ASFA

Spotlight on Super

October 2010

Prepared by brandmanagement

Contents

1.0 Executive Summary

Executive Summary

Background and Methodology

- This report presents the findings from Australian consumer research conducted by CoreData-brandmanagement in October 2010.

- For this study CoreData-brandmanagement has leveraged its extensive proprietary nationwide database of more than 100,000 Australian consumers to recruit participant respondents.

- The purpose of the research is to determine the perceptions, attitudes and expectations towards the superannuation industry.

Executive Summary

Employment

- Only one in seven respondents (14.9%) changed jobs in the past 12 months and of these the majority (70.8%) remained with their existing super provider, 14.6% transferred their balance to their new employer's default fund and 9.0% switched but did not consolidate their funds.
- The main reasons for not changing funds were ease and to avoid switching costs. Those who did change funds did so primarily for better investment returns and more investment options and those who joined their new employer's fund but did not transfer their balance (consolidate) did so to access benefits from their old fund or because the paperwork was too much of a hassle.

Contributions

- More than half of the sample (54.8%) make additional contributions beyond the compulsory 9% superannuation guarantee. One in four (25.6%) do so often, 15.9% do so sometimes and 13.2% make additional contributions only rarely.
- Respondents who make additional super contributions are more likely to have decreased the proportion of their income they contribute to super as a result of recent volatility in investment markets (23.2% vs. 10.5% who increased contributions).
- Super contributions will remain largely the same this financial year (FY2011) with 69.1% not expecting to change their level of additional contributions. More respondents are looking to increase their contributions (19.8%) than decrease their contributions (11.1%).

Executive Summary

Contributions (Cont.)

- Two in three respondents (64.0%) believe increasing the Superannuation Guarantee to 12% by 2020 will have a positive impact on their retirement however interestingly, three in five respondents (60.8%) say the rate of increase is too slow.
- The concessional contribution cap has had little impact with three in five respondents (59.8%) saying the cap has had no impact. Only 8.8% of respondents are saving more outside of super and 5.3% are making additional non-concessional contributions.

Investment Options

- Around one in seven respondents (15.2%) have changed the investment option/strategy of their super fund over the past 12 months.
- While some changed to a more aggressive strategy post GFC, others were concerned with market volatility and changed to a more conservative or balanced option to ride out the uncertainty.

Returns

- Half of respondents (53%) predict better returns from their super fund in FY2011 and just one third (37%) believe returns will be the same as last financial year (FY2010).
- A small but noticeable few (10.0%) expect super returns to be worse than in FY2010.
- A proven track record of superior returns is the key driver of choice when choosing a super fund, receiving the highest rating (4.6 out of 6).

Executive Summary

Fees

- Overall, respondents feel the fees and charges of their main super fund are appropriate. Two in three respondents (67%) think their main super fund's fees and charges represent reasonable value.
- Just under half of respondents (46.5%) indicate they get fair value from their fund, some 15.8% think they are getting good value and 4.7% believe their super fund provides excellent value.
- Low fees and charges are also a key driver of choice when choosing a super fund (4.5 out of 6).

Super Concerns

- Having enough money to retire with is the main concern of respondents (with a score of 5.1 out of 7) followed by paying for everyday expenses (5.0) and paying the mortgage (4.5).
- Two in three respondents (67.3%) are concerned that their superannuation savings will run out before they die and a further two in five respondents (39.3%) agree that upon retirement, people should be required to purchase an income stream that lasts until death.

Executive Summary

Satisfaction

- Overall respondents' satisfaction with their super funds is reasonably high with over half of all respondents (57.2%) rating their super fund satisfaction as 7 or higher (out of 10).
- Satisfaction levels are highest among SMSF members and lowest among retail fund members.
- Based on regression analysis, investment returns is the key driver of satisfaction followed by service quality and low fees and charges.
- Members in the main are most satisfied with accuracy of reporting and frequency of communication however, satisfaction with the two key drivers of super fund choice - level of fees and charges and investment returns - is much lower.
- Overall, one in three respondents (34.3%) are highly satisfied with the superannuation industry as a whole (based on those who gave a rating of 7 or higher out of 10).
- While satisfaction with investment returns is relatively low, this attribute is the key driver of choice in choosing a super fund. Investment returns rated 4.6 (out of 6) just ahead of low fees and charges (4.5) as the key thing respondents look for when choosing a super fund.

Switching Super Funds

- Of the small number of respondents who have changed super funds in the past year, one fifth did so due to poor returns (20.0%) or to consolidate their accounts (20.0%).

Executive Summary

Policy Attitudes

- Just under two fifths of respondents (37.1%) disagree with the proposed MySuper (foregoing investment choice in return for slightly lower fees), more than one third are neutral towards it (35.5%) and just over one quarter (27.4%) agree with the concept.
- Over three quarters of respondents (76.8%) agree employers should be required to use more efficient payment methods when making compulsory super contributions for employees, the central proposition of the SuperStream reform.
- Most self employed respondents (58.6%) believe that they should only have to make super contributions if they choose to while two thirds of employees (65.7%) believe the self-employed should be required to contribute to super regardless.
- Overall, almost one third of respondents (31.8%) plan to set up their own SMSF in the future while 37.3% do not and a further 30.9% are unsure.
- Two in five respondents (42.4%) think the current taxation treatment for superannuation is unfair, one third don't know (35.1%) and only one in five think it is fair (22.5%).
- Two in three respondents (65.0%) think superannuation tax arrangements will be different to today when they retire while 36.1% say they will be *quite* different and 28.9% say they will be *very* different.

2.0 Background and Methodology

Background

The primary focus of the study is to understand the perceptions, attitudes and expectations of Australians towards the superannuation industry .

More specifically the report will cover;

- Superannuation fund membership
- Contribution and investment option trends
- Predictions for investment returns
- Satisfaction with superannuation providers
- Satisfaction with the super industry
- Value received from super fund providers
- Financial concerns and superannuation
- Switching behaviour
- Engagement with super
- Attitudes to recent industry recommendations

Methodology

- The research was carried out between 6th October 2010 and 20th October 2010.
- An online quantitative survey of 50 questions was developed and hosted by CoreData-brandmanagement, after liaison with ASFA.
- Using a randomly selected consumer sample from CoreData's proprietary panel of over 100,000 Australian consumers, data was collected from a representative grouping of the population of those who are members of a super fund, aged 18-69 and are currently in the labour force. A sample of 1,006 respondents which met this criteria was recruited from the CoreData-brandmanagement panel for this project. Results are analysed with segmentation from a range of perspectives.
- See Appendix 1 for further details of sample characteristics.

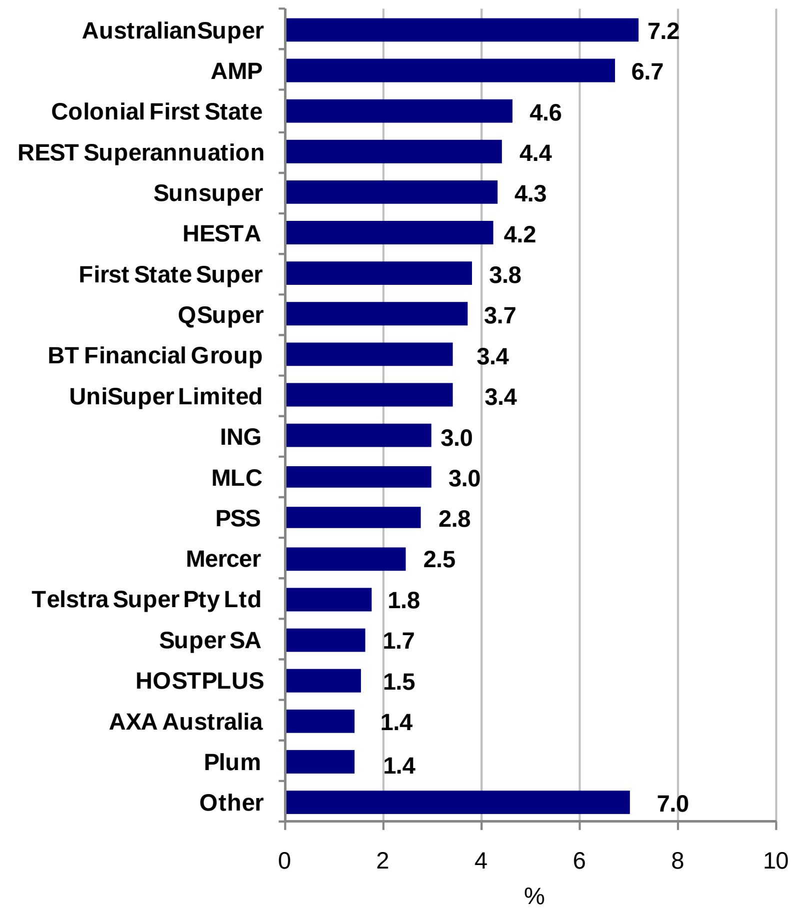
3.0 Super Fund Membership

AustralianSuper Most Used Fund

- In 2010, AustralianSuper (7.2%) and AMP (6.7%) are again the two most popular MAIN super fund providers in the sample, continuing the trend identified in 2009.

- Colonial First State (4.6%) and REST Superannuation (4.4%) are also commonly used.

What is the name of your MAIN super fund?

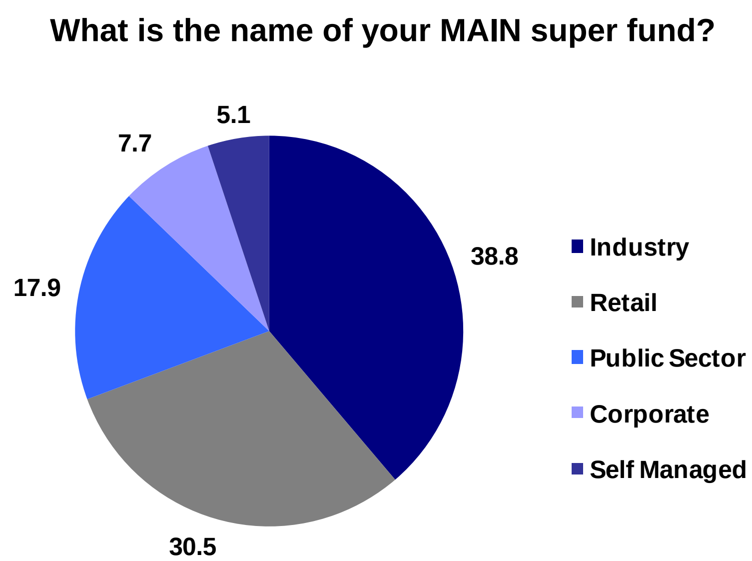


n = 969, respondents who are members of a super fund

Super Fund Market Shares

- Almost two in five respondents (38.8%) use industry funds and just under one third use retail funds (30.5%), making these sectors the most popular.

- Some 17.9% of the sample are members of a public sector fund, while 7.7% are members of a corporate fund and the remaining 5.1% manage their own super via a self managed super fund (SMSF).

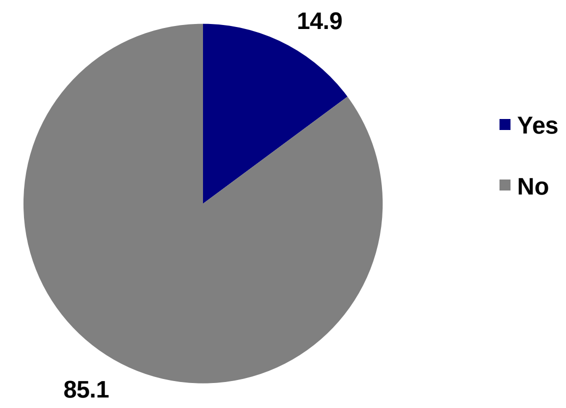


4.0 Employment

Few Have Changed Jobs

- Only one in seven respondents (14.9%) have changed jobs in the past 12 months.

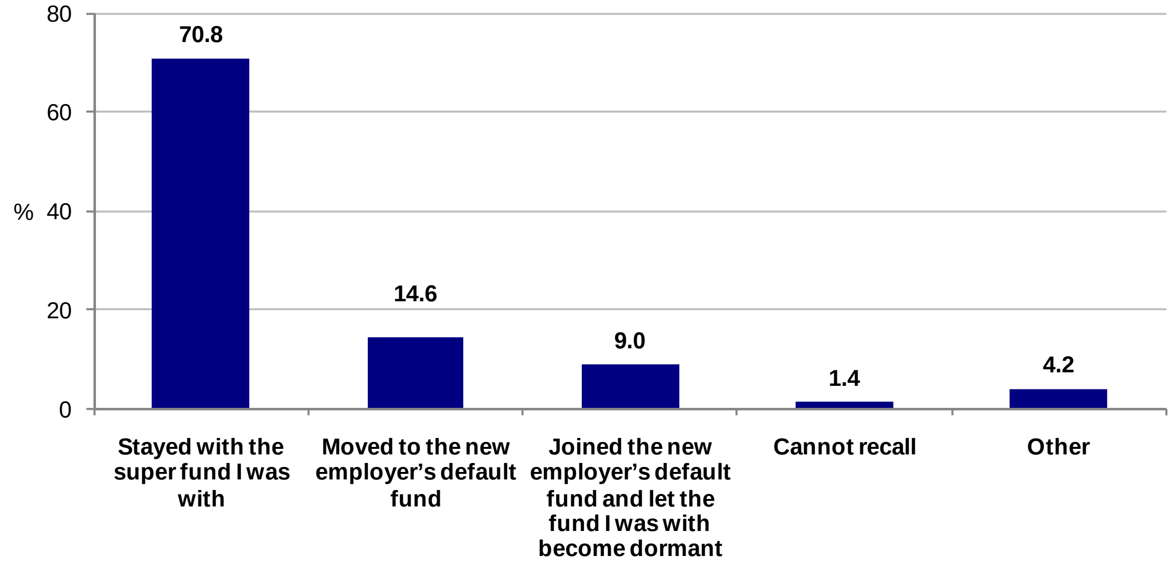
Have you changed jobs in the last 12 months (since October last year?)



n = 969, respondents who are members of a super fund

New Employees Not Changing Super Funds

Thinking about your most recent change of employment, did you stay with the super fund you were with or join the new employer's default fund?



n=144, respondents who are members of a super fund and have changed jobs in the last 12 months

- Of the respondents who changed jobs in the past 12 months, the majority (70.8%) stayed with the super fund they were with.
- One in seven (14.6%) transferred their super to their new employer's default fund and a small but noticeable 9.0% joined their new employer's fund but failed to consolidate their funds (ie. let their other fund become inactive).

Not Switching Super Due To Ease

- Respondents who remained with their existing super fund following a job change attribute the decision primarily to the fact that it was easier.
- Some stayed because they were happy with their current fund or the new fund was not good enough to warrant switching and some simply wanted to avoid the costs associated with moving.

"Because is was easier" (Female respondent, aged 44, SA, Industry)

"Because they were rated one of the best super funds in 2009."(Male respondent, aged 47, Vic, Industry)

"Easier, less fees charges." (Female respondent, aged 34, NSW, Industry)

"Easy to keep track with" (Male respondent, aged 31, WA, Industry)

"Happy with performance" (Male respondent, aged 45, NSW, Retail)

"It was easier, no switching fees or new charges" (Male respondent, aged 45, Vic, Industry)

"New firm's default fund did not present as a better option." (Male respondent, aged 37, WA, Industry)

"New job, same company" (Male respondent, aged 39, Vic, Retail)

"No need to change - there is a cost in changing, too much hassle" (Male respondent, aged 58, SA, Retail)

"the other options are really no better " (Male respondent, aged 55, SA, Retail)

Better Returns Driving Switching

- Those who moved to their new employer’s default fund did so mainly because it was perceived to provide better options or better returns.
- Some were dissatisfied with their previous fund and some switched solely because they said they did not have a choice.

"Better fund" (Male respondent, aged 36, Qld, Public Sector)

"Didn't have a choice." (Male respondent, aged 29, Qld, Public Sector)

“Good returns" (Male respondent, aged 49, Vic, Retail)

"It's easier, and I don't have time to research the best fund." (Female respondent, aged 30, Qld, Retail)

"New employer covers fees / insurance with their fund" (Male respondent, aged 36, SA, Corporate)

“No choice" (Female respondent, aged 56, SA, Industry)

“The old super fund was rubbish" (Male respondent, aged 22, Qld, Public Sector)

"Was not given opportunity to choose. Was not happy about this." (Female respondent, aged 26, NSW, Public Sector)

"Was not happy with previous fund either." (Female respondent, aged 30, NSW, Industry)

Paperwork Causing Apathy

- Respondents who joined their new employer's default fund and let their previous fund become dormant did so mainly because they saw the paperwork as too much hassle.
- For some, either the new fund had a better offer or the old fund had good benefits that encouraged them to retain it. Others have yet to decide.

"Appeared to offer better products" (Female respondent, aged 33, ACT, Public Sector)

"Because the other superannuation fund has good benefits and it is better if I stayed with the old superfund. " (Female respondent, aged 24, NSW, Public Sector)

"Don't want to do the paperwork - don't know where to start" (Male respondent, aged 38, SA, Retail)

"Have not decided whether to rollover to the new fund yet." (Female respondent, aged 40, Tas, Public Sector)

"I could not complete the paperwork to do the transfer at the time I started the new job as I didn't not have all the necessary information on hand regarding membership numbers/etc. " (Female respondent, aged 29, NSW, Industry)

"It's too much hassle to do anything else" (Female respondent, aged 30, NSW, Public Sector)

"Keep life insurance" (Female respondent, aged 42, Vic, Industry)

"Unhappy with performance and fees charges in old fund so decided to join new employer's plan. Could not roll completely out of XXX as portion of money is in a frozen fund." (Female respondent, aged 32, Qld, Industry)

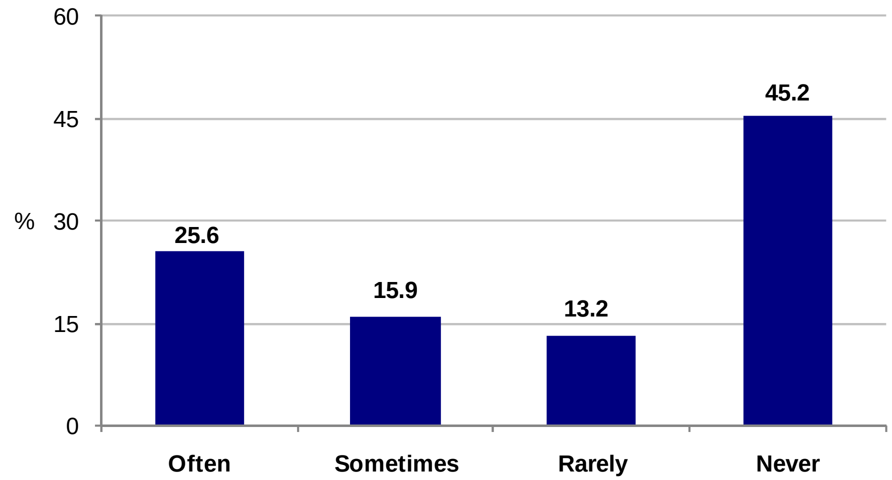
5.0 Contributions & Investment Options

5.1 Contributions

Half Make Additional Super Contributions

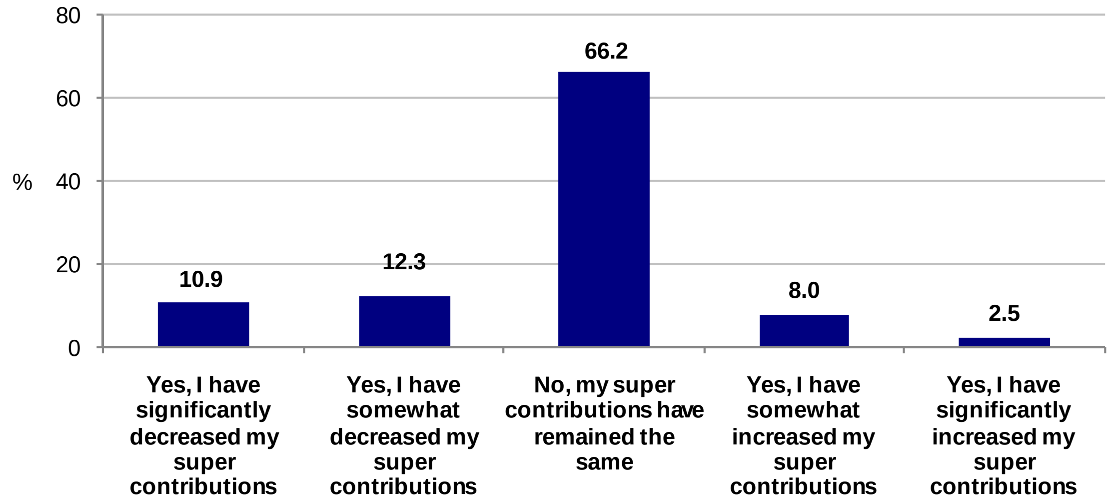
- More than half of respondents (54.8%) make additional contributions beyond the compulsory 9% Superannuation Guarantee (SG).
- One in four (25.6%) indicate that they *often* contribute above the SG, while 15.9% *sometimes* do and 13.2% make additional contributions only *rarely*.
- The remaining 45.2% *never* make additional super contributions.

Do you make additional contributions to your superannuation fund (beyond the 9% Superannuation Guarantee)?



Market Volatility Reduces Contributions

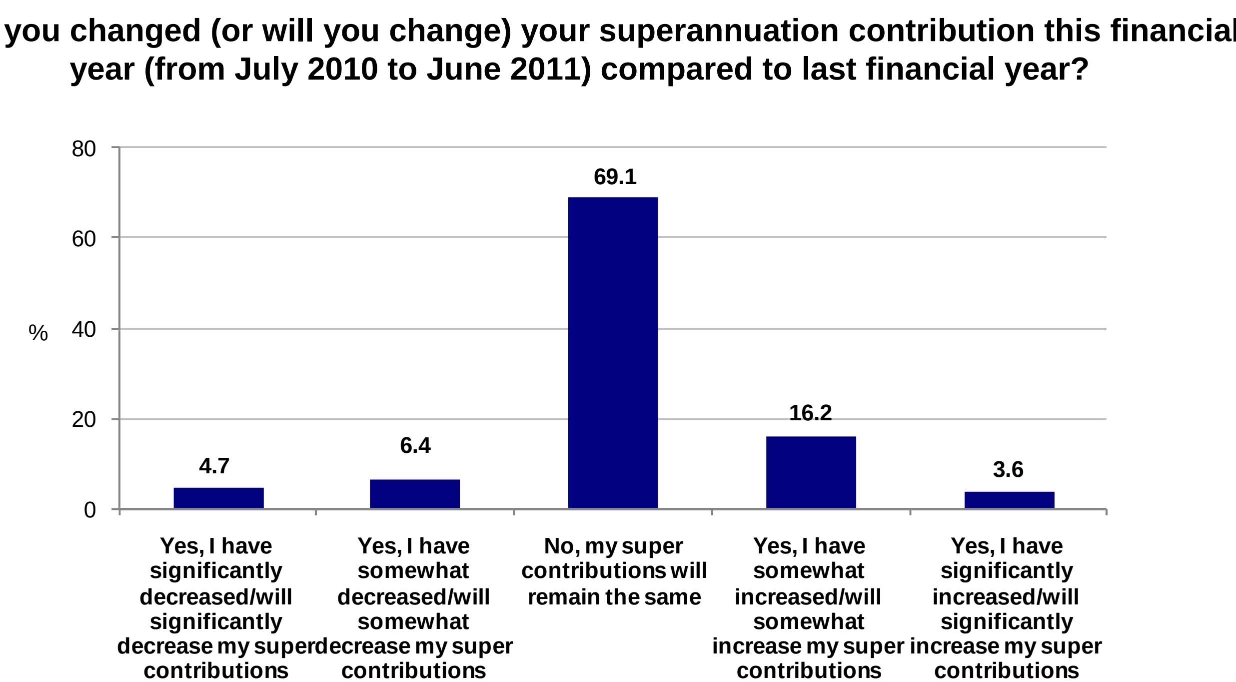
Has the investment market volatility over the past three years affected the proportion of your income that you contribute to super?



n = 551, respondents who are members of a super fund and make additional contributions to their super fund

- The volatility in investment markets over the past three years has caused more respondents to *reduce* the proportion of their income they contribute to super than *increase* it.
- Just under one quarter of respondents (23.2%) who make additional super contributions decreased the proportion of income that they contribute to super as a result of market volatility compared to only one in ten (10.5%) who increased it.

Anticipated Contribution Increase in 2011



n = 551, respondents who are members of a super fund and make additional contributions to their super fund

- This financial year, respondents are more likely to *increase* their super contributions than to *decrease* them.
- Of the respondents who make additional contributions to super, one in five (19.8%) plan to boost their super contributions compared to one in ten (11.1%) who plan to reduce them.

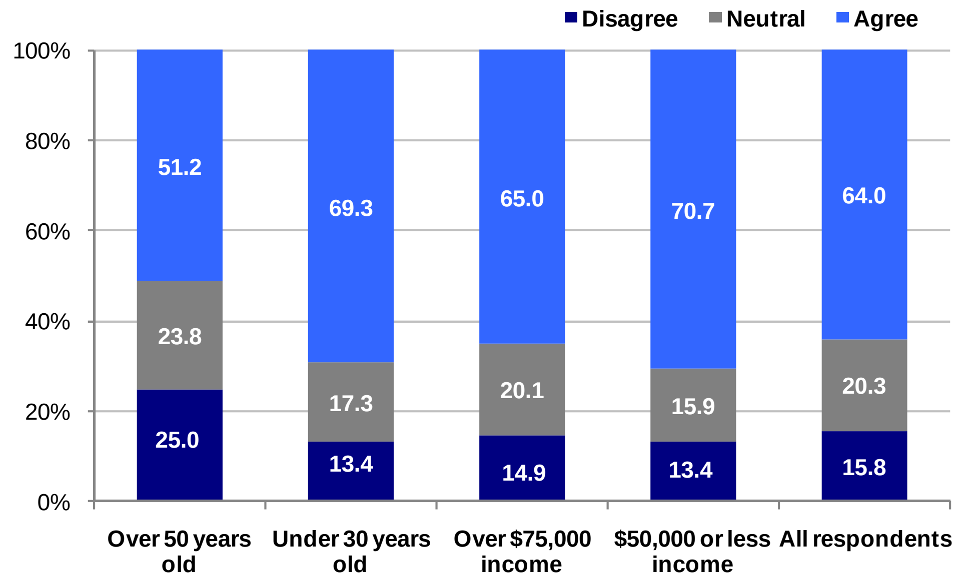
SG Rise Well Received

- Overall, the Government's plans to raise compulsory SG contributions to 12% by 2020 were well received. Two thirds of respondents (64.0%) agree the increase will improve their retirement and one in five (20.3%) are neutral on the issue.

- Those earning less than $50k p.a. (70.7%) and those under the age of 30 (69.3%) are the most likely to agree the change will have a positive impact on their retirement.

- One quarter of respondents over the age of 50 (25.0%) disagree the change will benefit their retirement (probably because many are nearing the end of the accumulation phase).

How much do you agree with the following statements?
[The government's intention to increase the compulsory super contributions (SG) from 9% to 12% by 2020 will improve my retirement]



n = 969, respondents who are members of a super fund

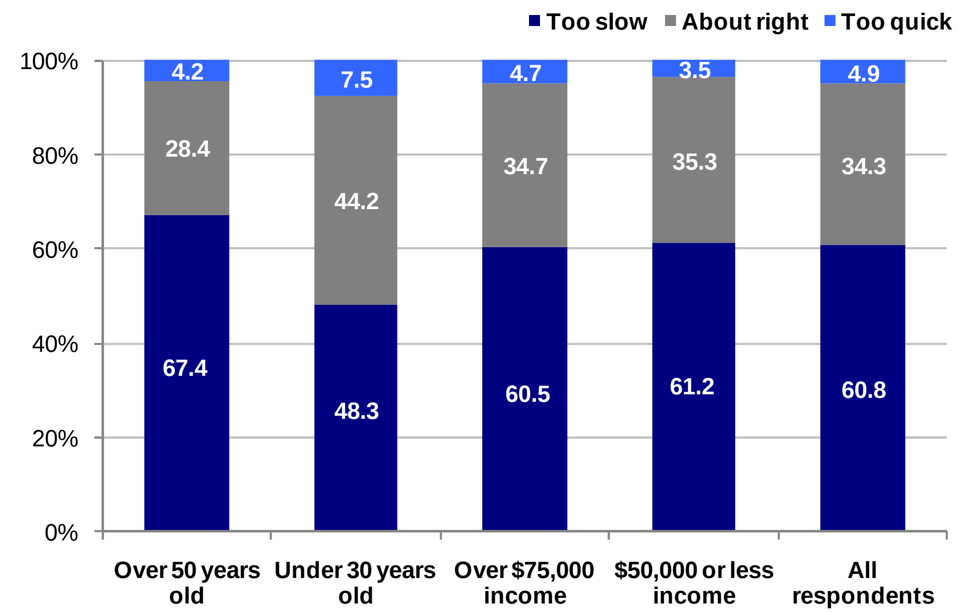
Appetite For Speedier SG Increase

- Three in five respondents (60.8%) believe the plans to gradually increase compulsory SG contributions to 12% by 2020 is *too slow.*

- One third of respondents view the speed of the increase as *about right* (34.3%) while only a small number view it as *too quick* (4.9%).

- Those respondents who are over 50 years old are the most likely to view the increase as *too slow* (67.4%), reflecting the fact that they are likely to miss out on the benefit of higher SG.

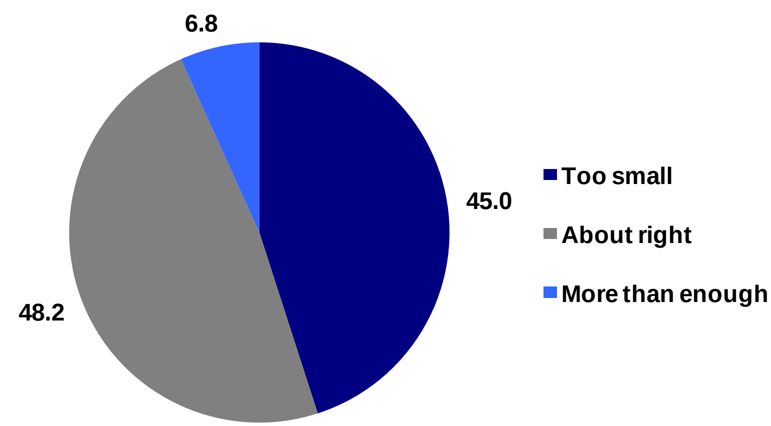
The Government has announced its intention to gradually increase the amount of compulsory superannuation contributions from 9% to 12%, with the 12% not reached until 2020. Do you think this phasing in of the increase is:



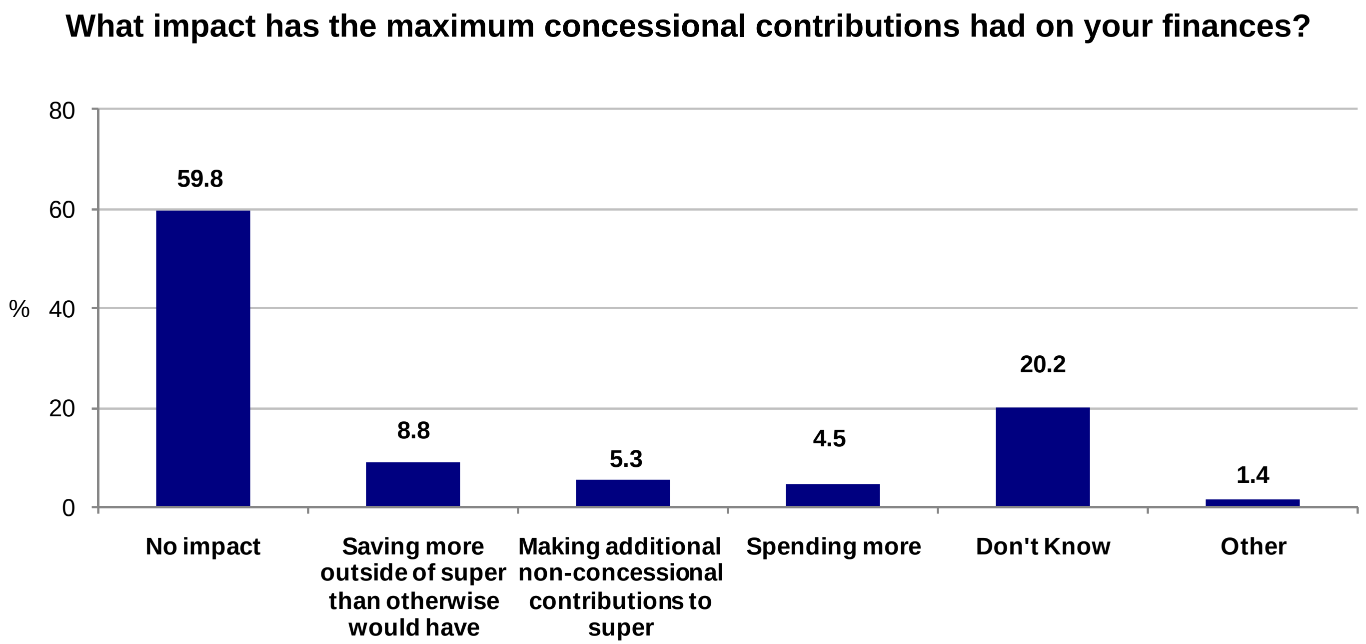
Respondents Split on Contribution Limits

- Respondents are split on concessional contribution caps with just under half seeing the limits as being *about right* (48.2%) and 45.0% seeing them as *too small*.

The maximum amount per year you can contribute to super through normal employer contributions and any salary sacrifice contributions (known as concessional contributions) is $25,000 for those under 50 years old, and $50,000 allowed for those aged 50 and over. Do you consider these limits to be..



Few Impacted By Contribution Caps

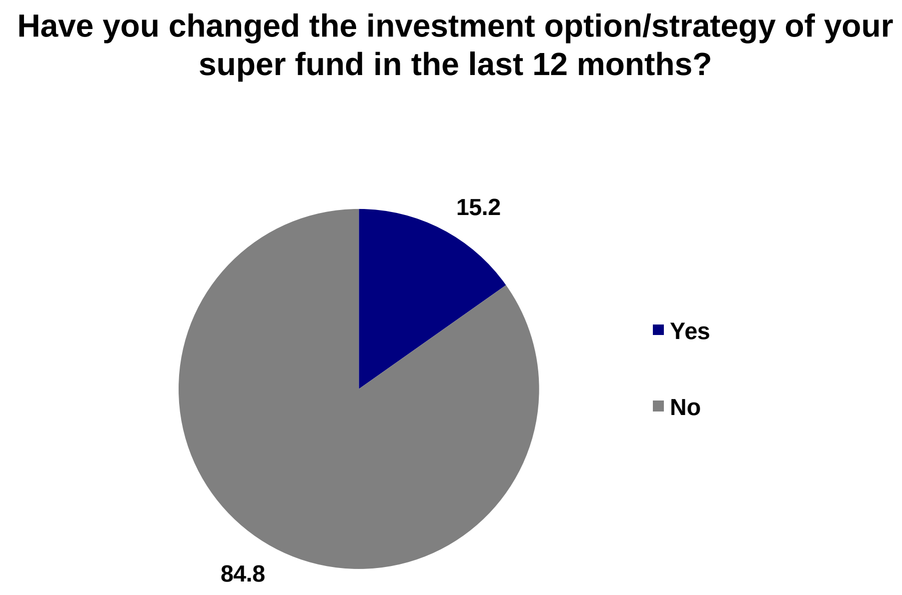


- Three in five respondents (59.8%) indicate the concessional contribution cap has had no impact on their finances.
- Interestingly, one in five (20.2%) do not know how the contribution caps have impacted their finances. Some 8.8% of respondents are saving more outside of super as a result of the new limits and a small number (5.3%) are making additional non-concessional contributions as a result of the concessional caps.

5.2 Investment Options

Few Exercising Investment Choice

- Similar to 2009, only 15.2% of respondents have altered the investment option of their super fund over the past 12 months (13% in 2009), while the remaining 84.8% have maintained their existing investment strategy (versus 87% in 2009).



Many React Aggressively Post-GFC…

- A large number of respondents responded aggressively to the share market correction post-GFC and thus have shifted to a high growth option to increase their allocation of Australian and international shares.

“Changed to a conservative option prior to global financial crisis and then into an aggressive option " (Male respondent, aged 30, Vic, Industry)

"Changing market conditions, switch from conservative to aggressive" (Male respondent, aged 41, Vic, Retail)

“From balanced to aggressive" (Male respondent, aged 61, SA, Self Managed)

"From Cash to Australian Shares" (Female respondent, aged 42, Vic, Industry)

"Gone to more aggressive" (Male respondent, aged 30, NSW, Retail)

"Higher risk looking for greater gains in a rising market" (Male respondent, aged 38, WA, Retail)

"I changed from a balanced option to 100% Australian equities. I changed because we are doing so well (thank you Kevin Rudd!) and I think if there is another crash it wont be in the next 12 months ." (Female respondent, aged 58, NSW, Public Sector)

"Increasing percentage in shares" (Male respondent, aged 52, Vic, Self Managed)

"More aggressive options e.g. geared Australian shares" (Female respondent, aged 25, NSW, Retail)

“Moved from growth to high growth as my profile is better suited to high growth." (Female respondent, aged 31, Vic, Retail)

… While Others Run For Cover

- Many respondents, however, changed investment option for the opposite reason – to be in a more conservative option.
- These respondents view market uncertainty as a key concern and as such have placed more money in cash and fixed interest investments. Some have even switched into a capital guarantee option to limit their downside risk.

"Become more defensive due to the instability of the share markets" (Female respondent, aged 54, ACT, Public Sector)

"Changed 80% to cash from shares etc" (Female respondent, aged 44, Qld, Retail)

""Changed from growth to guaranteed fund- phone call to super fund - market uncertainty over US and world economy - double dip recession fears " (Male respondent, aged 56, Qld, Industry)

"Changed it to capital guarantee" (Female respondent, aged 45, Qld, Public Sector)

"changed to cash instead of shares because of GFC" (Male respondent, aged 39, Qld, Corporate)

"Changed to cash plus option for better security against loss." (Male respondent, aged 47, Vic, Industry)

“Changed to cash strategy" (Male respondent, aged 54, SA, Corporate)

"Fall in share market; changed proportion in cash" (Female respondent, aged 56, Vic, Industry)

"Growth to cash, to protect from volatility" (Male respondent, aged 26, NSW, Retail)

“Moved from shares into cash" (Male respondent, aged 48, NSW, Retail)

“To capital guarantee" (Female respondent, aged 47, NSW, Retail)

“The financial markets are still shaky so I put all my super in "Cash" option." (Male respondent, aged 48, Vic, Industry)

Balanced Considered A Safe Option

- For some, changing into default balanced option was considered the best investment strategy for riding out the market volatility.

“Changed from Balanced to Cash and back to Balanced" (Male respondent, aged 61, WA, Corporate)

"Changed from cash to balanced portfolio, to reflect improvements in yield from standard investment strategies. i.e. invested in cash to limit loss, re-invested in stocks etc when growth stabilised in positive direction." (Male respondent, aged 43, ACT, Industry)

"Changed to 'Balanced' on advice of Financial Advisor." (Female respondent, aged 45, Qld, Corporate)

"Diversified" (Male respondent, aged 50, NSW, Corporate)

"Moved from Cash and fixed term interest to balanced options. It appears safe to "come out" again and returns have improved over the over two" (Male respondent, aged 59, WA, Corporate)

6.0 Returns & Fees

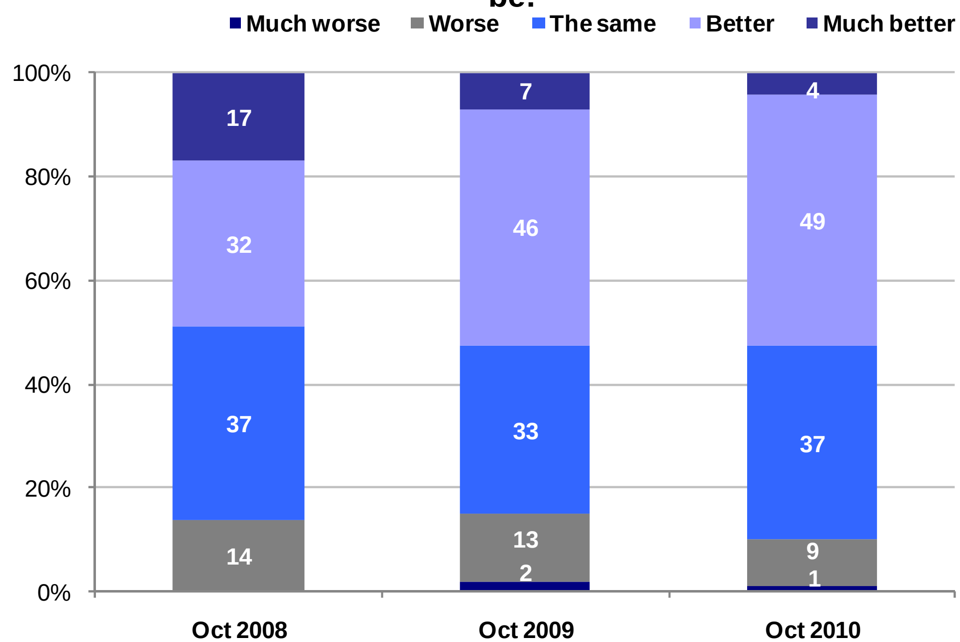
6.1 Returns

Half Predict Better Returns In FY2011

- More than half of all respondents are optimistic about superannuation returns this financial year (53.0%). Some 49% predict better returns and an additional 4% predict *much better* returns in FY2011.

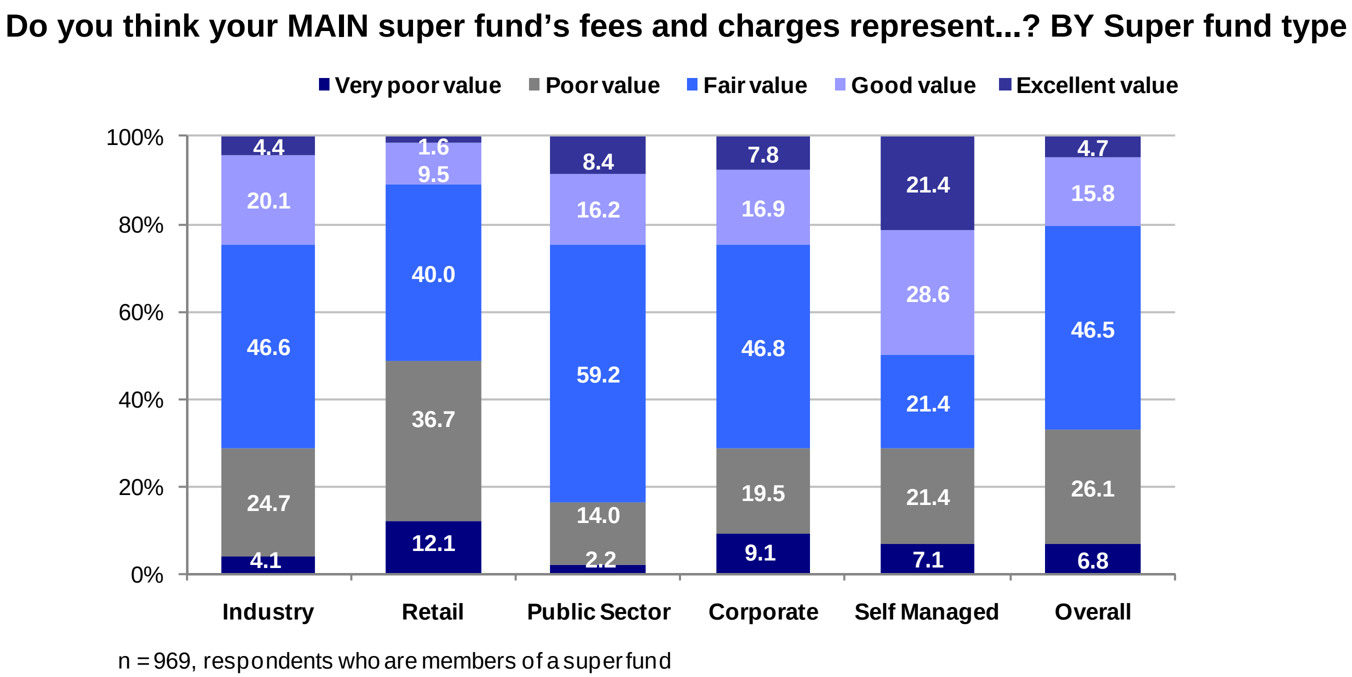
- Respondents this year are also less likely to be pessimistic compared to previous years, reflecting the recovery post-GFC. Only 10% see returns becoming *worse* or *much worse* compared to 15% last year and 14% in 2008.

Thinking about the likely returns from super funds this financial year for the period July 2010 to June 2011 compared to last year, do you think this year's returns will be:



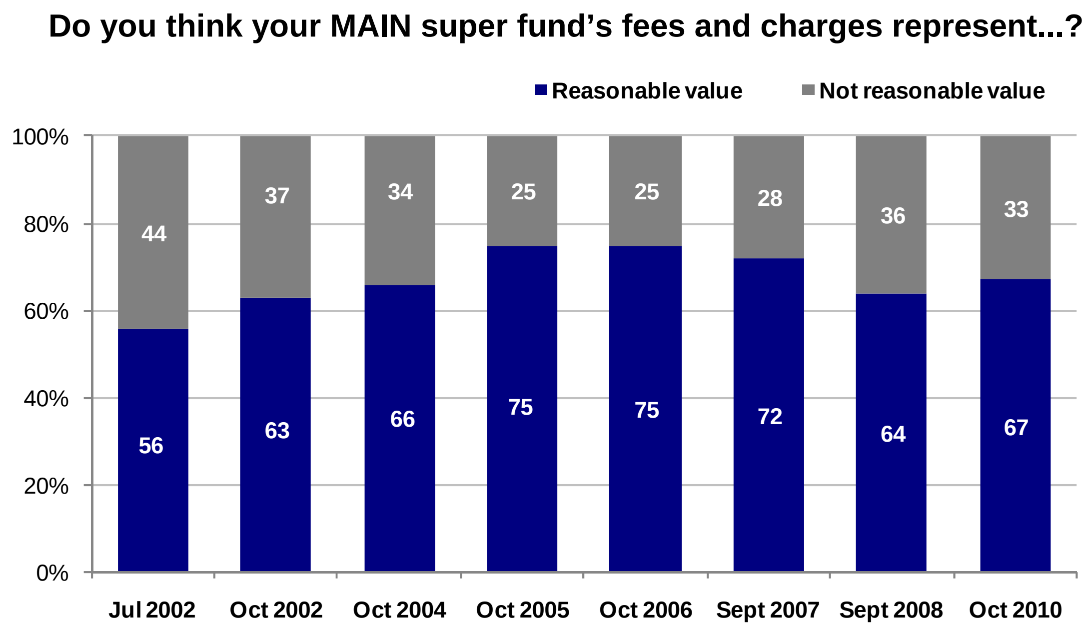
6.2 Fees

Views On Fund Fees



- Overall, respondents feel the fees and charges from their MAIN super fund are appropriate. Just under half of respondents say their fees represent *fair value* (46.5%), while 15.8% say they represent *good value* and 4.7% say their charges are *excellent value*.
- SMSF members are most likely to think they are getting *good* (28.6%) or *excellent* (21.4%) value. In contrast, retail fund members believe they are getting the least value with over one third claiming *poor value* (36.7%) and 12.1% claiming *very poor value* – interesting given they are the second most used fund type.

Majority See Super Fees As Reasonable



n = 969 (Oct 2010), respondents who are members of a super fund

- Two thirds of respondents (67%) say their super fund's fees and charges represent *reasonable value* while one third (33%) do not believe this is the case.
- The sentiment amongst members is similar to 2009 however looking further back, members are less likely to consider the fees and charges to be reasonable in 2010 than in 2005, 2006 and 2007 (leading up to the GFC when returns were generally higher).

7.0 Financial Concerns & Superannuation

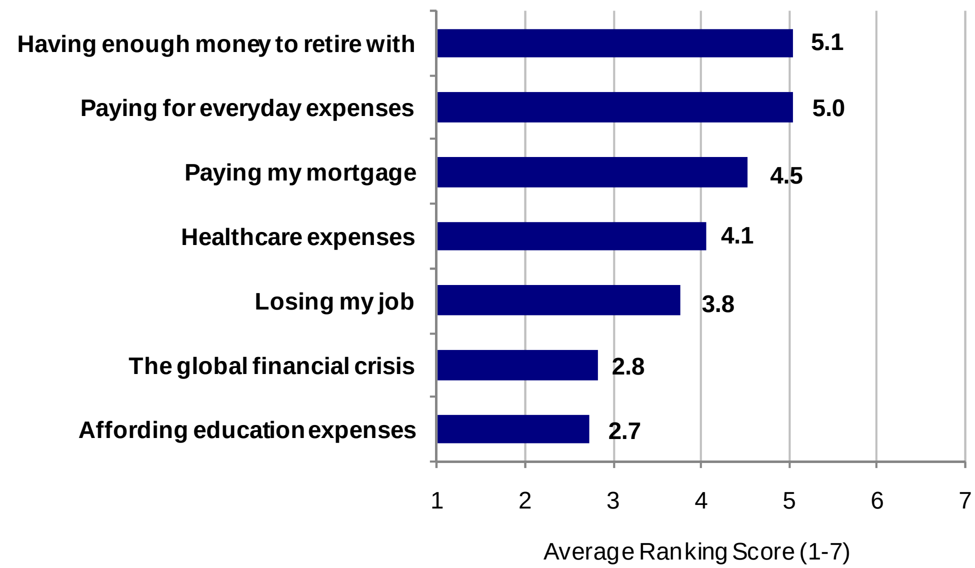
7.1 Financial Concerns

Funding Retirement The Key Concern

- Having enough money to retire with is the main concern of respondents (with a score of 5.1 out of 7) followed by paying for everyday expenses (5.0) and paying the mortgage (4.5).

- Healthcare expenses (4.1) and job loss (3.8) are further down the list with the GFC (2.8) and education expenses (2.7) even less of a concern.

How concerned are you about each of the following issues?



*Based on computed average ranking scores (1-7) where a score 7 being the highest and a score of 1 being the lowest.

7.2 Superannuation Concerns

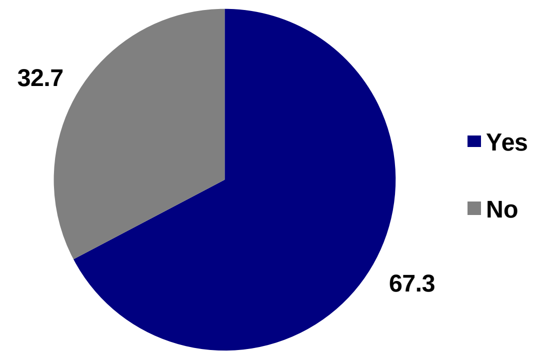
Insufficient Super A Big Concern

- Two in three respondents (67.3%) are concerned that their superannuation savings will run out before they die.

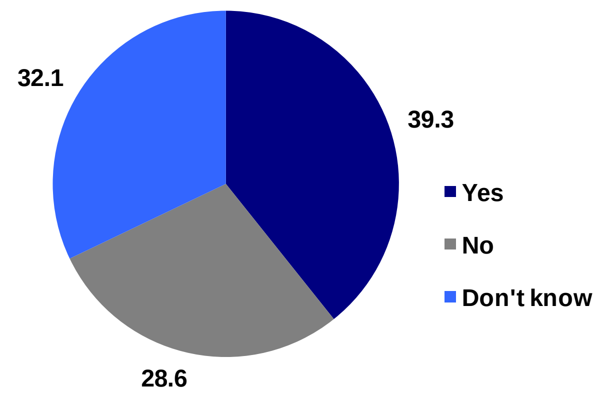
- Two in five respondents (39.3%) agree that upon retirement people should be required to purchase an income stream that lasts until death.

- One third of respondents don't know (32.1%) and the remaining 28.6% disagree.

Are you concerned that your superannuation savings will run out before you die?



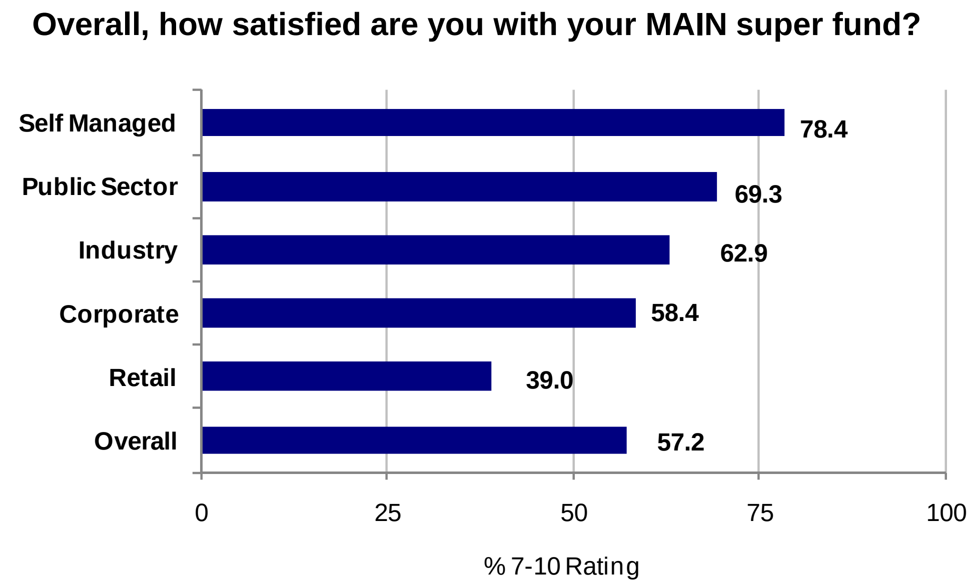
Upon retirement, should people be required to use at least part of their retirement savings to buy an income stream that will last until they die, regardless of whether there will be any capital left to distribute to the beneficiaries of the will?



8.0. Satisfaction

8.1. Satisfaction with MAIN super fund

SMSF Members Most Satisfied



- Overall satisfaction with super funds is reasonably high with just over half of all respondents (57.2%) rating their super fund satisfaction as 7 out of 10 or higher.
- Satisfaction levels are highest amongst SMSF members with 78.4% of members scoring the satisfaction with their superannuation fund as 7 or better.
- Public sector funds (69.3%) and industry funds (62.9%) come next, followed by corporate funds (58.4%) and lastly retail funds – where only two in five members (39.0%) are highly satisfied.

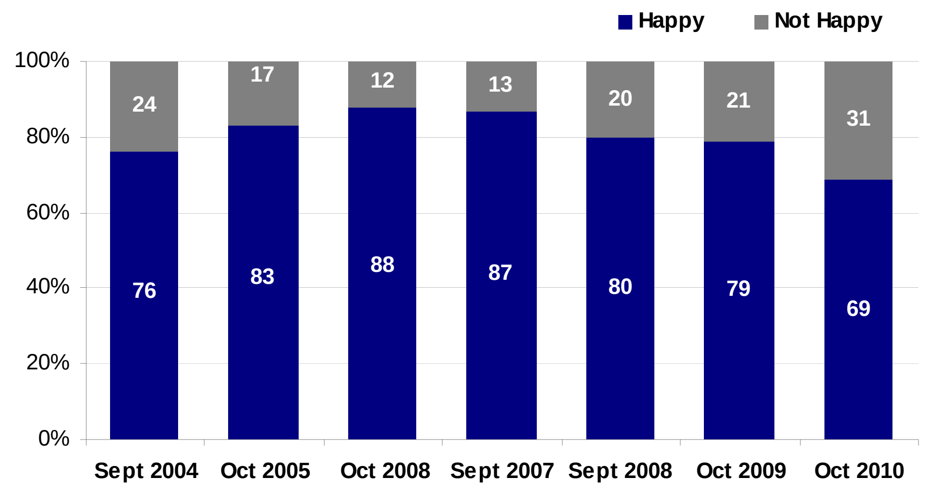
Satisfaction Down On Previous Years

- Overall satisfaction is at the lowest level in six years. Some 69% of members can be considered 'happy' with their MAIN super fund, compared to 79% last year.

- Some 31% are not happy with their MAIN super fund in 2010 compared to 21% in 2009 and 20% in 2008.

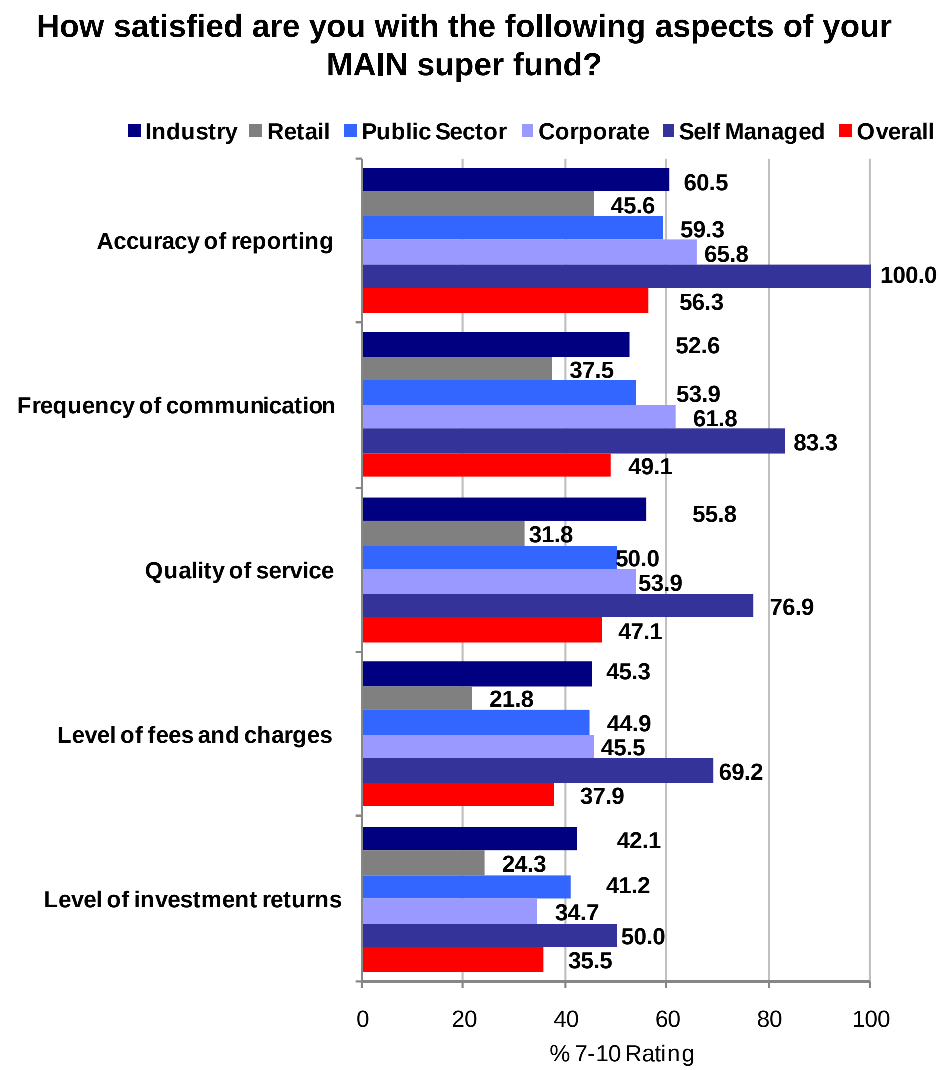
- NB: In this year's research, respondents who gave a rating of 0-5 are considered 'not happy' while those who gave a rating of 6-10 are considered 'happy'. This calculation may be different to previous years data (2004 – 2009) provided by Auspoll.

Overall, how satisfied are you with your MAIN super fund?



Low Returns = Low Satisfaction

- While the satisfaction between super fund types varies considerably, there are clearly areas where funds generally are succeeding and where they are failing.
- Overall, members are most satisfied with the accuracy of reporting (56.3%) followed by frequency of communication (49.1%) and quality of service (47.1%).
- Satisfaction is lowest with fees and charges (37.9%) and level of investment returns (35.5%).
- SMSF members are clearly much more satisfied than members of other fund types – particularly retail fund members.



n = 969, respondents who are members of a super fund

Poor Performance Drives Dissatisfaction

- The main driver of member dissatisfaction is poor investment performance.

"Below average returns" (Male respondent, aged 27, WA, Industry)

"I just don't think they are performing very well - my super isn't really doing anything the last few months - It would have been better just put in a term deposit of the last 6 months!" (Female respondent, aged 47, NSW, Corporate)

"Investment returns are not very good when compared with the leading super funds" (Male respondent, aged 31, NSW, Corporate)

"Investment returns could have been better" (Male respondent, aged 30, Vic, Industry)

"Negative investment outcome with market losses and high charges" (Male respondent, aged 38, WA, Retail)

"Negative returns" (Male respondent, aged 60, Qld, Industry)

"Not performing as well as others" (Male respondent, aged 48, Qld, Retail)

"Performance is terrible." (Female respondent, aged 33, WA, Corporate)

"Poor performance over recent years." (Male respondent, aged 40, Qld, Industry)

"Poor returns contrary to what they said." (Male respondent, aged 51, WA, Public Sector)

"Returns inconsistent and below my expectations despite being a fairly conservative strategy option" (Male respondent, aged 34, NSW, Retail)

"The returns are not brilliant" (Female respondent, aged 55, Vic, Retail)

Fees & Charges Also Influence Happiness

- Fees and charges are also an influence on satisfaction. Members who are not happy say the fees and charges they pay do not represent value for money.

“Fees are too high for what they provide" (Male respondent, aged 48, Vic, Retail)

"Fees and charges on my money when they don't' do anything." (Female respondent, aged 44, SA, Industry)

"Fees are far too high & pretty much consume all returns made. Need at least 10-13% return before minimal returns are reinvested into the fund" (Male respondent, aged 29, WA, Retail)

“Fees too high and negative return" (Male respondent, aged 65, Vic, Retail)

"High fees relative to other super funds" (Male respondent, aged 44, Vic, Retail)

“Mainly fees and charges" (Male respondent, aged 47, NSW, Retail)

"The Fees are ridiculous and I have tried to changed but it would cost too much to change away from them. " (Male respondent, aged 39, Qld, Retail)

"They charge too much for contributing, their performance has been abysmal & their rapport is almost non-existent." (Male respondent, aged 60, Qld, Retail)

“Too many charges" (Male respondent, aged 64, Vic, Industry)

“Too many fees + returns not great" (Male respondent, aged 34, NSW, Retail)

"Too much fee" (Female respondent, aged 39, Vic, Industry)

Silence Is Deafening

- Poor communication or lack thereof is also a common cause of member dissatisfaction. Many respondents say their fund doesn’t keep them engaged or informed.

“Communication is poor" (Male respondent, aged 42, NSW, Corporate)

“Don’t communicate with me much" (Female respondent, aged 30, Vic, Industry)

"I don't feel that they communicate enough with the members and I do not know how they compare with other super schemes" (Male respondent, aged 67, WA, Industry)

"I never hear from them other than the annual statement" (Female respondent, aged 55, NSW, Retail)

"Lack of engagement & proactive communication by the fund" (Male respondent, aged 35, NSW, Retail)

“Poor communication ..only once or twice a year. and high fees considering you don't seem to hear from them much." (Male respondent, aged 41, NSW, Corporate)

"There is nil communication from them and I get one report per annum from them" (Female respondent, aged 49, Qld, Public Sector)

"Don't know much about it, all info comes as technical jargon" (Female respondent, aged 32, Vic, Retail)

"Hard to understand statements, not much communication" (Female respondent, aged 25, NSW, Industry)

"Never really know what's going on." (Female respondent, aged 47, Vic, Retail)

Lack Of Customer Focus

- Some respondents are unhappy with their main fund's customer service.

"Do not provide enough service and good return" (Male respondent, aged 37, NSW, Public Sector)

"Lack of service, high fees mediocre returns in comparison to other plans" (Male respondent, aged 61, NSW, Corporate)

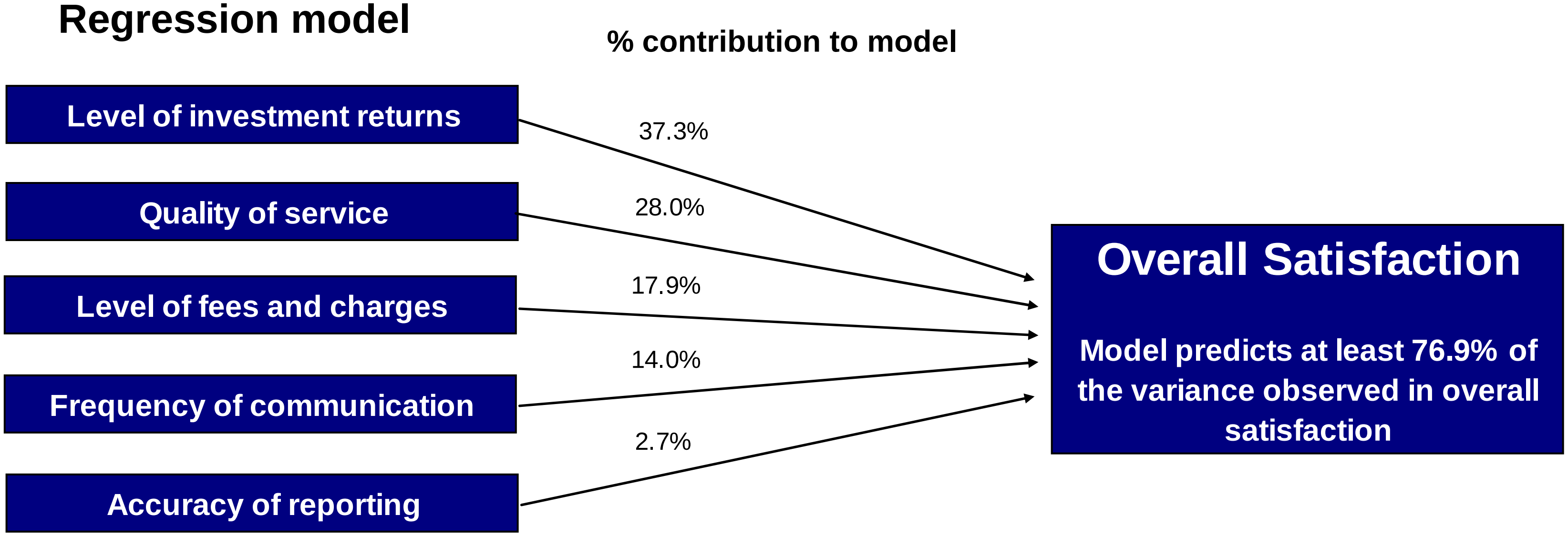
"Poor customer service when phoning in" (Female respondent, aged 47, Qld, Industry)

"They are more focussed on fees and bonuses for themselves and shareholders than on providing service excellence." (Male respondent, aged 65, Vic, Industry)

Satisfaction Drivers

- For this report, we reviewed the relationship between the overall satisfaction with their super fund and satisfaction at the attribute level using multiple regression modelling. Put simply, we tested the strength of the individual attributes to understand the ability of each to explain overall satisfaction.
- The final model is strong and predicts 76.9% of the variance observed in overall satisfaction. Level of investment return appears to be the main driver of commitment followed by quality of service, level of fees and charges and then frequency of communication. Accuracy of reporting was not found to be a significant predictor.

Regression model



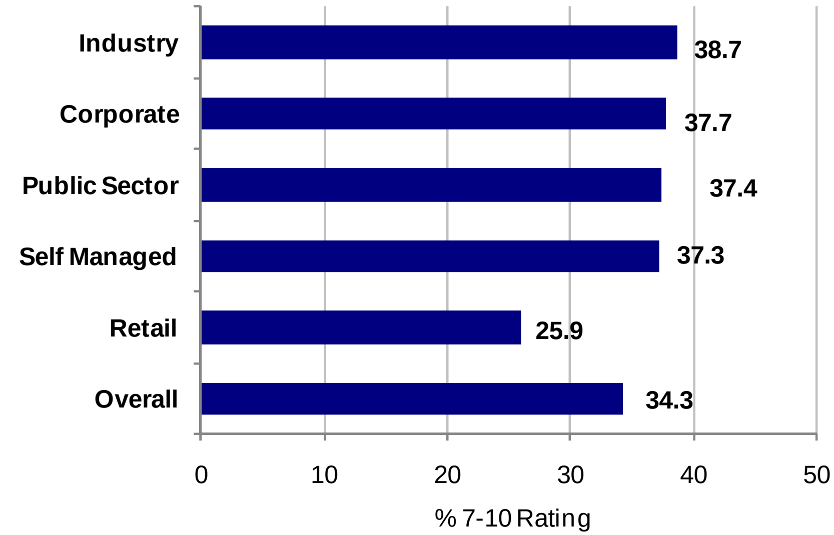
All predictors are statistically significant ($p<0.001$) except for accuracy of reporting

8.2 Satisfaction With The Super Industry

Satisfaction With The Super Industry

- Overall, one in three respondents (34.3%) are highly satisfied with the super industry as a whole (based on those who gave a rating of 7-10).
- As the second largest super fund type it is interesting to note that retail fund members are much less satisfied with the industry as a whole than members of other fund types.
- Only one quarter of retail fund members (25.9%) rate their satisfaction with the superannuation industry as 7 or better, compared to 38.7% of industry fund members.

How satisfied are you with the superannuation industry as a whole?



Industry Improvement – Scrap Fees

- Lower fees or no fees at all is the top suggestion for improving the super industry. Many respondents propose more transparent fee and commission structures.

"Clear statement of what fees and charges will be applied as would be seen on the statement. This always seems to be different to what its advertised." (Male respondent, aged 30, NSW, Industry)

"Less fees more transparency" (Female respondent, aged 51, Tas, Industry)

"Lower fees or no fees when we have negative returns. Also abolish one of the taxes on super." (Female respondent, aged 33, WA, Corporate)

“No fees ever!" (Female respondent, aged 37, Vic, Retail)

“Reduced fees, clearer explanation of what it's doing and why, clearer reporting of its returns." (Female respondent, aged 41, SA, Retail)

"Regulation of fees charged by commercial funds. Decrease barriers of migrating funds to other providers." (Female respondent, aged 31, NSW, Industry)

"The fee structures and the commissions structures I think could be overhauled" (Female respondent, aged 38, Qld, Retail)

"Too many funds are only interested in on going commissions. Industry super funds are best value with fee structures. Fees need to be kept at a reasonable level. " (Male respondent, aged 44, Qld, Industry)

"Transparency and fees." (Male respondent, aged 28, Vic, Industry)

Industry Improvement – Education

- A large number of respondents want to be informed and educated about superannuation.

“By having a third party regulated by the government or a non profit organization to be able to compare deals immediately instead of people doing the walks or the employers should do this job to help themselves as well. I had the experience of losing monies with a fund that went bankrupt, this should not happen and the government has a long way to go to make sure people are not losing monies that would reflect with time a problem for the government itself. More education online for all customers/non customers in order to help people to make informed decisions." (Female respondent, aged 39, Qld, Public Sector)

"Clear black and white info aimed at the ordinary person - not an accountant" (Female respondent, aged 50, Vic, Industry)

"I feel like we are never given the full information, particularly as a younger adult. I don't need the returns now but I need to have the confidence that my money will be able to look after me in the future. I do not have the confidence in the super industry to do this." (Female respondent, aged 25, SA, Industry)

"I have no idea... I don't understand how it all works." (Male respondent, aged 48, WA, Industry)

"It could be explained better, like what the options are with super, how you can change it etc" (Female respondent, aged 28, Qld, Public Sector)

"More education to give some understanding of its workings" (Female respondent, aged 49, WA, Corporate)

"More education to make your super work better for you" (Female respondent, aged 37, NSW, Industry)

Industry Improvement – Communication & Flexibility

- Some respondents believe that better communication from super funds to their members would improve the industry.

“Communication is generally poor. fees are ridiculous - eating away at my life savings and there is nothing I can do about it" (Male respondent, aged 42, NSW, Corporate)

“Communications should be easier to understand" (Female respondent, aged 31, Vic, Retail)

"Greater communication - as the rules seem to be changing all the time" (Male respondent, aged 43, Qld, Retail)

"Greater communication regarding that industry super funds are not the panacea of all super funds. Too much industry funds marketing on commercial TV." (Female respondent, aged 33, Qld, Retail)

“More communications with its members and easy to understand information that they send you" (Female respondent, aged 55, Vic, Industry)

- A few others want more flexibility and a wider range of options.

“Greater control of what proportions of your money go into which investments." (Male respondent, aged 43, Qld, Self Managed)

"More options and the big super companies should run like the industry super companies, low fees greater return" (Male respondent, aged 33, NSW, Public Sector)

"More options for members and respect their chose." (Female respondent, aged 37, NSW, Self Managed)

“More options of how money is invested" (Female respondent, aged 37, Vic, Industry)

Industry Improvement – Returns, Customer Service & Tax

- Some respondents list better returns and good service while others suggest taxes on super contributions could be removed.

"Actually working for the members instead of lining their own pockets" (Female respondent, aged 49, SA, Industry)

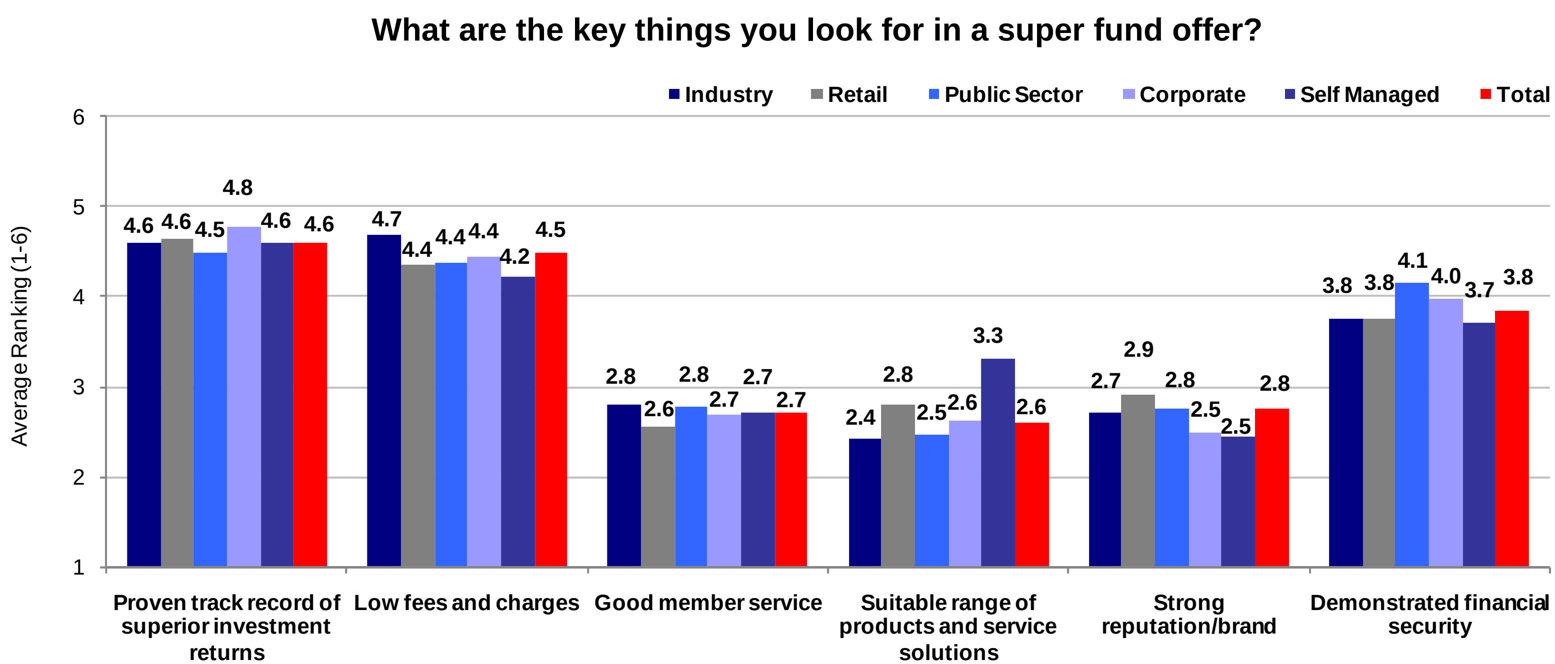
"I don't believe the super industry as a whole provide a decent service (i.e. returns on investment)" (Male respondent, aged 37, WA, Industry)

"remove the tax, remove the fees, remove the government from it all, do not punish people under financial hardship if they have to dip into their super for extreme circumstances, and allow people to make their own decisions about how and when they can access their super" (Female respondent, aged 29, Qld, Industry)

"They should stop ripping people off. " (Male respondent, aged 61, Tas, Industry)

"Try and do more for the customer" (Female respondent, aged 60, Vic, Public Sector)

Returns And Fees Choice Drivers



- While satisfaction levels with investment returns is relatively low, this is the key driver of choice in choosing a super fund. Investment returns rated 4.6 (out of 6) ahead of low fees and charges 4.5 as the key thing respondents look for when choosing a super fund.
- Demonstrated financial security (3.8) came next with reputation/brand (2.8), good member service (2.7) and range of products and service solutions (2.6) less of a consideration.

Drivers of Fund Choice – Communication & Personalised Service

- Many respondents look for a fund with excellent communication and access to information and member education.

"Clear communication of investment choices, etc." (Male respondent, aged 38, NSW, Retail)

"Clear communications that are easy to understand" (Female respondent, aged 35, Vic, Industry)

"ease of communication over the telephone" (Male respondent, aged 44, WA, Retail)

"ease of understanding paper work" (Female respondent, aged 55, Vic, Industry)

"Easy to understand communication, no jargon" (Female respondent, aged 28, Qld, Public Sector)

"To notify me when key milestones are reached eg age but continuing to work, points all used up beginning to loose value, " (Male respondent, aged 66, NSW, Public Sector)

"Education for customers" (Female respondent, aged 39, Qld, Public Sector)

“Wiling to keep me updated on everything" (Female respondent, aged 47, WA, Industry)

- Others want personalised service.

"personal attention" (Female respondent, aged 56, NSW, Industry)

"Personal relationship with an adviser." (Male respondent, aged 58, SA, Retail)

"Personal service rather than having to speak to a computer every time you ring to make an inquiry" (Male respondent, aged 51, NSW, Retail)

"a good fund manager to assist" (Female respondent, aged 54, NSW, Public Sector)

Drivers of Fund Choice – Flexibility, Online Functionality & Ethical Investment

- Online access to super account and fund flexibility are key considerations.

"Flexibility to move money into different areas without penalty." (Male respondent, aged 43, Vic, Industry)

"flexibility" (Male respondent, aged 47, NSW, Self Managed) "flexible to choice" (Female respondent, aged 56, Vic, Retail)

"On-line access to account" (Male respondent, aged 64, WA, Public Sector)

"online access" (Male respondent, aged 40, Qld, Public Sector)

"Online services/good web site" (Female respondent, aged 31, SA, Public Sector)

"website access" (Male respondent, aged 46, Vic, Industry)

- Investment options can also influence fund choice. Members of industry and public sector super funds are particularly interested in ethical investment options.

"Ethical/environmentally responsible investments" (Female respondent, aged 41, Qld, Public Sector)

"Ethical approach to investing" (Male respondent, aged 53, Vic, Industry)

“Ethical focus" (Male respondent, aged 68, NSW, Public Sector)

"Ethical investment options" (Female respondent, aged 69, Vic, Industry)

"Ethical investment" (Female respondent, aged 41, SA, Public Sector)

"Ethical investments" (Female respondent, aged 29, NSW, Industry)

“Green options" (Female respondent, aged 57, Vic, Industry)

Drivers of Fund Choice – Referral, Advice & Insurance

- Other considerations when choosing a super fund include access to free advice, insurance, transparency and referrals from others.

"Access to Fund Advisors" (Female respondent, aged 55, WA, Industry)

"Employer and co-worker recommendations" (Male respondent, aged 43, ACT, Industry)

"Free finance advise on annual bases" (Male respondent, aged 61, NSW, Public Sector)

"Honesty, integrity and product knowledge and the ability to look at the investor needs and not the fees for service as a guide to product recommendations " (Male respondent, aged 61, SA, Self Managed)

“Insurance cover" (Female respondent, aged 40, Vic, Retail)

"Supported by employer" (Male respondent, aged 48, WA, Public Sector)

"Life insurance and income protection" (Female respondent, aged 35, Qld, Retail)

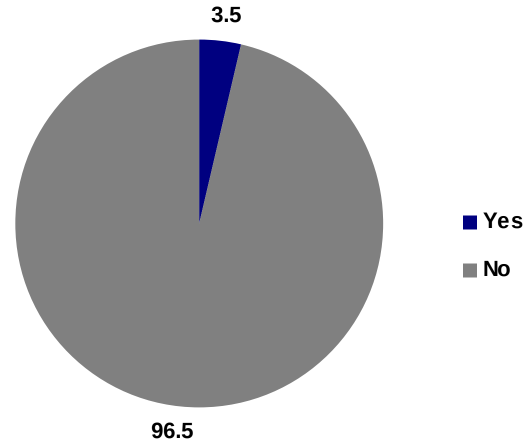
“Transparency" (Male respondent, aged 44, NSW, Retail)

9.0 Switching Super Funds

Very Few Have Switched Super Funds

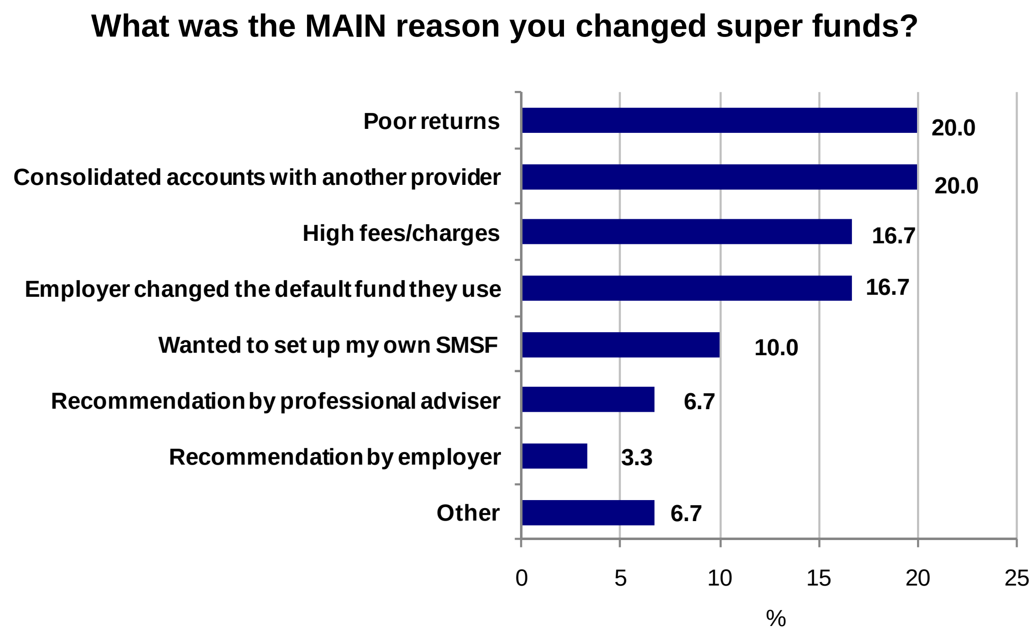
- Only 3.5% of respondents (30) have changed super funds since October last year.

Have you switched super funds in the last 12 months (since October last year)?



n = 862, respondents with super funds who did not change jobs in the past year or respondents with self-managed super funds

Returns & Consolidation Churn Drivers



n=30, respondents who have switched super funds in the last 12 months

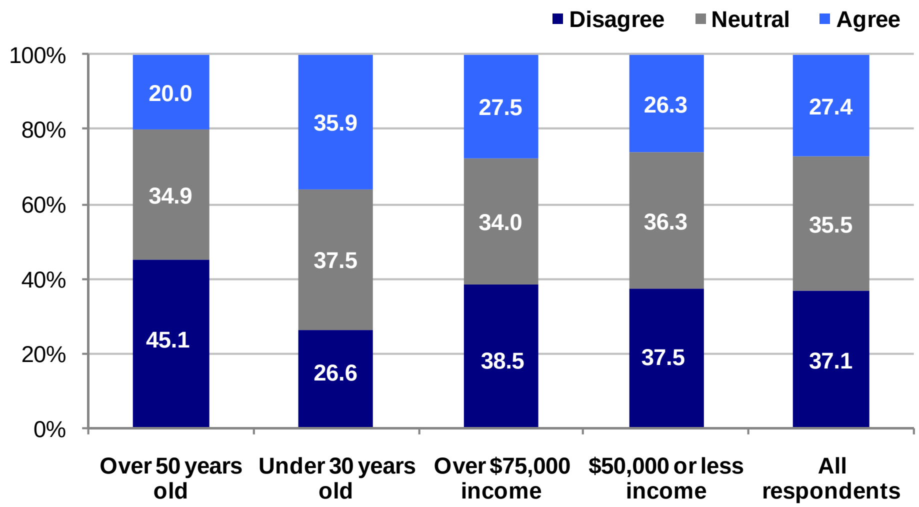
- Of the respondents who have changed super funds in the past year, one fifth did so due to poor returns (20.0%) or to consolidate their accounts (20.%).
- High fees/charges (16.7%) and a change in the default fund of their employer (also 16.7%) were also popular reasons for switching.

10.0 Policy Attitudes

Australians Split On MySuper

- Just under two fifths of respondents (37.1%) disagree with the proposed MySuper (foregoing investment choice in return for slightly lower fees).
- More than one third (35.5%) are neutral towards the reform and just over one quarter (27.4%) agree with the concept.
- Respondents over 50 years of age are most likely to disagree with the MySuper concept (45.1%) and those under the age of 30 are most likely to agree (35.9%).

**How much do you agree with the following statements?
[If I don't actively choose my super fund, I am happy to be put into a simple fund with no investment choices but possibly slightly lower costs]**



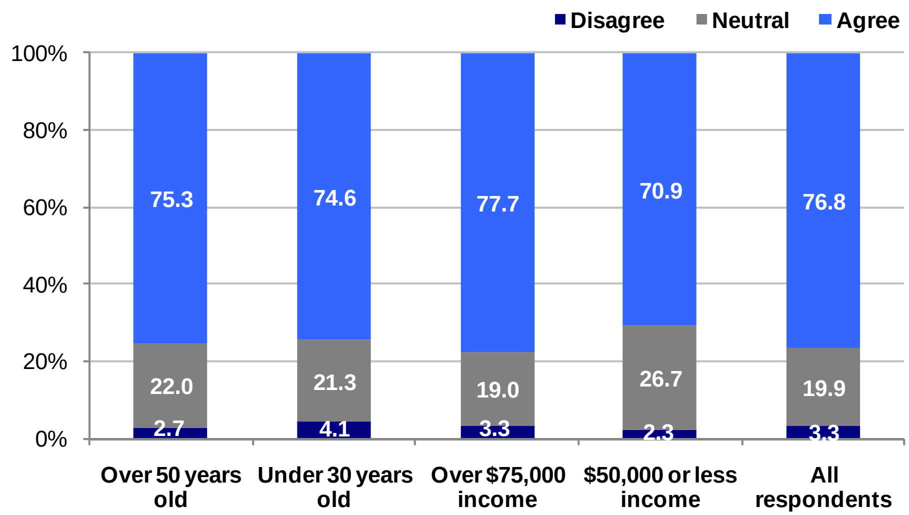
n = 969, respondents who are members of a super fund

Support For SuperStream Concept

- Over three quarters of respondents (76.8%) agree with the SuperStream concept; that employers should be required to use more efficient payment methods when making compulsory super contributions for employees.

- One in five respondents (19.9%) are neutral and only 3.3% disagree with the reform.

How much do you agree with the following statements? [Employers should be required to use more efficient payment methods (e.g. electronic funds transfer) when making contributions to my superannuation fund to lower costs passed onto members]

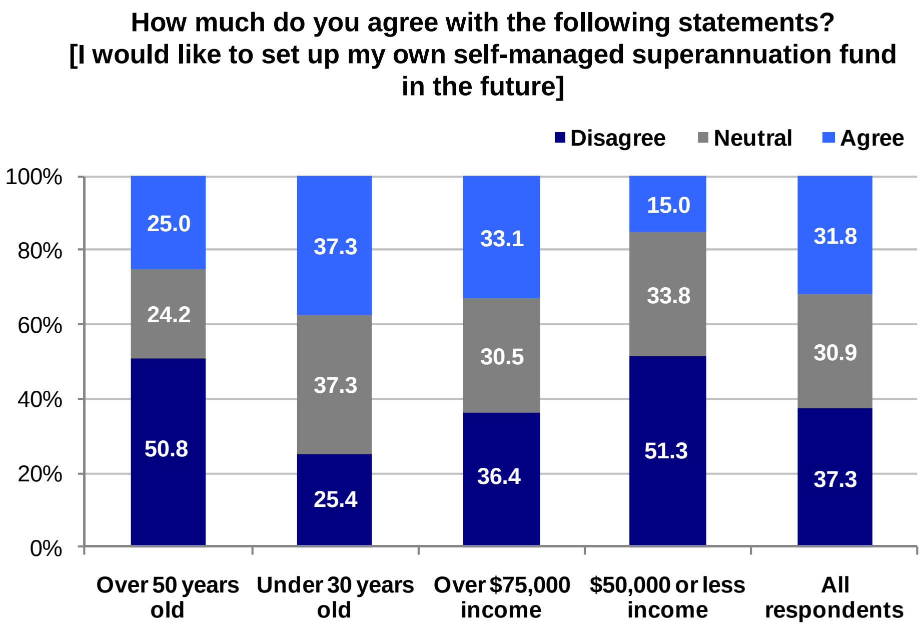


n = 969, respondents who are members of a super fund

Young & Rich Plan SMSFs

- Respondents under the age of 30 (37.3%) and those earning over $75,000 (33.1%) are most likely to plan on setting up their own SMSF in the future when compared to those over the age of 50 (25.0%) and those earning $50,000 or less (15.0%).

- Overall one third (31.8%) of respondents plan to set up their own SMSF in the future while 37.3% do not and 30.9% are unsure.



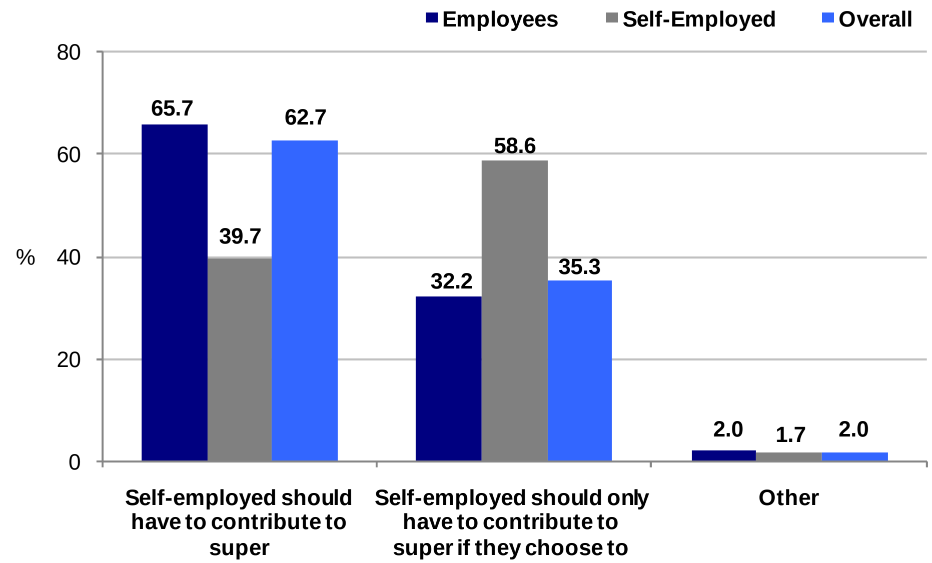
n = 969, respondents who are members of a super fund

Employees Say Self Employed Should Be Forced To Contribute To Super

- Predictably, most self employed respondents (58.6%) believe they should only have to make super contributions if they choose to.

- Two thirds of employees however (65.7%), think the self employed should be required to contribute to super regardless.

The self-employed are not currently included in the compulsory superannuation system which means they only make contributions if they choose to. Which of these statements is closest to your view?



Some Advocate Choice For Self-Employed

- Respondents who selected ‘Other’ suggested self-employed individuals be encouraged to make contributions (not necessarily forced) but with an adjusted scheme based on their earnings.

“Not sure I think it would depend on their available capital and net income" (Female respondent, aged 48, SA, Public Sector)

“Self employed should have to contribute to super but at a lower rate unless they choose to contribute higher." (Female respondent, aged 31, Qld, Corporate)

“Should be a minimum based on taxable income " (Female respondent, aged 46, NSW, Corporate)

"They should be encouraged to contribute" (Male respondent, aged 54, Vic, Industry)

- Some fulltime employed respondents say they are indifferent to whether the self-employed contribute or not.

“None of my business" (Female respondent, aged 45, Qld, Public Sector)

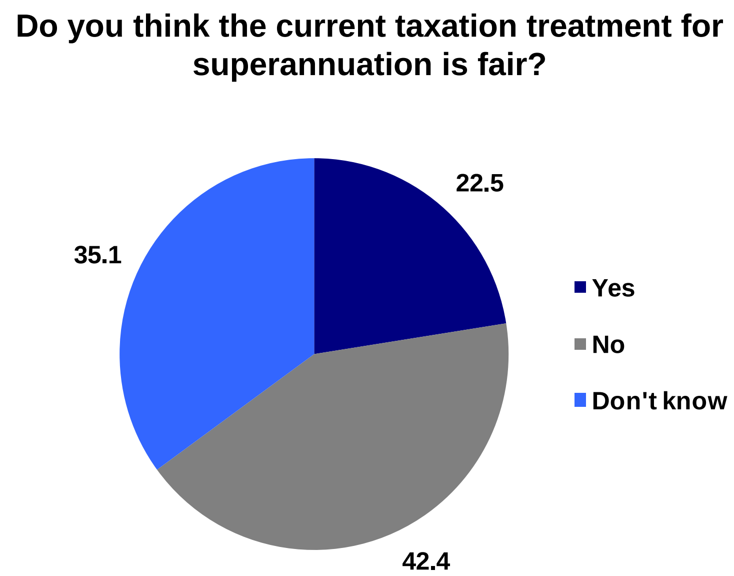
"Self-employed should be free to decide their own super strategy" (Male respondent, aged 38, NSW, Retail)

"Their business" (Male respondent, aged 59, ACT, Retail)

"Who Cares?" (Male respondent, aged 52, Vic, Industry)

Two in Five Believe Tax Treatment Unfair

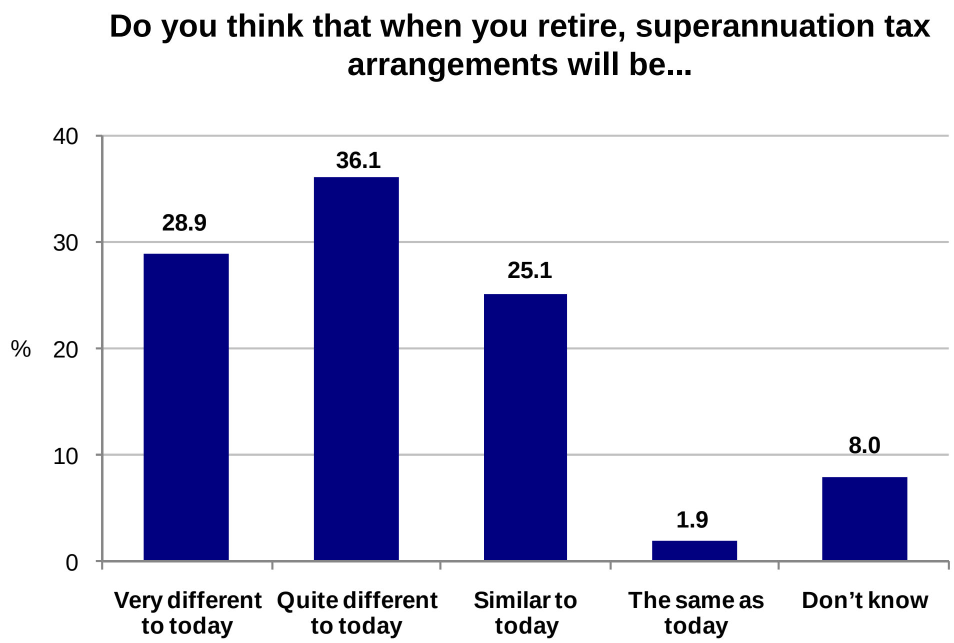
- Two in five respondents (42.4%) think the current taxation treatment for superannuation is unfair, one third don't know (35.1%) and only one in five think the current system is fair (22.5%).



Tax Arrangements Expected To Change

- Two in three respondents (65.0%) think superannuation tax will be different to how it is today when they retire. One third (36.1%) foresee tax arrangements being *quite* different and 28.9% think they will be *very* different.

- Only one in four (25.1%) think they will be similar to the current treatment and even less (1.9%) predict they will stay the same.



Super Tax Encourages Saving

- Many respondents consider the current tax treatment for superannuation to be fair because it encourages people to save for their retirement; the 15% contribution tax is fair; and tax-free retirement from age 60 is a good incentive.

"15% is very fair, considering the pay rate. Tax free after 60 is also good, also seniors offset is generous tax." (Female respondent, aged 47, NSW, Retail)

“At 55 you can draw down on super at 15% and at 60 can retire tax free" (Female respondent, aged 54, Vic, Industry)

"Encourages long term commitment to gain tax benefits." (Male respondent, aged 42, NSW, Corporate)

"Good encouragement to make contributions" (Female respondent, aged 38, Qld, Industry)

"I think it is there to encourage people to think about the future" (Female respondent, aged 41, SA, Public Sector)

"It encourages super savings while still allowing the Government to get its taxes" (Female respondent, aged 27, SA, Retail)

"It is the lowest taxed of all income streams whilst allowing extra contributions to be made." (Female respondent, aged 45, Qld, Corporate)

“Lower rate to encourage long term view and savings" (Male respondent, aged 43, NSW, Self Managed)

“People should be rewarded for contributing to super and the lower tax rate does this." (Female respondent, aged 31, Vic, Retail)

Some Believe Super Should Not Be Taxed

- Those who find the tax treatment unfair believe super should not be taxed at all as it is forced savings. They note that the government benefits considerably from superannuation as fewer people require the Age Pension.

“Any tax on super is totally unfair - I've already been taxed 2 or 3 times on my money, and then the government wants to tax me again - on my retirement fund which will be used to lessen the burden on the government when I retire" (Male respondent, aged 42, NSW, Corporate)

"As super is forced saving by the government to limit future pension exposure and there are tight limits to the amount that can be placed into Super, upon retirement, the amounts should be tax free." (Male respondent, aged 40, Qld, Industry)

"Contributions and earnings on super funds should not be taxed as the they provide an income stream that reduces the government pension burden." (Male respondent, aged 49, Qld, Self Managed)

"It's unfair. There is no point putting money aside for retirement if it's only going to be taken away by the government, it doesn't make sense and that's why people don't invest in super until it's too late." (Female respondent, aged 37, NSW, Public Sector)

"People work 40-50 years ... that means 40-50 years of paying tax ... I don't think superannuation should be affected as people pay tax all their working life" (Female respondent, aged 41, NSW, Retail)

"Should not be taxed as it is a form of saving that reduces the governments future debt. reduces incentive for greater contributions." (Male respondent, aged 43, Qld, Self Managed)

Others Dislike Multiple Tax Layers

- Many respondents argue super contributions are already over-taxed and should not be taxed more than once. A few others feel that reducing contributions tax would further encourage retirement savings.

“Contributions are taxed multiple times ." (Female respondent, aged 51, Tas, Industry)

"I'm taxed twice (or thrice if making own contributions) - once going in, and then taking out." (Male respondent, aged 48, WA, Industry)

“It should be lower to encourage people to fund their own retirement" (Male respondent, aged 62, Qld, Public Sector)

"It should not be double taxed, also super should not be included in total taxable income for determination of HECS/HELP repayments." (Female respondent, aged 29, NSW, Industry)

"Ridiculous, as we are taxed twice. There should be no tax on super." (Female respondent, aged 44, SA, Industry)

"Superannuation benefits everyone. Over taxation is a disincentive to put more into superannuation" (Male respondent, aged 43, ACT, Industry)

“The tax is too high and doesn't offer enough incentive for people to provide for their retirement" (Female respondent, aged 52, SA, Public Sector)

"There should be no tax on super as we are already taxed on our earnings" (Female respondent, aged 60, Vic, Public Sector)

“We pay tax twice on super, now and then again when we retire" (Female respondent, aged 42, Vic, Industry)

Lack Of Understanding Of Super Tax

- Those respondents who don't know whether the taxation is fair or not, say the reason is they don't really know much about current taxation so can't offer an opinion.

"Don't know enough about it currently to comment" (Male respondent, aged 39, Qld, Industry)

"don't know therefore cannot elaborate" (Female respondent, aged 37, SA, Retail)

"I am sadly very confused by super, really don't understand it " (Female respondent, aged 47, WA, Public Sector)

"I don't really know much about tax and super and don't pay too much attention to it, so I don't really know what's fair and what's not. " (Female respondent, aged 28, Qld, Public Sector)

"I'm not fully across the ins and outs of taxation with regards to super as my accountant handles all of that. I don't have enough knowledge to pass a considered opinion." (Female respondent, aged 28, Qld, Industry)

"Unfamiliar with the taxation system for superannuation fund." (Male respondent, aged 38, SA, Retail)

Appendix 1: Sample Demographics

Sample Composition

- The sample is comprised of 41.0% females and 59.0% males. All of the respondents are aged 18-69, but most of them are 31 to 60 years old (77.6%).
- Respondents are mainly from New South Wales (29.1%%) and Victoria (27.8%) and mostly from the capital city of their state/territory (78.6%).
- In terms of annual household income, the majority of respondents are earning $100,000 or less (48.0%).
- The entire sample is composed of respondents currently in the labour force, with 74.0% in full time work and 14.5% in part time work. A further 11.5% are self-employed.
- In terms of educational background, 28.9% have a diploma or certificate qualification, 27.3% have a degree qualification and 22.2% have a postgraduate qualification.

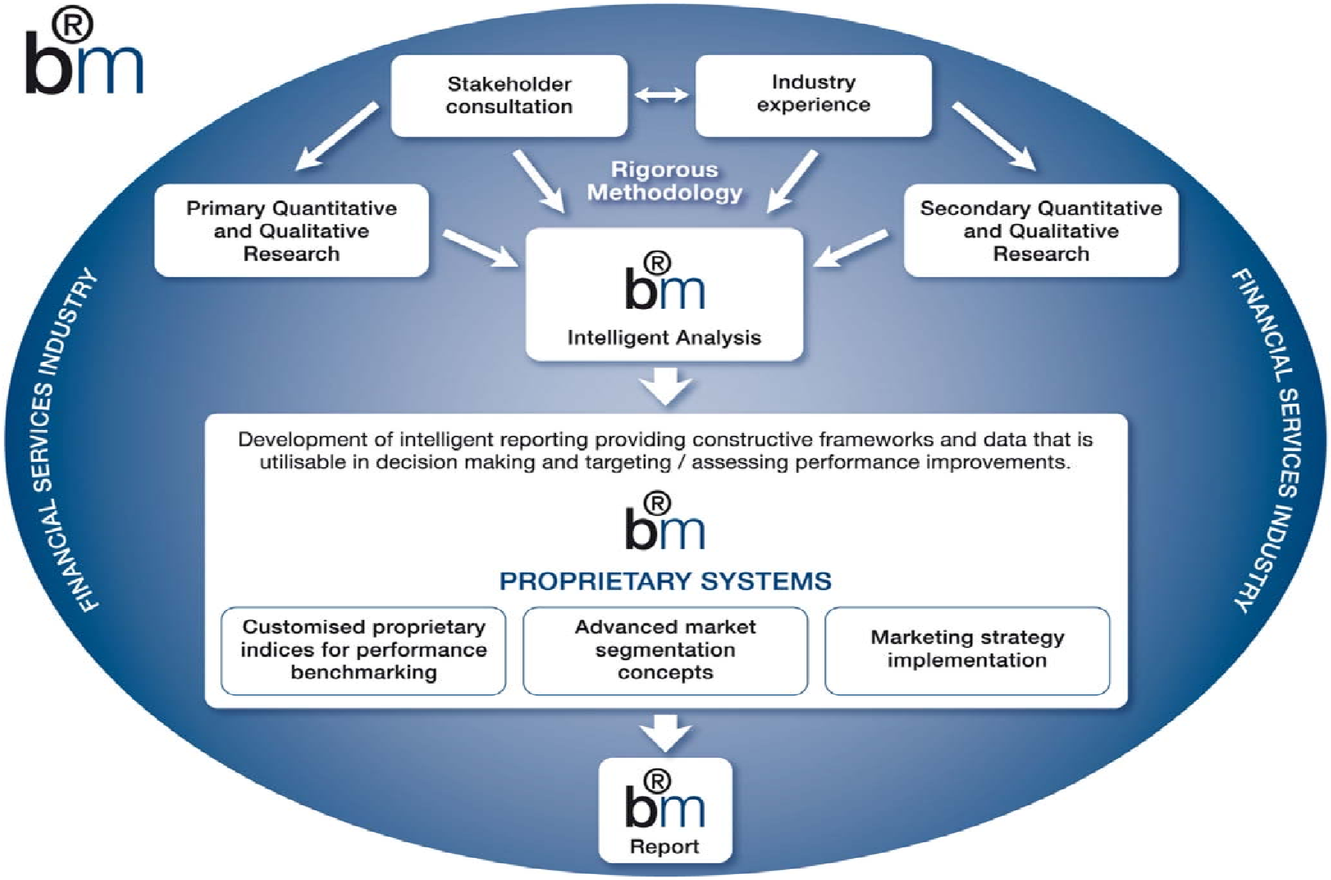
brandmanagement Group

brandmanagement is an Australian-based market intelligence and research consultancy, specialising in the financial services industry.

The group provides market intelligence, and guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The firm prides itself in identifying market trends at the earliest opportunity and formulating research to help clients stay ahead of the pack and better meet day-to-day challenges to their business.

CoreData-brandmanagement



Ends