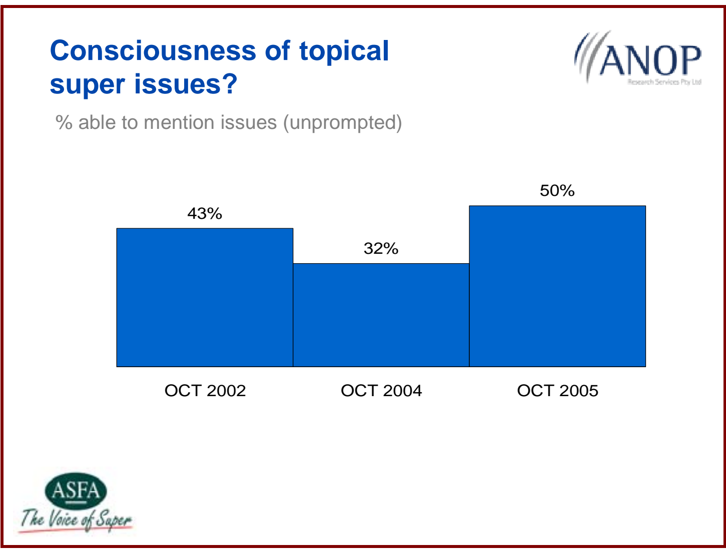
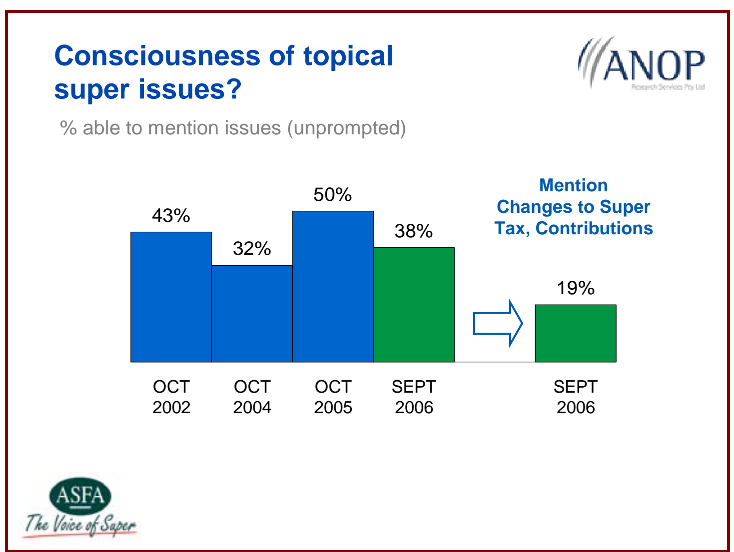
• HOW HAVE THE RECENT CHANGES TO SUPER BEEN RECEIVED?

We have been asking the Australian workforce over the years what issues about superannuation have been catching their attention recently. Last year we made the point that superannuation is usually not a barbeque stopper for ordinary people – but in spite of this, the 2005 survey registered a record 50% able spontaneously to mention something that had grabbed their attention about super. So what would you expect this year, after the changes announced by Treasurer Costello in the May 2006 Budget?



The barbeque stopper in 2005 was choice of fund – a subject of substantial media and direct mail advertising and campaign style PR. This was a highly effective awareness raising campaign from all sections of the industry and regulators, and we suggested that the 50% unprompted figure was one unlikely to be exceeded.



And this is probably the case. This year you can see, Peter Costello's major achievement notwithstanding, that unprompted awareness of anything to do with super is down to 38% - with the government's recent changes specifically making up half this figure at 19%.

These figures should be seen in context. A 38% unprompted awareness is a relatively high figure and it is overtaken only when unusual circumstances involving the whole community prevail. In 2002, negative returns impacted on everybody to the extent where 43% had something spontaneous to say about super. And in 2005, the message about choice of fund was the subject of a substantial community wide media blitz. The present figure of 38% generally about super, and 19% specifically on the changes, should be seen as a high level of interest – but only to a segment of the population.

What did the other 19% say – those not mentioning the changes?

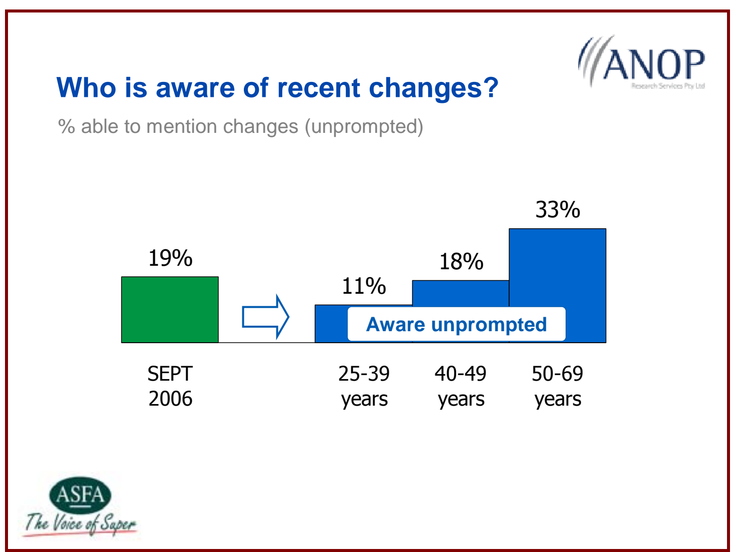
Other issues on the 2006 agenda?

Mentioned spontaneously by 2-3%

- **Choice of fund:** Can choose your own fund
- **Co-contribution scheme:** Government matches contribution
- **Adequacy:** Won't have enough super when retire
- **Industry fund ad campaign:** Ads on TV
- **Increases to pollies super:** Help themselves

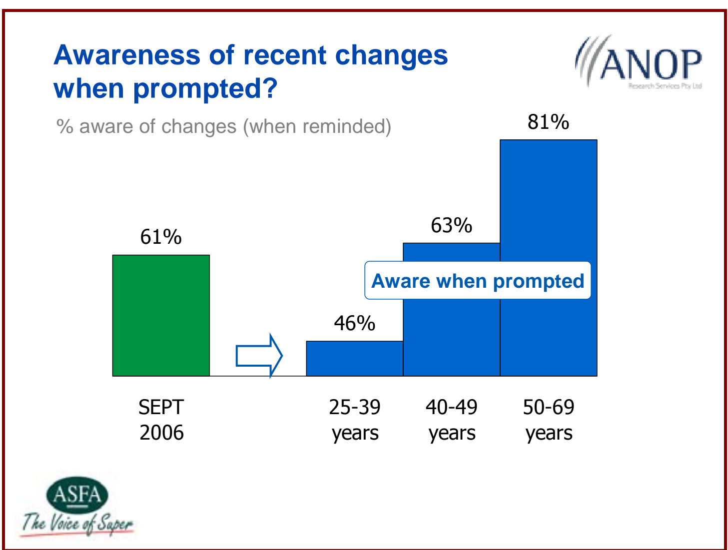
They mentioned a diverse range of super topics ranging from choice of fund, co-contributions, adequacy, the increase in politicians' super, and the industry funds' advertising – each a substantial issue in its own right, attracting a 2-3% spontaneous mention.

There are some important messages here for the industry. It takes a really big bang to make an impact on the consciousness of middle Australia…it is a hard ask of ordinary people – to nominate without prompting, messages about a complex subject. There are some big issues in these tables that attract only 2 or 3% top of mind awareness – the successful industry fund advertising campaign, the increasingly popular co-contribution scheme among others. To break through consumer consciousness you need major and concerted campaigns. A few days of free media in a political context is going to impact on the interest group concerned but not more widely. This is what has happened with the latest super changes – they are a very big deal, but only to a section of the community.



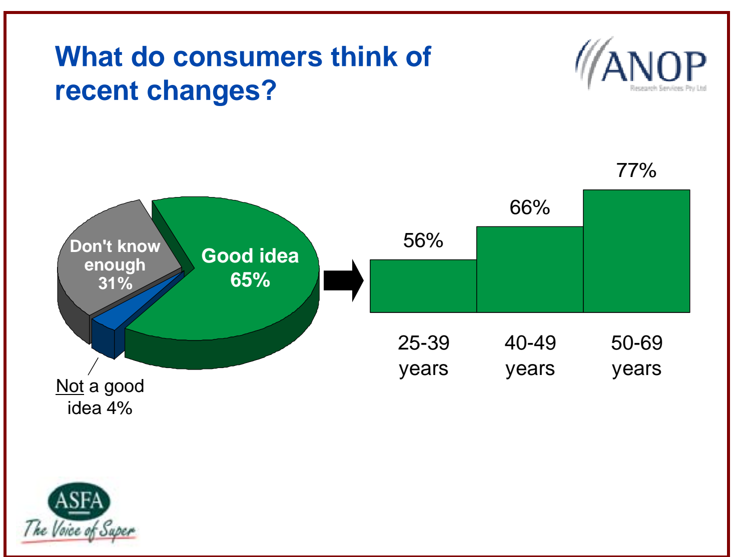
We see here that the average 19% specific awareness of the recent super changes is heavily age related – with modest 11% and 18% figures for generation X and the 40 somethings, but a much higher 1 in 3 figure for the baby boomers.

To get the complete picture we also derive a prompted awareness figure – that is we specifically tell our sample about the removal of tax on super benefits and then ask them whether they had heard about it.



And when we prompt, we find an awareness figure of 61% - high, but not as high as last year's prompted awareness of choice (at 90%). We get close to the 90% figure among the baby boomers at 81% and we get over 90% among that subset of baby boomers who have the greatest vested interest – wealthy men who are aged over 50.

Awareness is one thing – but what do consumers think of the recent super changes?



The reaction is a pretty good one for the government – those who know think it's a great idea and those who don't, are neutral and hardly ever negative. Again, the baby boomers are clapping the loudest with more than 3 in 4 voicing approval. And

when we asked the majority who thought the changes were good news why, they were more than forthcoming in response.

Why are the changes a good idea?

Main spontaneous reasons given by the 65%

- **Greater payout.** More money for me in retirement
- **Less tax burden.** Pay too much tax

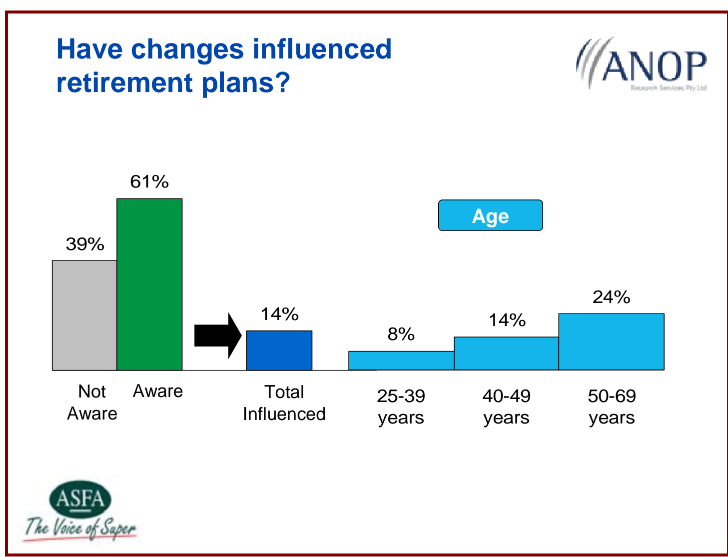
Followed by:

- **Incentive to save for retirement.** Encourages saving
- **Reward for hard work.** Shouldn't tax retirees or over 60s
- **Taxed too many times.** Already paying tax on super

Quite clearly, the government has hit squarely on a number of hot buttons in these changes – and more than just hip-pocket ones. The strongest themes were "more money for me" and "less tax". Reinforcing this tax theme, there are some cluey people who based their approval of the changes on their knowledge that super was taxed too many times – one of ASFA's successful lobbying themes. In addition, also mentioned in despatches is another astute reaction – that the changes will be an incentive to save. And there is also a renaissance of the deeply held belief that retirees deserve some kind of reward after years of hard work. Twenty years ago people would give this "hard work rewarded" response in regards to pension entitlement... we don't hear it in this context any more because it is being transferred to superannuation.

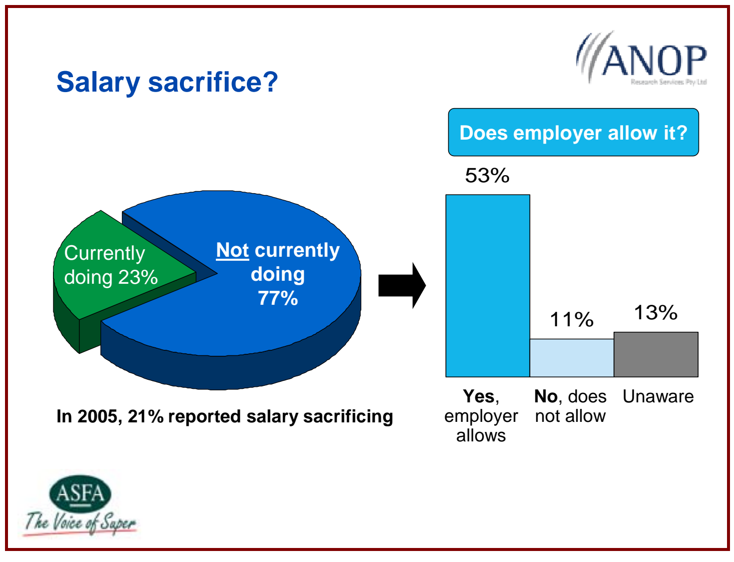
• HAVE THE SUPER CHANGES ALTERED CONSUMER BEHAVIOUR?

What about actual behaviour? It's early days with the super changes and even though we understand that a great deal of new money has flowed into super recently, it may be premature to gauge what impact there has been on consumer behaviour.



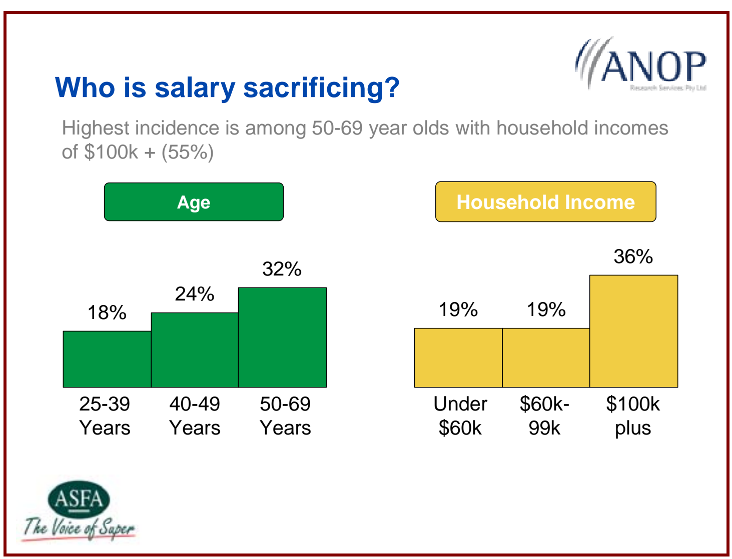
Nonetheless, we asked the 6 in 10 who knew something about the super changes whether these changes had influenced what they planned to put into super or their plans for retirement. And we find a relatively modest 14% reporting an influence in some way on behaviour - and most of this was planning to increase contributions. This rises to nearly 25% among the baby boomers and to nearly 40% among the better off of the boomers. It is early days but if there is a sudden surge in super flows it is coming from a relatively small number of people.

What about additional deducted contributions?



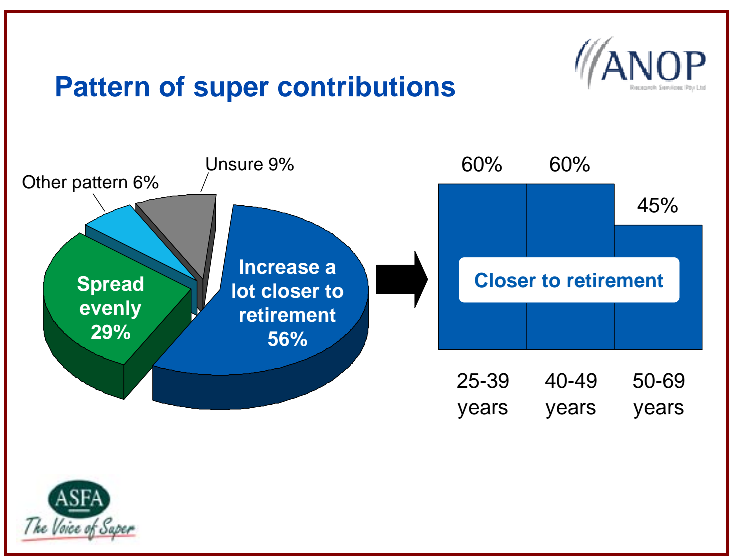
Last year we reported that just over 1 in 5 (21%) were currently engaged in some form of super-related salary sacrifice. This year we do find a movement upwards, but again it is a very modest one at this stage. Now the figure is 23%. It would be a bit higher if everybody was able to do it but as our survey shows, around 1 in 4 (24%) of the workforce is either denied the opportunity by their employer or is unaware of the potential to do so.

So who is actually salary sacrificing for super at the moment?



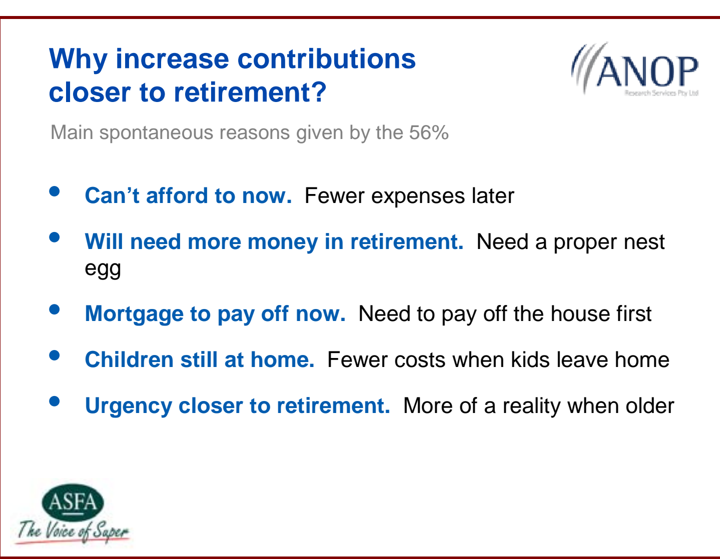
In a similar result to last year we find a marked link between age and income and salary sacrificing. Basically people don't salary sacrifice until they get older and earn more. The highest salary sacrificing incidence is 55% among wealthy baby boomers. Of course there are some young people in the workforce who are salary sacrificing (we show an 18% figure among the under 40's), but the implication is clear for both government and the industry – the message about starting young is contrary to current behaviour.

In fact we asked our sample if they were going to spread their contributions evenly across their working life or increase them closer to retirement …



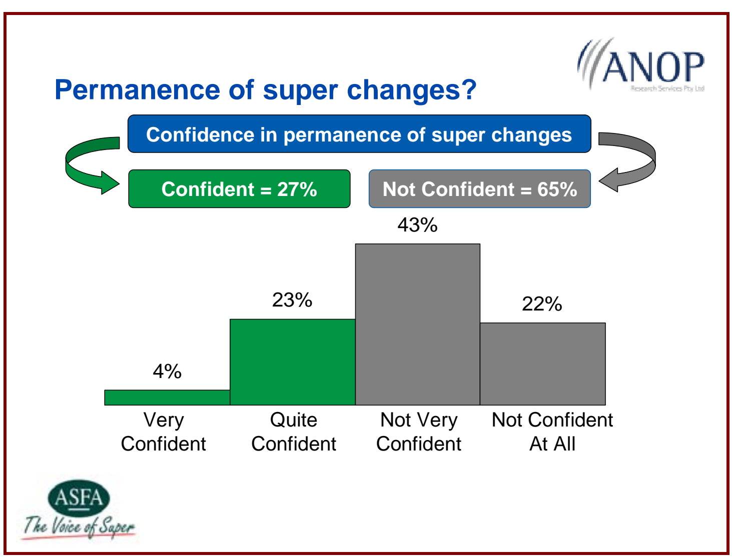
… and we find that the great majority, not only of the under 40's, but also of the 40 somethings are planning to wait until closer to retirement. Government policy and the super industry would prefer higher numbers of younger people keen to spread contributions more evenly over their working lives.

But this may not be possible in practice. We asked the majority who were planning a late life burst of super contributions, why so - and they gave us the unremarkable response that they couldn't afford it earlier.



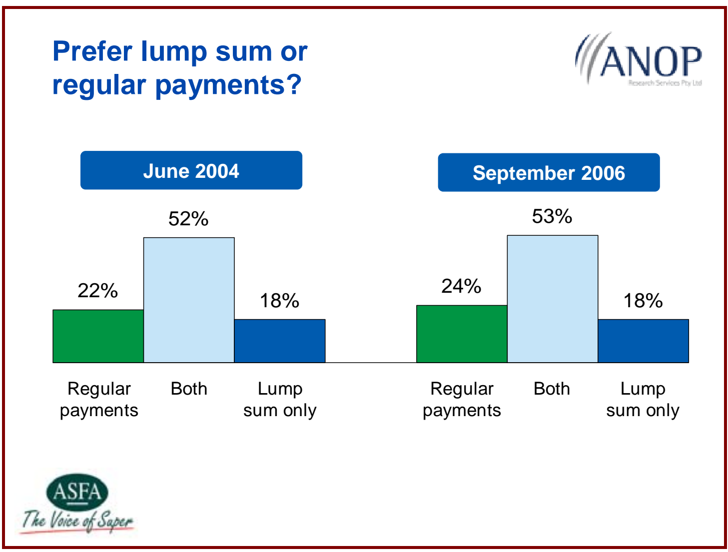
The competition of day to day living expenses, mortgages and the cost of raising a family will make it difficult to find the extra capacity to salary sacrifice. These results suggest there will need to be more policy initiatives on the super front, tailored to under 40's and middle income earners.

Another barrier to universal community behavioural change is the easily evoked Australian cynicism – particularly of actions by politicians. Not surprisingly most working Australians are not convinced that the rules won't change. Indeed the very magnitude of the Treasurer's generosity to some in the workforce has fuelled doubts as to the longevity of the changes.



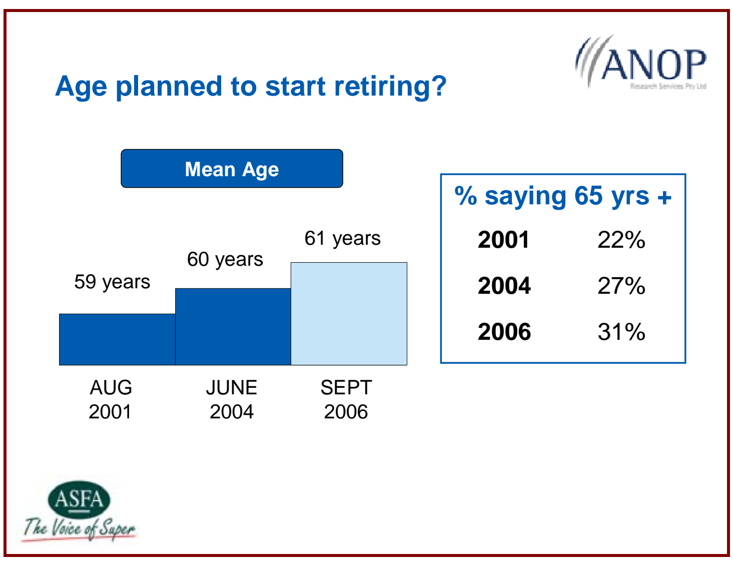
We asked how confident people were that the Budget changes to super were here to stay and won't be changed, and we found that two thirds were doubtful of their permanence. A brave 4% only were very confident that the changes were set in concrete. And the cynicism was apparent right across the board with little variation across the age groups. Achieving more widespread behavioural change will require at the very least, confidence in policy permanence.

One aspect of behavioural change that one might have expected to see early on was an increase in the preference for a lump sum over a retirement income stream.



Twenty years ago before the onset of compulsory super, lump sums were all the rage. Not any more and not any greater after the recent super changes. Indeed the 18% preferring the lump sum only option in the present survey is exactly the same figure as recorded in the 2004 ASFA study. This result may say as much about doubt as to how long the changes will last, as it does about how well the community has been educated about the wisdom of taking an allocated pension. It may also say something about confidence in the superannuation industry's ability to manage and invest people's money. (As we reported at last year's conference, the great majority of people believe that it is important to have their super professionally managed as opposed to doing it themselves.)

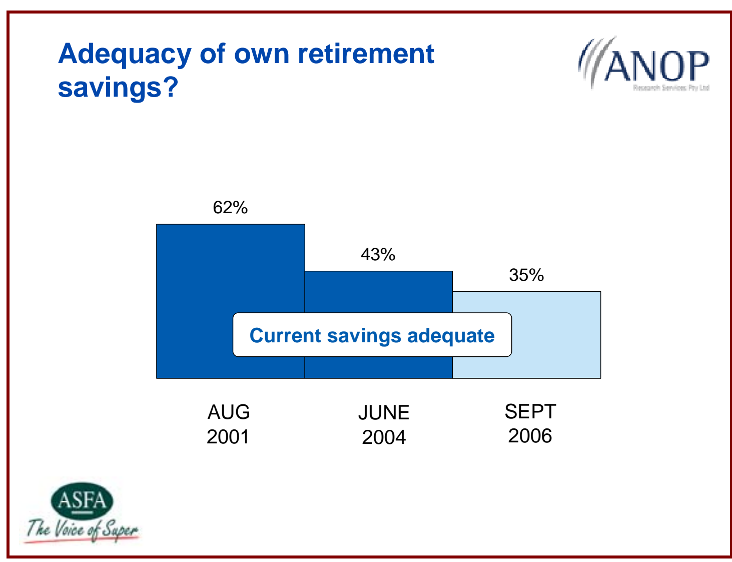
Some things about consumer behaviour, however, are changing and planned age of retirement is one of them. We know that factors other than the recent Budget super changes are of significance here.



There is a steady trend, apparently increasing, in planned retirement age. One year jumps don't look very dramatic in a chart but to achieve an increase in mean planned retirement age from 59 years in 2001 to 61 years in the present survey, requires a sizeable upward movement in the raw numbers. To obtain the mean of 61 years, we find that around 1 in 3 (31%) are now saying they plan to retire at 65 or later … up from 2 in 10 (22%) 5 years ago. Even though we know that health and misadventure interfere with plans for later retirement, John Howard's entreaty a few years ago for people to work until 70, is looking slightly less of an ambit claim. Certainly the trends we have measured are unmistakable and unambiguously good news for the government.

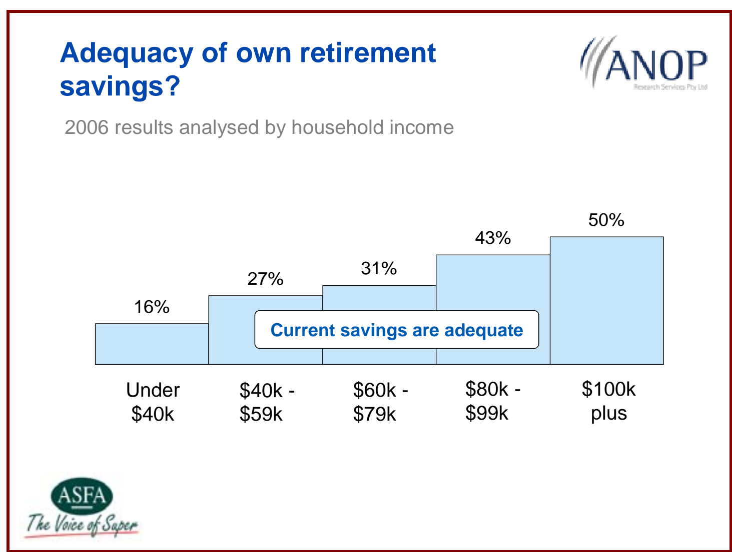
We think that what is driving this change has little to do with Budget super changes but much more to do with consumers' concerns that they will not have saved enough for their retirement.

- **WILL CONSUMERS' RETIREMENT SAVINGS ADEQUATELY MEET THEIR NEEDS?**



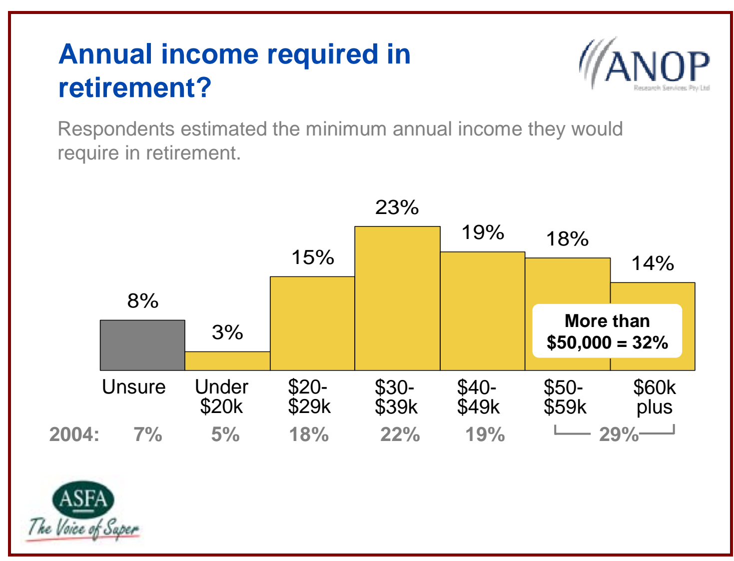
Indeed when we asked the workforce sample if their current savings for retirement would provide them with the income they would require in retirement, we find a dramatic downward trend in perceived adequacy. In 2001 the degree of blind optimism was widespread with more than 6 in 10 reasonably confident of achieving their required income in retirement. In a ground breaking finding at the time, we reported on the widespread extent of delusion in the community and suggested strongly that expectations needed to be more aligned with reality.

What has happened since then is **not** that people have lowered their expected financial requirements in retirement … rather they have increased their doubts about the adequacy of their own retirement savings. In the present survey only a third (35%) believed their current savings would be enough – and this figure is down significantly from the 43% reported in 2004.

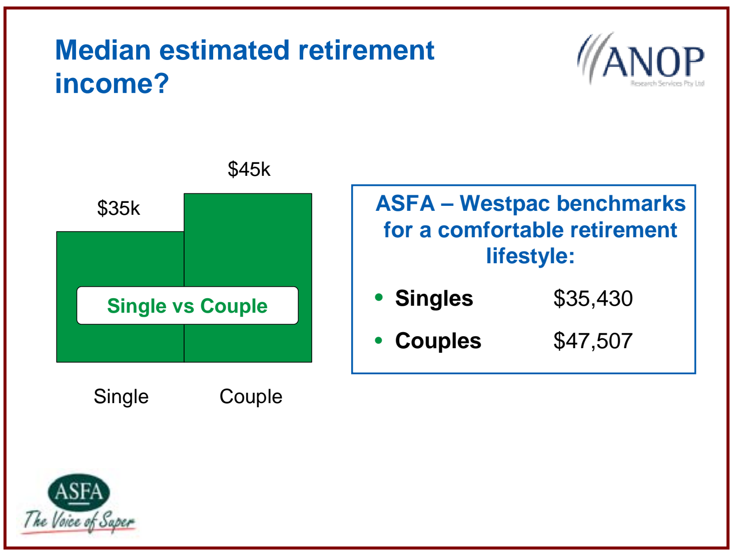


It is to be expected that perceived adequacy of retirement savings will be lowest among low income earners. Only 16% of the lower income group thought they would have sufficient money to meet even a modest lifestyle in retirement; but the key finding relates to the groups where most people are and among whom elections are won and lost. In the middle income groups, we find perceptions of adequacy lie somewhere between a quarter and a third. These groups may be starting to feel a little neglected from recent government super policy changes.

The question remains as to how the community defines an adequate income in retirement.

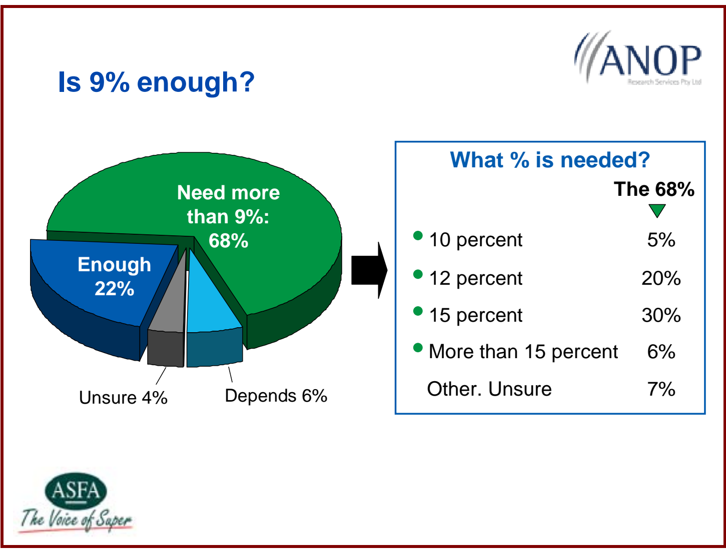


Over half (51%) want $40,000 or more in retirement and a third (32%) want more than $50,000. Consumers appear to be able automatically to index their expectation with inflation as these estimated income figures have moved up at roughly the inflation rate since we last measured them in 2004. Most of this audience will be aware of the ASFA-Westpac Retirement Living Standard benchmarks which have recently been updated to take account of recent CPI increases. The ASFA – Westpac analysis shows that retired singles in Sydney need $35,400 for a comfortable lifestyle in retirement and retired couples need $47,500.



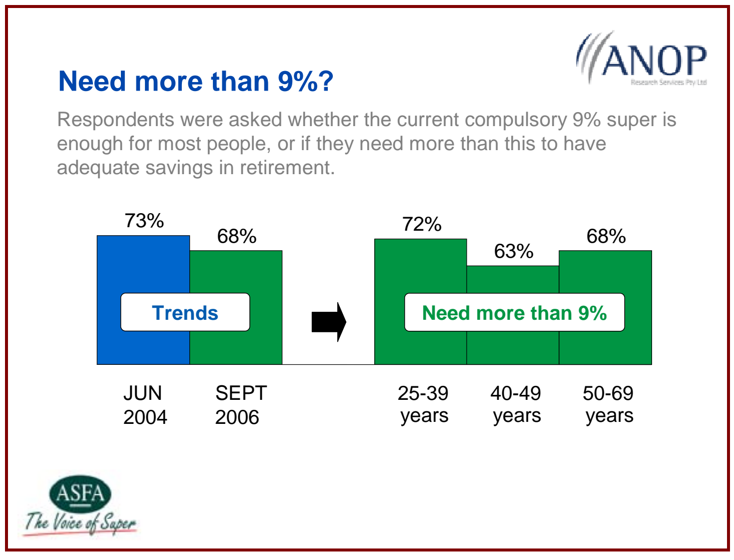
ANOP's median estimates of retirement incomes are strikingly close to these ASFA-Westpac figures, coming as they do from dramatically different methodologies. The community is clearly framing its expectations around what ASFA describes as a comfortable rather than modest lifestyle. The ASFA-Westpac benchmarks for a modest lifestyle are $18,000 for retired singles and $25,500 for retired couples. Only 6% of our sample have expectations in these modest ranges.

So it is not surprising to find that the community does not regard 9% compulsory super as providing enough retirement income for most people.



More than 2 in 3 reckon 9% is insufficient and when we ask further what percentage of their salaries would be needed to ensure adequate retirement savings, we get a majority saying between 12 and 15 percent. And when we delve further into the detail, we find that the subgroups most likely to say 9% is not enough are the under 40's (72%) and those earning incomes in the $60-70,000 range (77%).

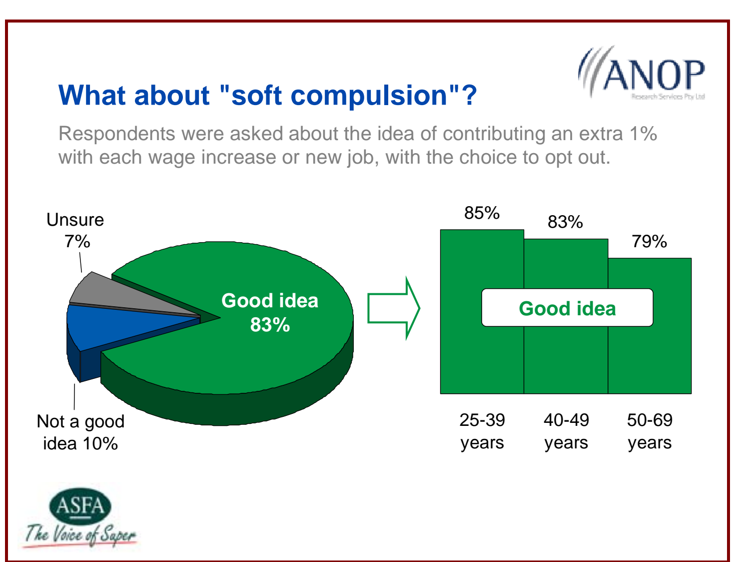
Even though the 68% figure believing that 9% is not enough is a clear indication of community sentiment, it is important to note that this number has slipped a little in the last two years.



In 2004 the comparable figure was 73%. This 5% decline is a reminder to the industry about constant vigilance because our sense is that the industry has been focusing more on individuals not having enough rather than on the nature of the policy itself. Perhaps it's time for a re-emphasis on the 9% issue – the community would clearly be supportive of such a push.

The big question in such a push is, of course, who pays the extra. Our previous research has shown quite clearly that the community believes the primary responsibility lies with the individual. Second in line is the government, with considerable public sympathy for the employers' position as having already met their obligations.

And the political reality is that neither a Liberal nor a Labor government would attempt to force employers to contribute any more. So the issue really is how to get the individual, especially those without much spare cash, to put more away into super. To this end, we explored the concept of 'soft compulsion'.



This is a challenging area to survey and we had to make sure that people understood what we were talking about. We asked our sample about the idea of putting "*an extra 1% into super each time you receive a wage increase or start a new job, up to a maximum of 3%".* We mentioned that *"this would be on top of the 9% compulsory super but you could choose to opt out".*

This 83% positive reaction is very strong support for the idea of soft compulsion as we have described it – that is the onus on the individual, coinciding with a burst of extra money with a salary increase or job change. And what is most important is that support is highest among the under 40's (85%) and also among the lower income groups – particularly that group just outside eligibility for co-contributions.

We needed to be sure that this quite complex area was understood. So when we asked our sample the unprompted reasons for their attitude to 'soft compulsion', it was clear that the concept was properly comprehended.

Why is "soft compulsion" a good idea?

Main spontaneous reasons given by the 83%

- **Boost to super.** Good way to increase super

Followed by:

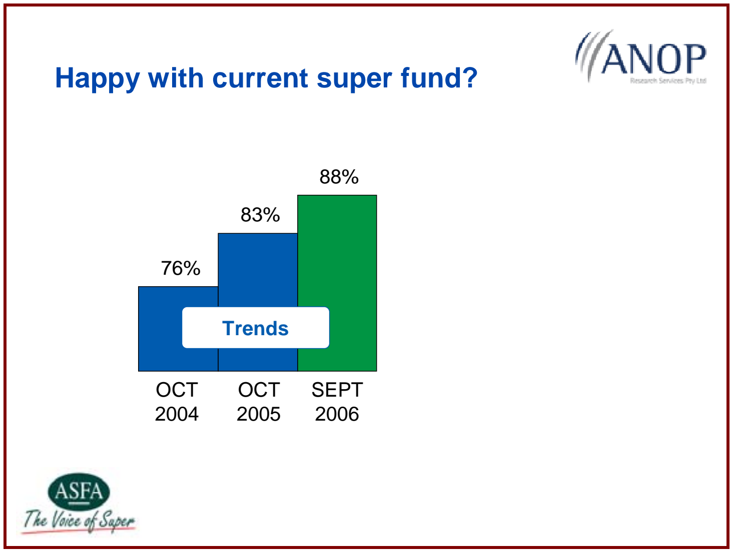
- **Have capacity to opt out.** Have choice, flexibility
- **Compelled to save (more).** Forced saving, commitment
- **Would not be missed.** Only 1%. Won't notice it
- **Would be in a position to afford it.** Would have the money to do it

'Soft compulsion' is seen as a flexible and painless way to increase one's super. The aspects that the community picks up on are the best selling points of the concept -

- that it's a good boost to super
- that you can opt out
- that it's an acceptable means of lock-in at a time when you can afford it
- that it's at a level that wouldn't be missed.

HOW ARE THE FUNDS TRAVELLING?

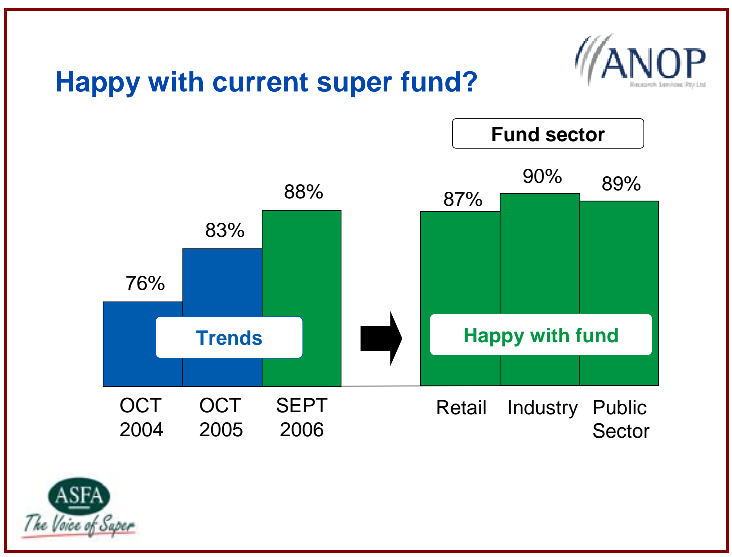
Now, a bit closer to home, we have a look at how super funds are travelling in the eyes of their customer base.



For the past three years ANOP has asked people simply as to whether they are happy with their current super fund. Last year we said the 83% satisfied figure was possibly a high water mark because of the coincidence of a strong economy, high returns, a smooth transition to choice and a benign PR environment, with few bad news stories about super.

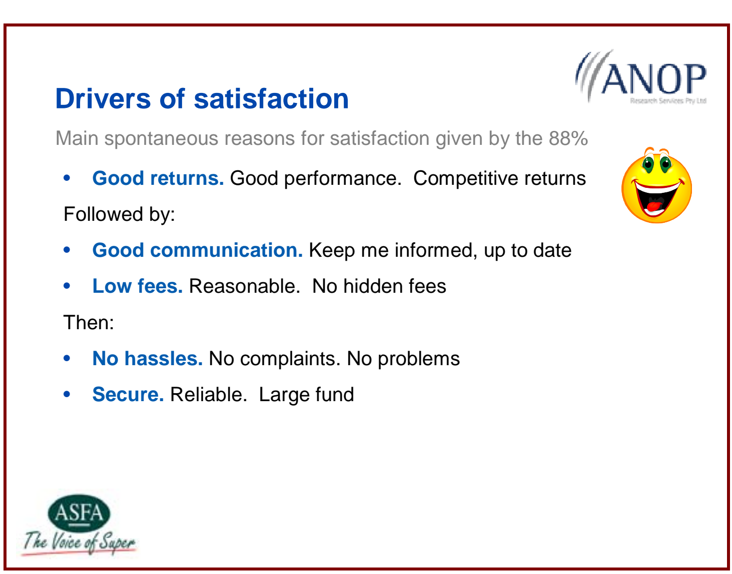
This year, in a great result for the industry, the high tide has actually been exceeded to the point where nearly 9 in 10 are happy with their fund.

One of the unique features of the survey is that we ask our sample for the precise name of their primary super fund and the ever helpful and sagacious Ross Clare of ASFA classifies each person's fund into its appropriate sector – thus ensuring accuracy in an area usually overlooked in other surveys or left to the poor consumer to self categorise.



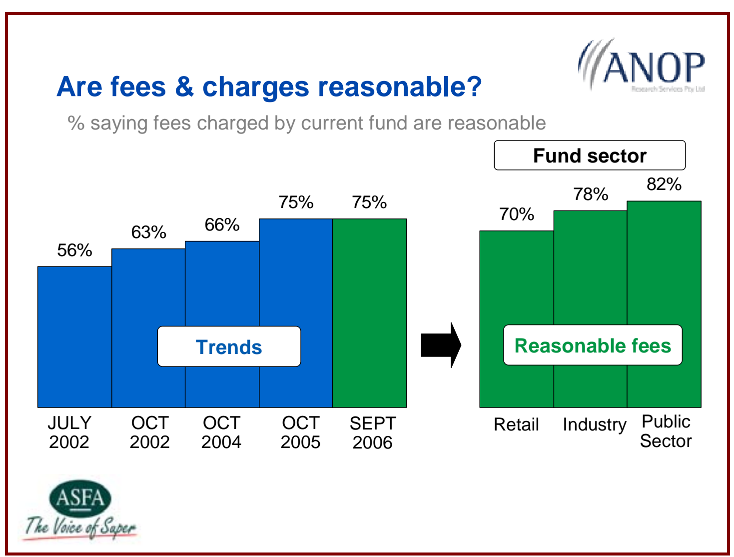
High levels of satisfaction with each sector are apparent with only a small 3% gap between best and worst performer. In past years we have seen much bigger gaps, but the story this year is that the most noticeable improvement has come from the retail funds – from 74% to 87% this year. Industry funds' satisfaction levels have also increased slightly, thereby just maintaining a narrow lead by the industry funds over the retail funds.

The key reason for the jump in satisfaction overall, but more pronounced among the retail funds, was returns.



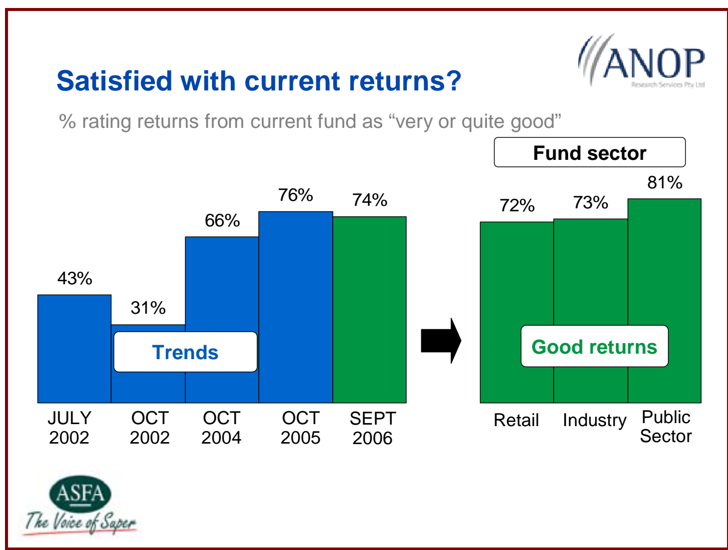
Indeed, returns was number one reason for satisfaction by a considerable margin. Lower down the list, but an important number two, was good communication from the fund - indicating the significance of keeping members informed and up to date. Fees and charges are not far behind and while this is a more important factor among industry fund members, this is not the primary driver. It is apparent from these results that the successful advertising push mounted by the industry funds is being matched by the marketing effort of the retail funds. I don't know what AMP financial planners may or may not have been telling members of industry funds, but it has always been our view that fees and charges are not primary drivers in periods of high returns.

However, it is important to acknowledge the significance of a brand position in this more competitive market place. The industry funds are attempting to own the territory of low fees and charges and spending some of their low fees and charges in television advertisements.



We see that industry funds have a useful advantage over retail funds in a result which shows overall, that the great majority of consumers are happy enough with the fees charged by their super fund.

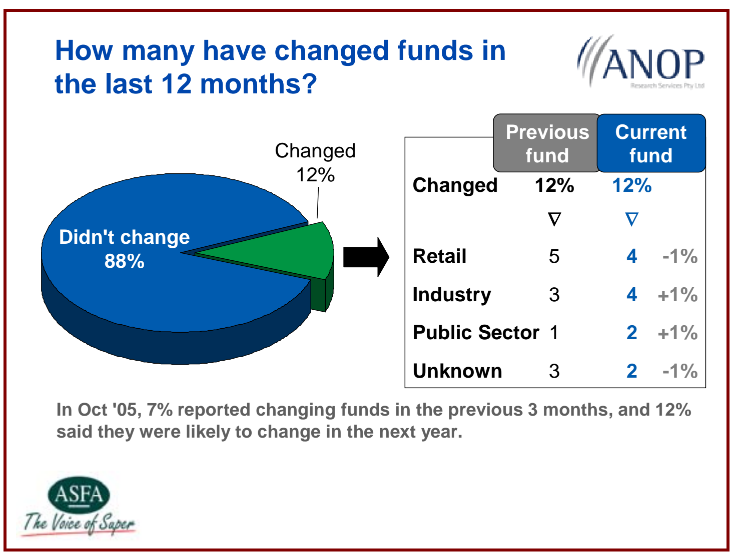
It may well be to the industry funds' advantage to own some territory when, inevitably, the halcyon days of continued double digit returns are over.



When we trend satisfaction with returns we show a very high level of approval – only fractionally down on the record 2005 result. Importantly, the retail funds have almost caught up to the industry funds in perceived return adequacy – from a 12% deficit in 2005. It will be instructive to see in periods of lower returns which marketing strategy is superior – particularly given that the regulator requires investment performance to be reported on the basis of uniform one and five year bases rather than any opportunistic selection of periods.

- **HOW MANY HAVE CHANGED FUNDS?**

So with high levels of satisfaction with funds, with returns and with fees, how many are exercising choice and changing funds?



In last year's survey, outlined at the ASFA conference in Melbourne, choice had been in operation for about 3 months and we found that 7% had been quick off the mark to change funds. But we predicted on the basis of the survey evidence of likely change in the ensuing 12 months, that the annual change figure would be around 10%. The latest survey results suggest we were pretty close, with 12% reporting they had changed funds in the last 12 months.

The survey also ascertained the type of fund changed to and from. When you break down the 12% who have changed funds we find a small net gain to the industry funds at the expense of retail funds. Amongst this 12% were quite a lot who did not know the name of their previous or current fund – something which indicates they were not highly engaged in the change process and thus not necessarily making a deliberative decision.

Why did they change funds?

Main reasons given by the 12%

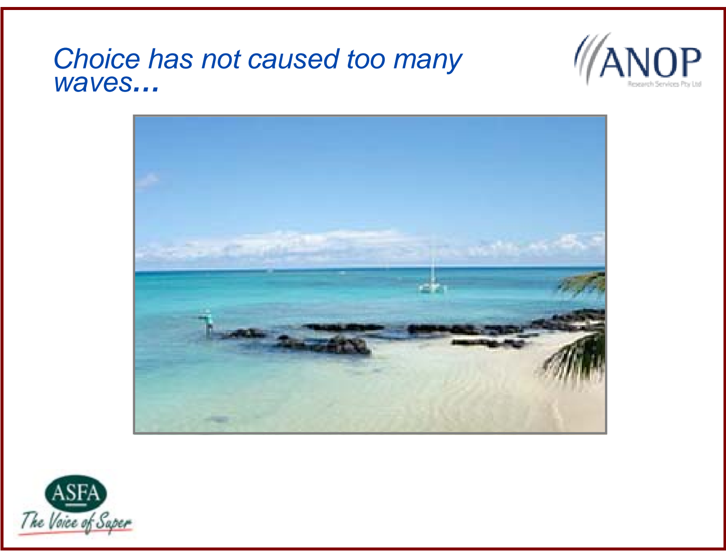
- **5% said they changed funds because they changed jobs**
- **3% changed to consolidate**
- **3% chose a new fund as a conscious act of choice** – because of returns and/or fees & charges
- **1% changed because their employer changed funds**

Our analysis of their reasons for changing bears this out. Nearly half changed funds because they changed jobs and when ASFA's Ross Clare put the microscope on the funds involved, he concluded that they were changing to their new employer’s default fund.

A quarter of the "changers" were better described as consolidators rather than changers, something welcomed by the industry and likely to continue. Indeed, there is a lot more consolidation possible because 4 in 10 of our total sample told us they had more than one fund, indicating substantial opportunities for energetic fund managers.

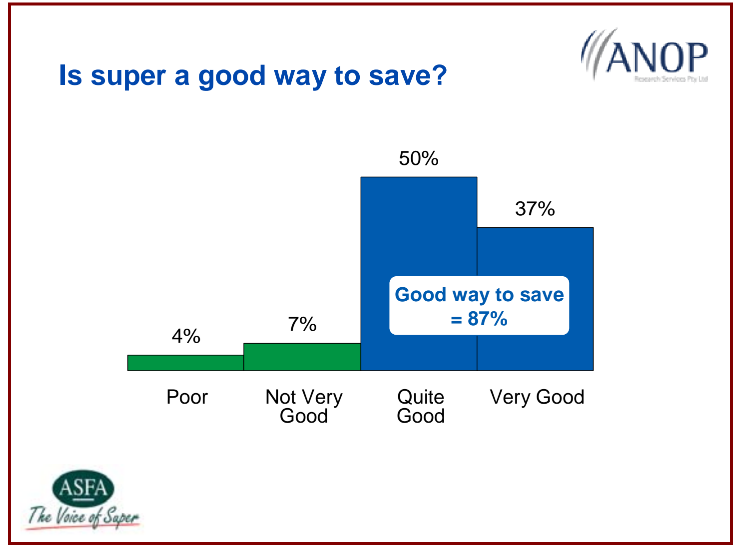
A further quarter, some 3%, were genuine changers and did so mainly because of better returns or lower fees. And finally there was 1% who changed because their employer changed funds.

There are swings and roundabouts in these change numbers. Although net gains between sectors are relatively small, there is a suggestion in our results that industry funds are gaining more of the switchers because of a perception of lower fees and charges. But the bottom line is clearly that choice to this point has had only a modest impact on the super arena.



● HOW SUPER IS VIEWED AS AN INVESTMENT

If choice has not caused too many waves at the micro level for super, the question remains: what does the bigger picture look like … what is super's standing in the community as an investment option and as a savings vehicle. Five years ago, when we began the annual survey process for ASFA, we found some flaws in the big picture – with a number of doubts and concerns about superannuation. Five years on, many of these concerns have receded and the image of super has never been higher. Is this image improvement assisting the bottom line assessment – as to super's standing as an investment?



The vast majority give super a big tick, with nearly 9 in 10 (87%) of the view that super is a good way to save and nearly 4 in 10 at the strong end of this view. What is driving this view?

Why is super a good way to save?

Main reasons given by the 87%

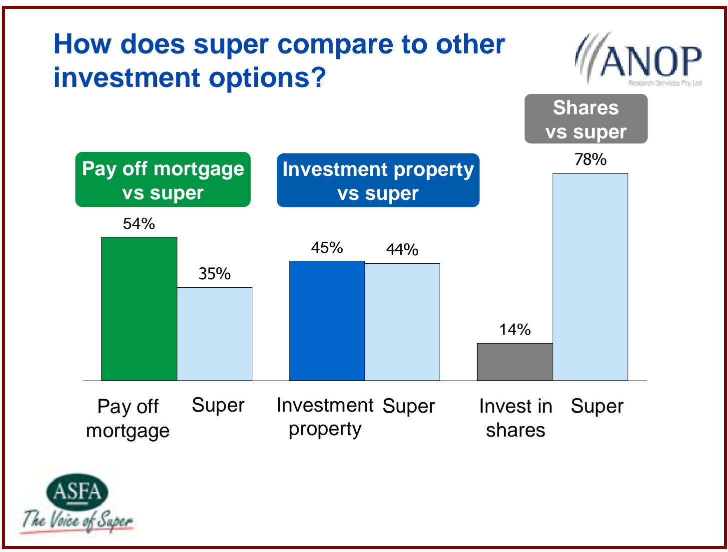
- **Forced saving.** Guaranteed way to save. Compulsory
- **Locked in.** Not part of a disposable income. Can't spend it

Followed by:

- **Money for retirement.** Putting money away for "later"
- **Tax benefits.** Taxed at lower rate
- **You don't miss it.** Automatically comes out of pay

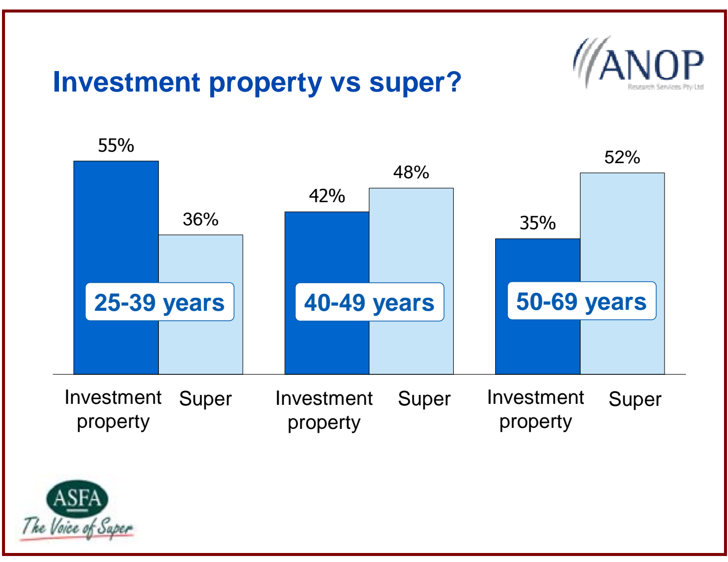
The underlying theme is that your money is locked away – something increasingly appealing to both the profligate and the insecure. The discipline of enforced saving is widely embraced by middle Australia – a major factor in the strong acceptance of compulsory super, and as we have already seen in the context of soft compulsion. Whether reasons are expressed in terms of "forced saving", "locked in", "you don't miss it" or "self reliance", they are all variants of the theme of "untouchable nest egg". This attitude has been an important ingredient in staving off the opportunist politicians, who would raid the super bank to pay for policy promises.

So super is well regarded in absolute terms. How does it fare as an investment compared to other major investment options.



The short answer is extremely well. Saving through super as a means of preparing for retirement gets surprisingly close to paying off the mortgage, is now on a par with investment property and beats direct investment in the share market hands down. While we do not have directly comparable figures, these results point clearly to a significantly enhanced view of super as an investment vehicle.

The analysis of super vs property investment is particularly instructive. In the past, super has struggled to compete with Australians' love affair with property.



Investment property still has appeal but age tempers this appeal so that it is clear that the baby boomer generation thinks super is a better bet. The under 40's are

less convinced and are obviously a target for attention, but the indications are that as the housing boom fades in most of Australia (not yet here in Perth), the image of super as an investment takes on a more settled and secure look.

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- **LESSONS FROM THE RESEARCH**

Lessons from the research

1. A great start but only to part of the community
2. Consumers need a guarantee of permanence
3. Starting young in super is contrary to current behaviour

This last point about the under 40s, is an important one in drawing together the implications of ANOP's latest research. We have covered a lot of territory but we believe there are six key learnings for the industry and government:

1. A great start – but only to a section of the community

Treasurer Costello's recent initiatives represent a highly significant step in achieving greater self-sufficiency for Australians in their retirement. However, it is only a first step. The main impact of the changes is restricted to a small section of the community – one with a very loud voice and one always first to use it: wealthy baby boomers. It is the well off baby boomers who have closely listened, applauded and taken advantage of the changes. The rest of the community is not

negative but they haven't listened as closely and feel largely unaffected by the changes – especially the under 40s. Generation X will say to the government in due course – when are you going to include us in policy formulation?

Changes of such magnitude in superannuation policy are by their very nature, designed to be long term changes, and so it will take the whole community, rather than the one group first to benefit, a longer period to ingest and react.

2. Consumers need a guarantee of permanence

One important ingredient in gaining community wide acceptance and approval is the need to decrease the cynicism apparent regarding the permanence of the changes. We have seen that a large majority is unconvinced that the changes are here to stay – a number a little in excess of normal community cynicism about government policy initiatives. The community sees both Labor and Liberal governments as having form in back flips but when there is the added component of a perception that "it's too good to last", then the cynical reaction is often "get in quick or don't touch it at all".

The message to both sides of politics is clear: these are good changes but the government needs to reinforce to a sceptical community that they are permanent changes, part of long term vision for Australia. And the Labor Party, eerily silent on super for some time, needs to state quite clearly where it stands on this, and other aspects of super.

3. Starting young is contrary to current behaviour

While the recent changes represent a dynamic new direction, there is a flaw in the plan. The government is relying on the community doing two things it is most reluctant to do at the moment: start extra super contributions from a young age and spread them evenly across the working life. Our research shows this is contrary to current behaviour. Those least likely to salary sacrifice are the under

40s and most of them don't plan to increase contributions until a lot closer to retirement. The government has not done enough in its present changes to give the under 40s' incentive and reason to modify existing behaviour.

Lessons from the research

4. Other incentives and initiatives are needed for Gen X and the middle ground
5. There is good news on super but the industry needs to bang the drum
6. 2007 will be a big opportunity for super, but there will be many competing voices

4. Other initiatives and incentives are needed for Gen X and the middle ground

Our research clearly points the way towards the most effective initiatives and incentives from the consumer's point of view. The idea of **soft compulsion** received a very positive reaction – especially among Gen X'ers and the lower to middle income groups – because it was seen as a flexible and painless way of increasing one's super contributions. Another relatively painless initiative identified by the research is to remove apparent impediments to **salary sacrificing –** a practice which appears to be denied to a significant minority of the workforce. And while we did not cover it in this round of research, we know that the government's super **co-contribution** is well-known, well-liked and gathering momentum. A real incentive for middle income earners would be to extend the co-contribution so that they, like the top and bottom of the income scale, can see a real benefit pitched at them.

5. There is good news on super but the industry needs to bang the drum

There is clearly a sound community base of support on which to build further incentives and initiatives. Satisfaction with individuals' super funds is at an all time high and satisfaction with both returns and fees is robust. But as we have seen, good news takes time to filter through to the whole community. The industry needs to help the government promote its latest changes by selling the message that tax free benefits on retirement is a great reason for putting more money into super.

6. 2007 will be a big opportunity for super but there will be many competing voices

There are some big, but nonetheless realistic asks of government in our list. The central thread is to encourage the government towards the middle income earners and Gen X'ers. 2007 – an election year – may represent a real opportunity to do this, although there will be many interest groups competing for the government's attention.

We know that economic literacy in middle Australia is increasing to the point where there is a far greater appreciation of the link between tax cuts, fuelling demand and higher interest rates. John Howard may well be persuaded in 2007 to alter his traditional approach to election years. His proven formula of winning elections is a big scare about Labor, big bribes to interest groups and big tax cuts (or at least their appearance). He may be more reluctant to deliver the tax cuts as voters equate them with a bigger fear – higher interest rates. The opportunity is afforded to the super industry to capitalise on this growing feeling in the electorate and encourage John Howard to think super and not tax cuts.

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APPENDIX: FUND MEMBERSHIP

Survey participants provide the name of their primary superannuation fund, and they are classified into their fund sector by ASFA. Thus, the "market share" shown for each sector is a "head count", and reflects ***numbers of people*** (and not dollar amounts). The results suggest steadily increasing membership numbers for industry funds and a slight fall back this year in the proportion of people in retail funds.

Current Fund Sector

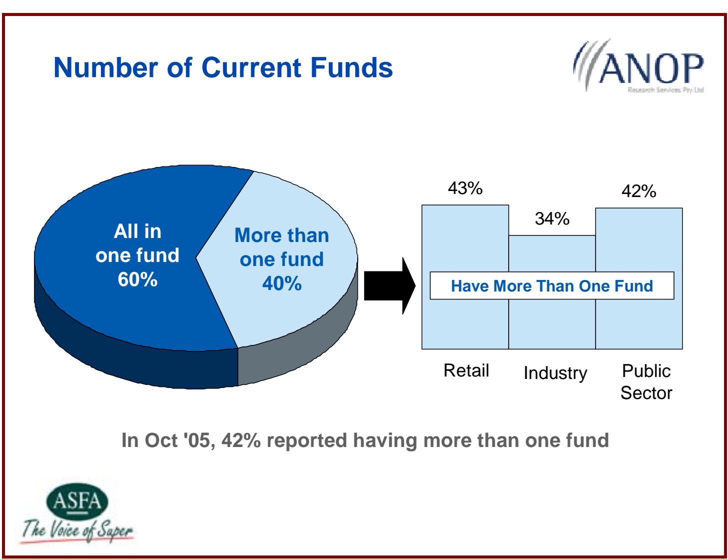
ANOP

	OCT '04	OCT '05	SEPT '06
Coded by ASFA:	%	%	%
• Industry fund	29	32	**34**
• Retail fund	31	34	**28**
• Public sector fund	21	16	**24**
• Corporate fund	6	5	**4**
• SMSF	5	4	**2**
Refused	2	4	**2**
Don't know name	6	5	**6**

The 2006 survey covered 25-69 year olds in regular full-time or part-time paid work (10 hours or more per week). Previous surveys covered 25-64 year olds in the workforce.

ASFA The Voice of Super

Four in ten continue to report that they have more than one fund, indicating ongoing potential for consolidation.



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