

Member attitudes to own superannuation fund and investment returns

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

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INTRODUCTION

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

KEY FINDINGS

- Despite the upheaval and uncertainty brought about by the global financial crisis Australians have not panicked and remain largely positive about their superannuation funds.
- This is partly because superannuation is not usually a "barbecue stopper" and generally only a minority of respondents will unprompted raise issues about superannuation. However, poor investment performance was a top of mind issue for around a third of respondents.
- The decline in investment returns would have contributed to the 17% of respondents reporting a decrease in contributions in 2008-09, although other factors, such the reduction in contribution caps and uncertainty about future tax and other arrangements, would have contributed to this outcome.
- For the financial year 2009-10 12 % of respondents indicated that they intended to increase contributions, but there were still 9% intending to contribute less.
- Despite the low and negative investment returns of recent years, most members remain satisfied with their superannuation fund. A total of 79% of respondents indicated that they were satisfied or very satisfied with their fund.
- Members of public sector funds are particularly satisfied, with 90% of members of such funds indicating that they are satisfied or very satisfied with their fund. 82% of members of industry funds indicated that they were satisfied or very satisfied with their fund, while the figure for retail fund members was 65%.
- Respondents who were dissatisfied with their superannuation fund most commonly reported poor investment performance (11% of respondents) or high fees (6% of respondents) as the reasons for their dissatisfaction.
- Responses from those surveyed also provide an indication of what are the most important features of funds from the viewpoint of members. Investment performance, low fees, and security of savings are the factors which are considered most important by fund members.
- Levels of satisfaction with fund fees are at reasonable levels, with 28% of respondents considering fees and charges to be of excellent or good value. However, a significant minority consider that their super fund's fees and charges represent only poor or very poor value.
- The survey results indicate that despite the recent low and negative investment returns many fund members remain satisfied with investment returns from their main superannuation fund. This may indicate that many fund members are aware that the low returns are due to developments in financial markets and are not the fault of superannuation funds themselves
- A significant proportion of fund members expected better investment returns in 2009-10. Outcomes to date (with a positive return of over 10% for the financial year to date for many balanced superannuation fund investment options) suggest that there are objective grounds for optimism on this front but there are still four months of the financial year to go.

CHANGES IN CONTRIBUTIONS TO SUPERANNUATION AND TO INVESTMENT OPTION

Awareness of investment market developments

As a general opening question survey respondents were asked to identify any issues related to superannuation that had caught their attention recently and to specify what they were. Superannuation in most years is not a “barbecue stopper”, and unprompted raising of superannuation issues normally occurs with around 30% to 40% of respondents. In 2009, however, 53% of respondents raised an issue that had caught their attention. Investment losses or poor investment performance were issues mentioned by 35% of respondents. Other issues mentioned were high fees (6% of respondents) and changes to the co-contribution and the reduction in contribution caps (3%).

This level of awareness of superannuation issues is high by historical standards and is linked to the developments in investment markets impacting on the great bulk of those with superannuation.

Changes in the level of contributions in 2008-09

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

Other factors also would have played a role. These include the reduction in contribution caps that came into effect in 2008-09 and also the effect of perceived uncertainty in regard to future superannuation tax, preservation and other provisions.

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

Changes in investment option in 2008-09

Overall 13% of respondents reported changing their investment option as result of the decline in investment returns, with 18% of males reporting changing their investment option and 9% of females. The figure for males is relatively high compared to change in investment option data directly obtained from superannuation funds. Some respondents, perhaps males in particular, may have sought in their response to indicate that they were in control.

Anticipated change to contributions in 2009-10

In the current financial year there is a more positive attitude to making contributions, with 12% of respondents indicating that they will contribute more, but there still are 9% of respondents indicating that they will decrease contributions. In those aged 50 to 65 there are bigger groups of those who are optimistic and those who are pessimistic, with 13% indicating they will contribute more but with a further 13% indicating they will contribute less. However, these are indications of intention rather than necessarily be carried through into action.

ATTITUDES TO OWN MAIN SUPERANNUATION FUND

Satisfaction with fund

Despite the low and negative investment returns of recent years, most members remain satisfied with their superannuation fund. A total of 79% of respondents indicated that they were satisfied or very satisfied with their fund. Levels of satisfaction were a little lower for those aged 50 to 65, most likely reflecting the higher balances of that age group and the impact of negative investment returns.

	Male	Female	Under 40	50 to 65	Total
Very satisfied	12	9	8	12	10
Satisfied	65	74	74	64	69
Dissatisfied	17	16	16	19	17
Very dissatisfied	7	1	3	5	4

In historical terms the level of satisfaction is down from the record levels of 87% and 88% recorded in 2007 and 2006, but up on the level of 76% recorded in the 2004 survey.

Satisfaction by fund type

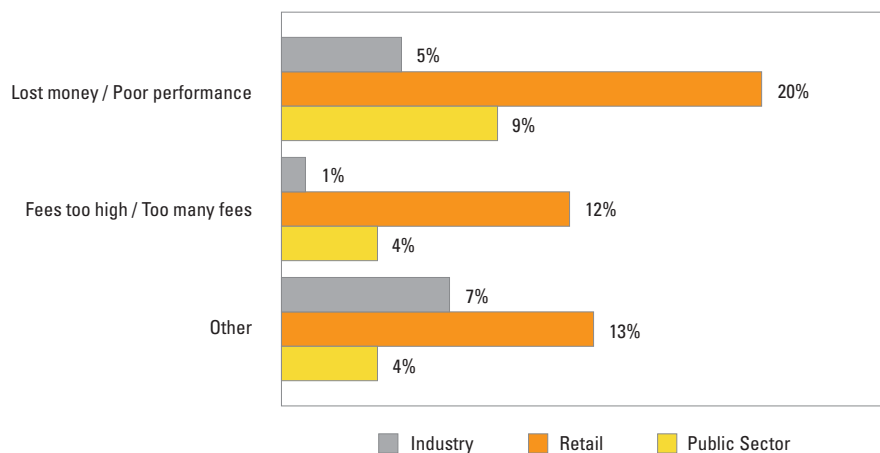
Levels of satisfaction vary with the type of fund a member is in. Members of public sector funds are particularly satisfied, with 90% of members of such funds indicating that they are satisfied or very satisfied with their fund. There still is a substantial proportion of public sector fund members in defined benefit funds or divisions who were not affected to any great extent by the decline in investment returns.

82% of members of industry funds indicated that they were satisfied or very satisfied with their fund, while the figure for retail fund members was 65%. Differences in average account balances may have at least partly driven the difference in levels of satisfaction.

Reasons for dissatisfaction

Respondents who were dissatisfied with their superannuation fund most commonly reported poor investment performance (11% of respondents) or high fees (6% of respondents) as the reasons for their dissatisfaction. Annoyance with fund managers also was registered by a few per cent of respondents.

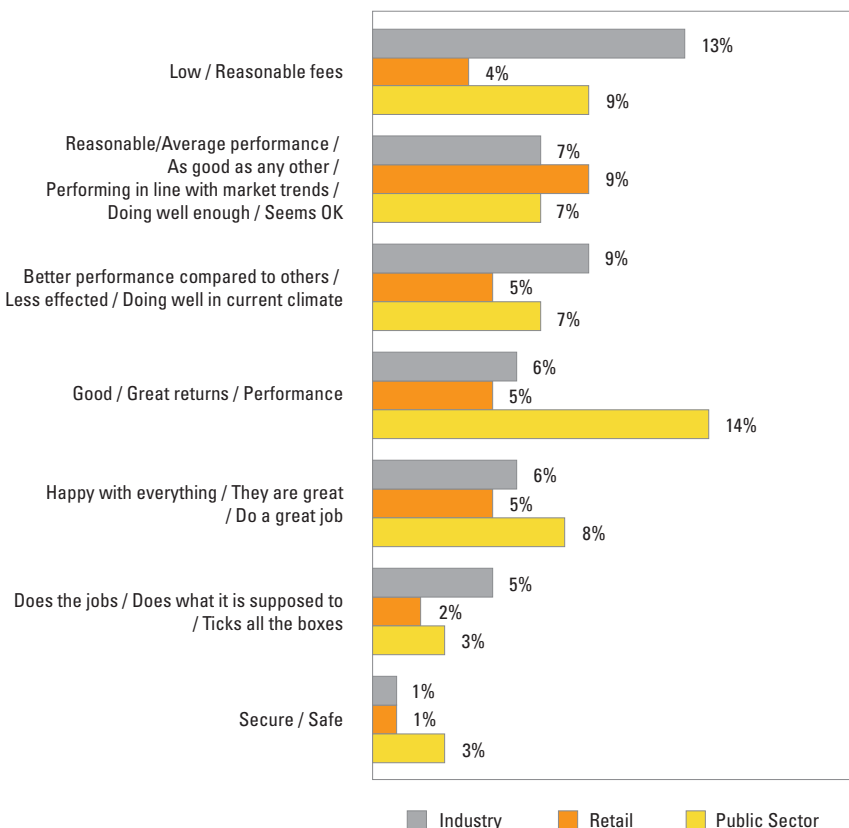
This pattern of reasons for dissatisfaction was reflected across the various fund types. The bars in the chart are larger for the retail superannuation funds given that such funds had higher levels of members who were not satisfied with their fund when the survey was taken. As noted above differences in average balance and whether a fund is defined contribution or defined benefit will have an impact on satisfaction levels, particularly in times when investment returns are low or negative.



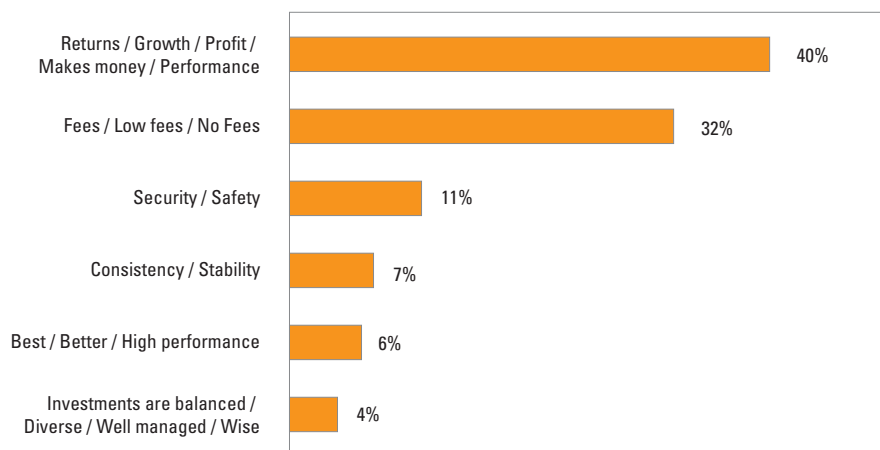
Reasons for satisfaction

While levels of investment return and of fees can be causes of dissatisfaction, relative performance in both of these areas can be a cause of satisfaction for fund members.

For retail funds the reasons for satisfaction are spread across a variety of matters. For industry funds, low or reasonable fees are a significant reason for stated satisfaction. For public sector funds good performance and safety and security of benefits stand out in the reasons for satisfaction. This pattern for the different types of funds could be seen as consistent with their objective characteristics.



Responses from those surveyed also provide an indication of what are the most important features of funds from the viewpoint of members. Investment performance, low fees, and security of savings are the factors which are considered most important by fund members. This would suggest that marketing campaigns which emphasise these features will get the most positive responses.



There is not much difference between members of industry funds and retail funds in terms of what are regarded as important features. However, for public sector fund members good investment performance and security of retirement savings are identified as important by higher proportions of fund members than for other types of fund.

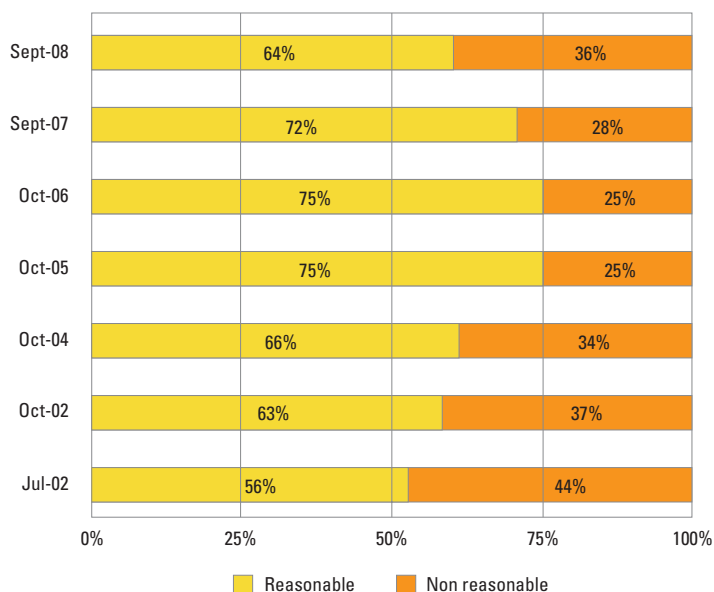
Satisfaction with fund fees

Levels of satisfaction with fund fees are at reasonable levels, with 28% of respondents considering fees and charges to be of excellent or good value. However, a significant minority consider that their super fund's fees and charges represent only poor or very poor value. Those aged 50 to 65 are more likely to consider fees and charges to be of excellent or good value than those aged under 40.

Do you think your (main) super fund's fees and charges represent...?					
	Male	Female	Under 40	50 to 65	Total
Excellent value	8	5	6	9	7
Good value	20	22	18	26	21
Fair value	43	51	51	42	47
Poor value	18	16	19	13	17
Very poor value	10	6	5	10	8

Attitudes to fund fees and charges in 2008-09 were not much different to previous years, although the question asked in previous years was slightly different.

Levels of satisfaction with fees and charges varied across members of different types of funds. Members of public sector funds were most satisfied, followed by industry funds and then retail funds. This is in line with the ranking of the level of fees and charges in each type of fund, although it should be noted that there is a range of fee levels within each of the sectors. Some retail group arrangements offered to employees of large companies have fee levels which are competitive with any other fund operating in the Australian market.



SATISFACTION WITH INVESTMENT RETURNS

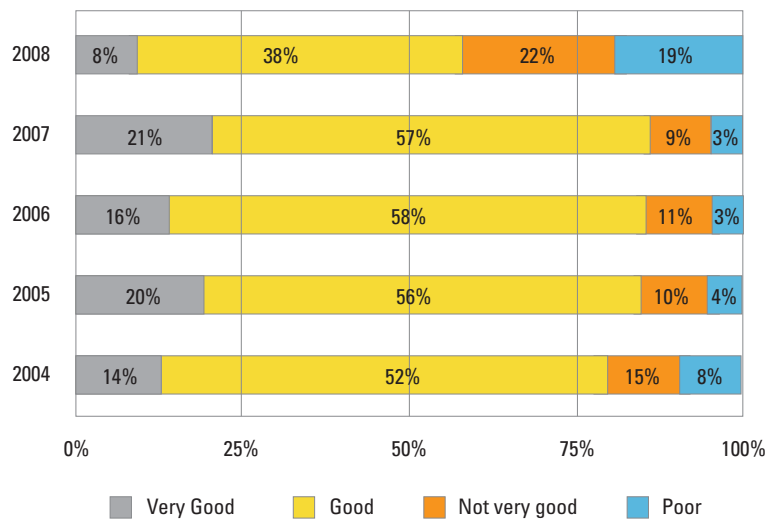
Satisfaction with fund investment returns

The survey results indicate that despite the recent low and negative investment returns many fund members remain satisfied with investment returns from their main superannuation fund. This may indicate that many fund members are aware that the low returns are due to developments in financial markets and are not the fault of superannuation funds themselves.

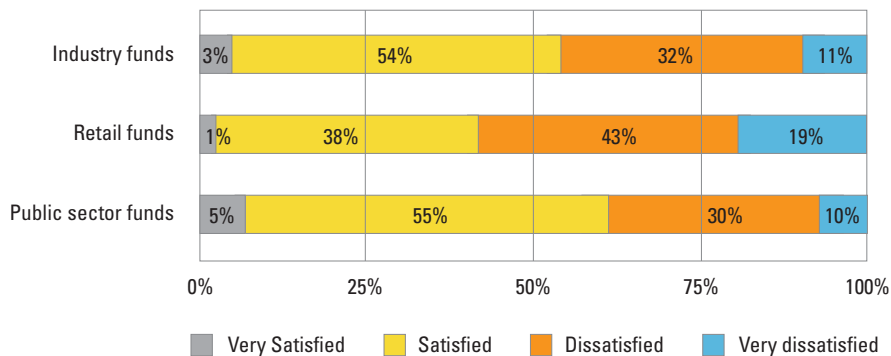
Females and those aged under 40 were the most satisfied with returns, perhaps because these groups tend to have lower superannuation balances and in the case of those aged 40 have more years to catch up on the period of low investment returns.

	Male	Female	Under 40	50 to 65	Total
Very satisfied	3	2	2	3	2
Satisfied	48	52	52	46	50
Dissatisfied	35	35	35	37	35
Very dissatisfied	14	11	11	13	12

Satisfaction with investment returns is up significantly on the polling results from 2008, but still well down on the record satisfaction levels recorded in 2007 which followed a period of double digit returns for many superannuation fund members.



There also are differences between the members of different types of funds in regard to their satisfaction with investment returns. Both differences between average balances and in average investment returns achieved are likely to have played a role in this. Public sector fund members in defined benefit schemes also will have been largely insulated from the low and negative investment returns.

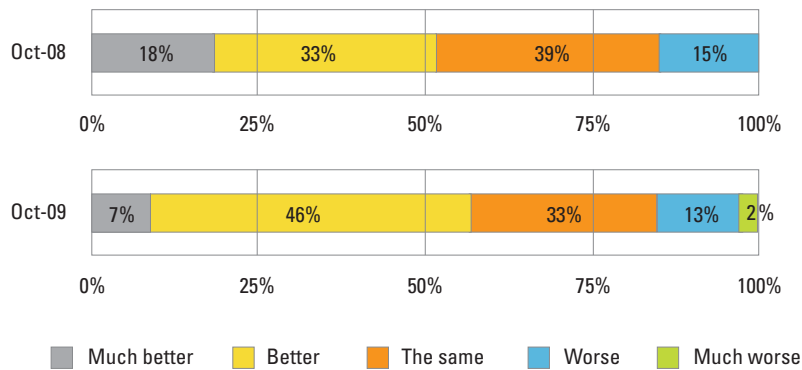


Expectations in regard to investment returns

A significant proportion of fund members expected better investment returns in 2009-10. Outcomes to date (with a positive return of over 10% for the financial year to date for many balanced superannuation fund investment options) suggest that there are objective grounds for optimism on this front but there still four months of the financial year to go.

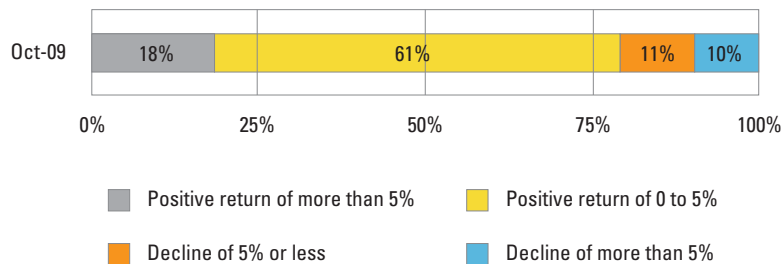
Males and those aged 50 to 65 were more likely to consider that investment returns would be much better or better than in 2008-09.

	Male	Female	Under 40	50 to 65	Total
Much better	11	3	10	5	7
Better	49	42	42	51	46
The same	27	40	33	31	33
Worse	11	14	13	12	13
Much worse	2	1	2	1	2



Expected amount of investment return in 2009-10

While respondents generally expected investment returns to improve in 2009-10 they tended to be relatively modest in their expectations with only a small minority expecting investment returns in excess of 5% during the year. As noted above, investment returns for a balanced investment option are on track to be well in excess of 5% during the year.



Both males and those aged 50 to 65 were more optimistic about expected investment returns than females and those aged under 40.

	Male	Female	Under 40	50 to 65	Total
Decline of 5% or less	11	12	15	8	11
Decline of more than 5%	11	14	10	14	12
Positive return of 0 to 5%	52	63	58	56	57
Positive return more than 5%	27	11	17	23	19