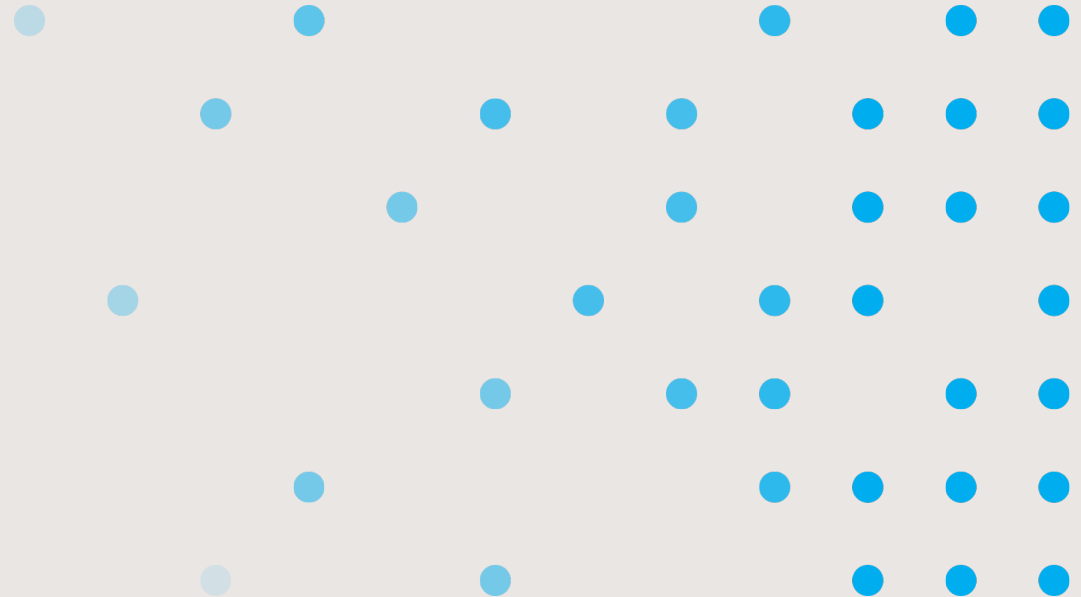
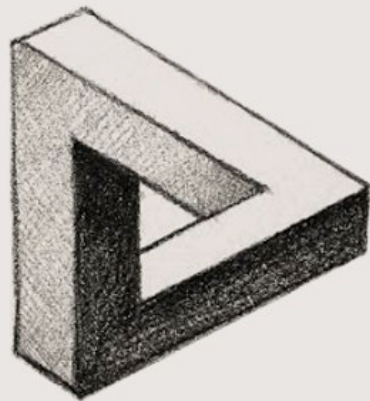


Australian Institute of Superannuation Trustees

UNDERSTANDING THE
DECISION-MAKING
PROCESS OF RETAIL
FUND MEMBERS



Background

Industry funds have spent years creating a 'contest of the sectors'.

In the wake of the Banking Royal Commission, there's an opportunity to reset the conversation.

But in a contested market place, what do bank-owned fund customers really think?

**How
do they
make their
choices?**

**Who
do they
trust?**

**Are
disclosure
provisions
effective?**

Project Methodology

Qualitative

- Four face to face focus groups of retail fund members
- One online group of retail fund members from regional areas

Quantitative

- Survey of 529 people who identified themselves as members of retail funds

So what did we find?

The confident (though often misinformed) retail super consumer.

Retail fund members are typically confident in their super and savings decisions

Q How confident do you generally feel in making decisions on financial matters, such as deciding which super fund is likely to be best for you?

	%
Very confident	18%
Fairly confident	51%
TOTAL CONFIDENT	69%
Not that confident	19%
Not confident at all	6%
TOTAL NOT CONFIDENT	25%
Unsure	5%



... they say they are engaged in their funds

Q How much attention do you pay to your [Main Fund] super fund?

	%
A lot	18%
A fair amount	43%
TOTAL HIGH ATTENTION	61%
Not that much	24%
Hardly any	12%
TOTAL LOW ATTENTION	36%



... and they say they have thought through their decision and made an informed choice

Q [Those who have been in fund less than 10 years] Did you receive help or advice from any of the following when choosing [Main Fund]?

	%
I didn't get any help or advice	30%
Your employer	23%
A financial planner	21%
A friend or colleague	14%
An accountant	9%
A bank	8%
Spouse, partner or other family member	6%



But half of respondents ‘chose’ the employer default fund

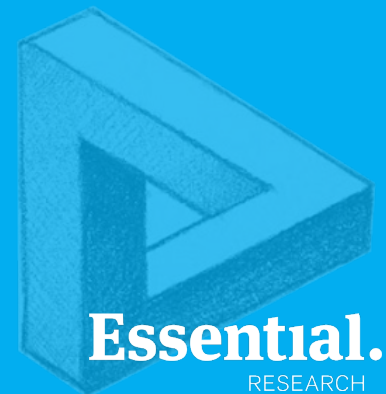
Q Employers must nominate a fund that they will pay an employee’s super into if they can’t or don’t choose their own fund. This is known as a default fund. Was [Main Fund] the default fund for your employer at the time you opened the fund?

	Men (n=261)	Women (n=268)	Under 35s (n=165)	35-54s (n=189)	55+ (n=175)
Yes	50%	44%	61%	48%	32%
No	44%	42%	28%	42%	58%
Unsure	7%	14%	10%	10%	10%



.. and once the choice of fund is made it tends to be ‘set and forget’

“I don’t really look at it ever because I don’t think there’s much there.”



The plot thickens...

... because despite their stated confidence there are significant knowledge gaps

Q Two of the major types of funds in Australia are industry funds and retail funds. As far as you know, is [Main Fund] an industry fund or a retail fund?

	%
Industry Fund	19%
Retail Fund	46%
Neither	8%
Unsure	27%



And the more confident they are, the more wrong they are likely to be

Q Two of the major types of funds in Australia are industry funds and retail funds. As far as you know, is [Main Fund] an industry fund or a retail fund?

	Under 35s (n=165)	35-54s (n=189)	55+ (n=175)	Very confident in financial decisions (n=97)	Pay a lot of attention to their super (n=94)
Industry Fund	27%	19%	12%	36%	32%
Retail Fund	35%	45%	57%	39%	46%
Neither	8%	9%	7%	10%	9%
Unsure	30%	27%	24%	14%	14%



Even when they can name their retail fund!

Q Two of the major types of funds in Australia are industry funds and retail funds. As far as you know, is [Main Fund] an industry fund or a retail fund?

	AMP (n=137)	ANZ (n=106)	BT Super (n=56)	Colonial First State (n=64)	MLC (n=61)
Industry Fund	21%	29%	20%	11%	8%
Retail Fund	45%	40%	41%	69%	51%
Neither	12%	7%	4%	5%	3%
Unsure	22%	25%	36%	16%	38%

Retail fund members struggle to understand the key differences between the industry and retail models

Q Please indicate whether you think the following statements are true or false:

	Definitely true	Probably true	Probably not true	Definitely not true
Industry funds share all their profits with their members	15%	53%	28%	4%
Retail funds need to pay some of their profits to their shareholders	25%	56%	16%	2%
You have to work in a specific industry to save with an industry fund	10%	43%	35%	12%
In recent years, the ten best performing funds (in terms of net returns after fees) have all been industry funds and other not-for-profit funds	13%	63%	21%	4%



... and they believe their retail fund performs the same or better than industry average

Q [Those who had some confidence they knew their fund's return] In the 2017-2018 financial year, the average Australian super fund returned 9.4%. How do you think [Main Fund] compared with that?

	%
Your fund's returns were better	22%
Your fund's returns were about the same	65%
Your fund's returns were worse	13%

Because all super funds are basically the same...

Q How strongly do you agree or disagree with the following statements:

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree	Unsure
Some funds consistently have better returns than others	13%	40%	27%	8%	3%	9%
Most big super funds charge about the same fees as each other	8%	31%	28%	16%	5%	12%
Because previous returns are not a reliable indicator of future returns, there's no point looking at previous returns	8%	26%	29%	20%	8%	9%
I don't pay much attention to how big the return is, as long as my balance keeps increasing	10%	33%	25%	18%	8%	5%
There is little difference in the returns of most funds	6%	24%	31%	21%	8%	9%



A brief recap

Retail fund members say they are confident and engaged.

But the more confident and engaged the less likely they are to understand the choices.

In fact, what passes as choice is more likely a referral from a financial adviser or employer.

And as long as fund goes up, things seem to be OK.



We are living in a post-truth world where reality is what you want to believe.



Nearly one third of retail fund members say they have considered shifting

Q Those who have been in fund more than 1 year] Have you considered changing from [Main Fund] in the last year?

	Men (n=240)	Women (n=233)	Under 35s (n=136)	35-54s (n=174)	55+ (n=163)	Total
Yes	33%	26%	40%	36%	15%	30%
No	61%	66%	52%	58%	79%	63%
Unsure	6%	8%	8%	6%	6%	7%



... and there is a strong appetite for tool that allow people to make their own decisions

Q How strongly would you support or oppose the following?

	Strongly support	Somewhat support	Neither support nor oppose	Somewhat oppose	Strongly oppose	Unsure
All super funds being required to produce standardised fact sheets, so members can easily compare one fund with another	44%	29%	15%	5%	1%	6%
A government agency (e.g. the ATO) setting up a comparison website, to help people compare super funds against each other	43%	28%	17%	4%	2%	6%
A government agency releasing an official annual list of the ten best performing funds	37%	33%	20%	3%	1%	6%



Armed with more information, the Confident Consumer is more likely to switch to a better performing fund provided:

- Decision reached through own inquiry
- Presented in an accessible and emotionally intelligent way

These tools could include:

- Independent, simple online fund comparison tools
- Government-sanctioned fund ratings
- Easy to use 'choice dashboards

Final thoughts

Three truths of communications:

The gap between what people say and what people do is a chasm.

People will never accept they are wrong.

The sign of true power is to convince someone else that your idea is their idea.

Basing disclosure on these truths could transform the way we communicate about super.



Questions?

