

AFA Corporate Super Research

A study of
professional
financial advice
within corporate super

April 2011

Prepared by CoreData



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1. Executive Summary

Executive Summary



Background and Methodology

- This report presents the findings from Australian corporate super member and employer research conducted by CoreData in March 2011.
- For this study CoreData has leveraged the Corporate Super Specialist Alliance (CSSA) database to recruit participant respondents.
- The purpose of the research is to understand the value of corporate superannuation advice from the perspective of both corporate super fund members and employers.

Executive Summary



Adviser Usage & Value

- The large majority of respondents who are super fund members use their corporate super fund as their main super fund (86.9%) and one in four (28.9%) nominate the financial adviser provided by the corporate fund as their primary source of financial advice.
- Almost all employer respondents (96.8%) say their fund utilises the services of a financial adviser(s) to provide services to their corporate super fund.
- More than half of corporate super fund members (52.4%) have used the services of an adviser associated with their corporate super fund. Of those who have not, almost three in four (73.9%) expressed at least some interest in utilising these services.
- The large majority of those who use the services offered through their corporate super fund find them valuable to some extent (89.2%), including over one third (35.4%) who perceive the services to be 'very valuable' and a further 9.0% who find them 'extremely valuable'.
- Overall 98.9% of employers perceive the advice services offered to their fund as valuable to them as an employer, including more than half that find the services 'very valuable' (53.3%) and one quarter (27.8%) who find the services 'extremely valuable'.
- Some 71.1% of employers say the advice services offered are either 'very' or 'extremely' valuable for members.

Executive Summary



Adviser Usage & Value (cont.)

- Employers perceive the services and benefits offered via their corporate super fund to be of greater value to members than the members do. Four out of five employers (81.1%) find the services to be 'very' or 'extremely' valuable compared to just 44.4% of members.
- Members highlight tailored information and one-on-one sessions as the greatest value received from their corporate super fund adviser along with the ability to contact their adviser for information and advice and the access to unbiased guidance.
- Employers from small businesses are the most likely to claim the services are 'extremely valuable' for members (33.3%). They are also slightly more likely to describe their corporate super fund adviser relationship as 'extremely valuable' (39.4%) than large and medium sized businesses.
- Only 3.3% of employers say the relationship they have with their corporate super fund adviser is not really valuable and none say it is not valuable at all.
- Employers cite the convenience for members in accessing independent, personalised professional advice, education and information as being the greatest value to members of corporate super advice services.

Executive Summary



Propensity To Use & Pay

- More than two fifths of those who have used the services of a corporate super adviser say they would not be likely to use an adviser if the service wasn't provided through their super fund (44.1%). This suggests that a large proportion of members would be left without access to professional advice if the service was taken away.
- Furthermore, the majority of members who have used a corporate super adviser would not be likely to pay upfront fees for financial advice if it was not part of their corporate super fund offer (56.0%).
- Employer perceptions are in line with members' attitudes towards seeking advice outside their corporate super fund.
- The overriding perception of employers is that members would not be likely to use an adviser if the service was not provided through the corporate super fund (63.3%). A further quarter (27.8%) say members would be only 'somewhat likely' to do so.
- An overwhelming majority of employers do not think members would be willing to pay upfront fees for financial advice if it was not part of the corporate super fund offer (85.5%), with only one in ten employers (10.0%) saying members would be likely to do so.

Executive Summary



Legislation Perceptions

- A massive 71.1% of members do not understand the intention of the MySuper legislation. Once prompted, just under half (45.7%) do not support the MySuper initiative and a further third (32.5%) are unsure of where they stand.
- Only 8.6% of employers say they understand MySuper very well and almost half (48.4%) do not really understand the proposal or do not understand it at all.
- Once prompted, three quarters of employers (75.3%) claim not to support the initiative with only one in ten (10.8%) expressing support.
- Employers are much more likely to be opposed (once prompted) to the MySuper legislation than members (45.7%).
- Three in five members (61.4%) who have utilised the services of a corporate super adviser claim that the possibility that they will lose these services under Opt-in is of great concern to them with only 17.3% indicating this is of no concern to them.
- Employers express even greater concern about the potential consequences of Opt-in than members with some 78.5% indicating the legislation is of great concern.
- Employers say the removal of corporate super services under Opt-in could reduce benefits for employees and put members at risk of making poor decisions around their super and finances. They say members gain value from the services provided and benefit from having the cost embedded in the super plan.

2. Background and Methodology

Background



The primary focus of the study is to understand the value that corporate super members and employers derive from financial advice. More specifically:

- Extent to which corporate super fund members use and value advice services
- Level of member awareness of the corporate super advice services available
- Frequency of member contact with corporate super advisers
- Latent demand for corporate super advice
- Propensity of members to use and pay for advice if not provided through super fund
- Extent to which corporate super fund employers value advice services provided to members
- Extent to which employers value the relationship with their corporate super adviser
- Level of employer awareness of the corporate super advice services available
- Employer perceptions of members' propensity to use and pay for advice if not provided through super fund
- Employer perceptions of the value of advice provided to corporate super fund members
- What impact the proposed opt-in legislation could have on corporate super advisers
- Member & employer perceptions of the proposed MySuper and Opt-in legislation

Methodology

- The research was carried out between 7th and 25th March 2011.
- An online quantitative survey of around 30 questions, was developed and hosted by CoreData, after liaison with AFA.
- Using a randomly selected consumer sample from CSSA's membership of approximately 1,100 corporate super funds and 115,000 employee members, data was collected from a representative grouping of the population of those who use their corporate super fund as their *main* super fund. A sample of 93 employer respondents and 614 member respondents was recruited for this project.
- See Appendix 1 for further details of sample characteristics.

3. Corporate Super Members

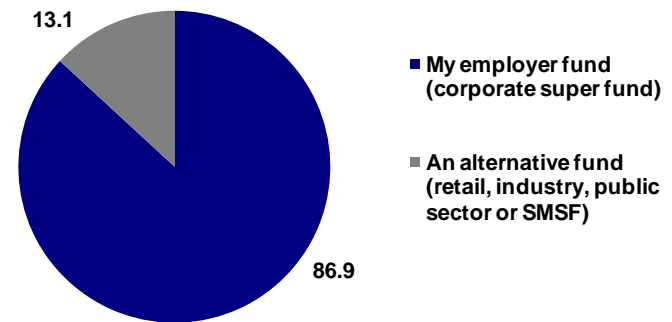
3.1 Adviser Usage & Value

Corporate Super Main Fund For Most



- The large majority of respondents who are super fund members use their employer fund (corporate super fund) as their main super fund (86.9%).

What type of provider do you use for your MAIN super fund?



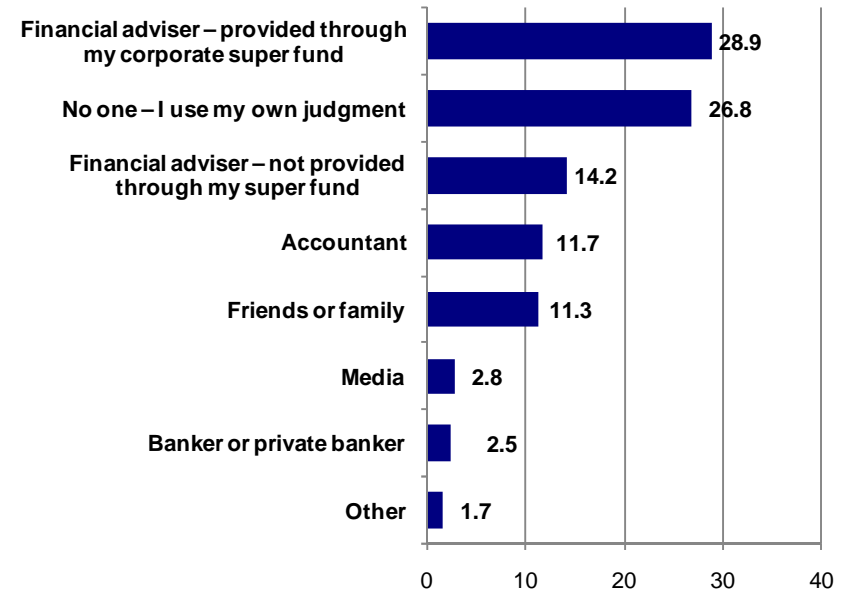
n = 609, respondents who are members of superfund

One Quarter Rely Solely On CS Adviser



- When asked about their primary source of financial advice, just over one quarter of corporate super fund members (28.9%) nominate the financial adviser provided by their corporate super fund.
- However, a similar proportion (26.8%) use their own judgment and 14.2% say their primary advice source is an adviser outside of their corporate super fund.
- An equal proportion rely on an accountant (11.7%) or family and friends (11.3%).

Please nominate your primary source of financial advice



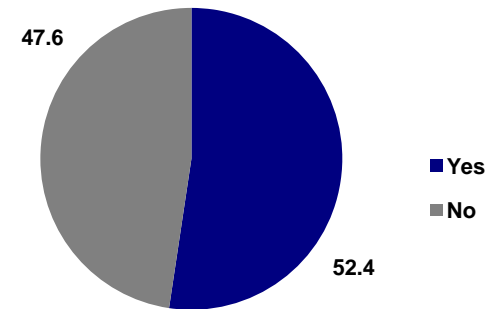
n = 529, respondents who use their employer fund (corporate super fund)

Half Have Used CS Advice Services



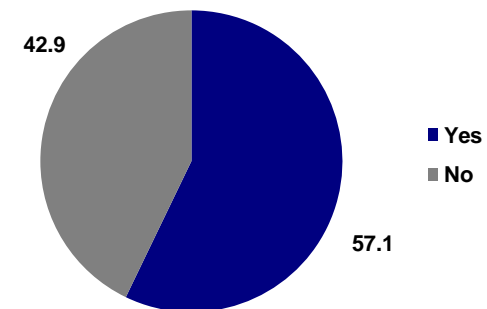
- More than half of corporate super fund members (52.4%) have used the services of an adviser associated with their corporate super fund.
- Of those who have not used the services of a CS adviser, more than half (57.1%) are aware of the availability of financial services through their fund. Older members are significantly more likely than younger members to be aware of these services ($p < 0.05$).

Have you ever used the services of a financial adviser associated with your corporate super fund?



n = 529, respondents who use their employer fund (corporate super fund)

Are you aware of the availability of financial services through your corporate super fund?



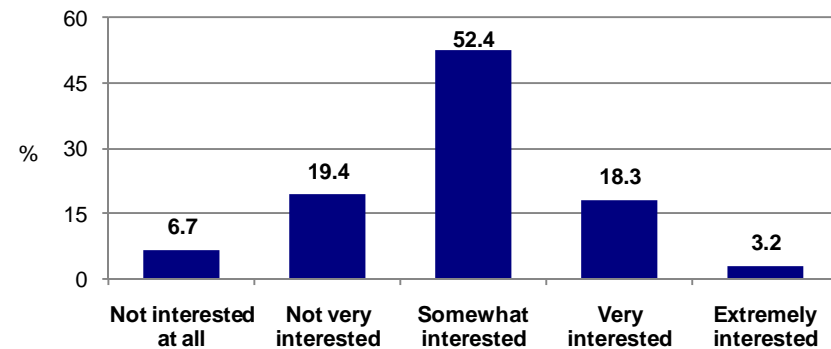
n = 252, respondents who use their employer fund (corporate super fund) and have not used the services of a financial adviser associated with their corporate super fund

Strong Latent Demand For CS Services



- When asked about their interest in using financial services through their corporate super fund, almost three quarters of those who have not yet utilised these services express at least some interest in doing so (73.9%).
- Just over half (52.4%) are 'somewhat interested' while a further fifth (18.3%) are 'very interested' and 3.2% are 'extremely interested'.
- A further one quarter (26.1%) are not interested.

How interested would you be to use financial services through your corporate super fund?



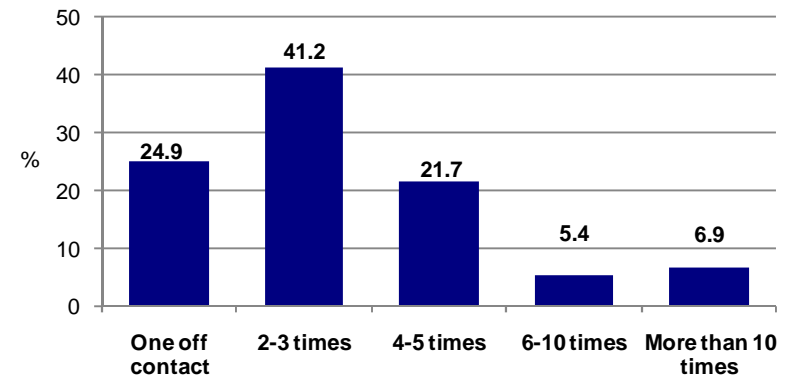
n = 252, respondents who use their employer fund (corporate super fund) and have not used the services of a financial adviser associated with their corporate super fund

Majority Find CS Services Valuable...



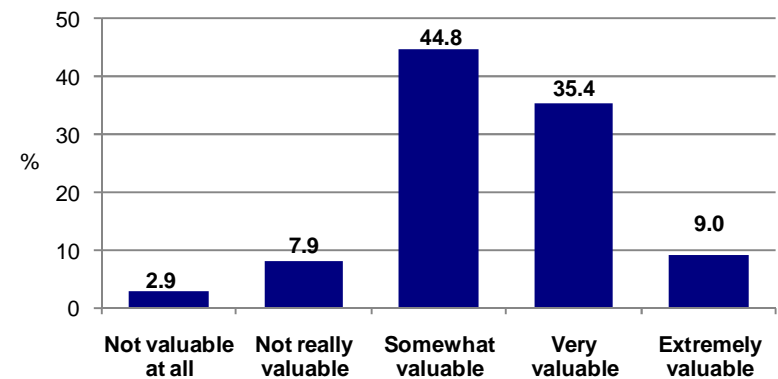
- The majority of members who have used a CS adviser say they have had contact with that adviser up to three times in the last five years (66.1%).
- Two fifths (41.2%) have had contact 2-3 times while a further quarter (24.9%) have had only one off contact.
- One fifth (21.7%) have had contact almost annually (4-5 times) in the last five years.
- An overwhelming majority of members who have used the CS services and benefits offered through their fund say they find them valuable to some extent (89.2%). Just over two fifths (44.8%) find these services 'somewhat valuable', over one third (35.4%) perceive them to be 'very valuable' and 9.0% say they are 'extremely valuable'.

How frequently have you had contact with this adviser through your corporate super fund in the past five years?



n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

How valuable in general do you find the services and benefits offered to you through your corporate super fund?



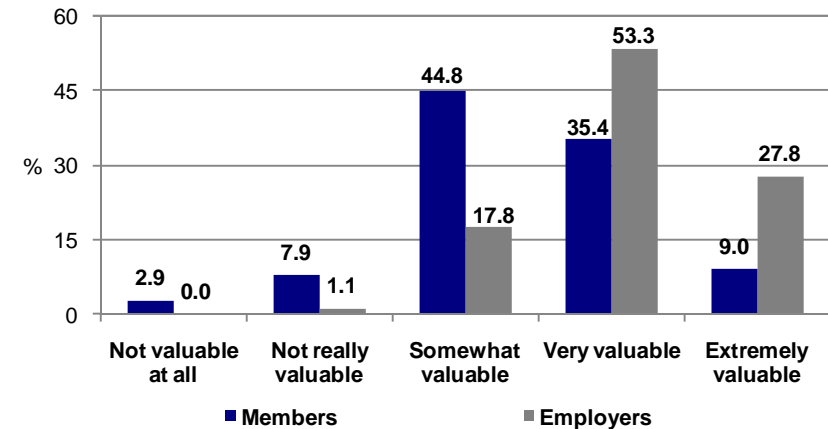
n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

... But Not As Valuable As Employers Do



- The perceived value gained from the services and benefits offered through corporate super funds is higher among employers (perceived value of the services offered to them as employers or policy committee members) than members.
- Four out of five of employers (81.1%) find the services to be 'very' or 'extremely' valuable, compared to just 44.4% of members.
- Members are much more likely to perceive only some value from the services offered to them (44.8% vs. 17.8%).

How valuable in general do you find the services and benefits offered to you through your corporate super fund?

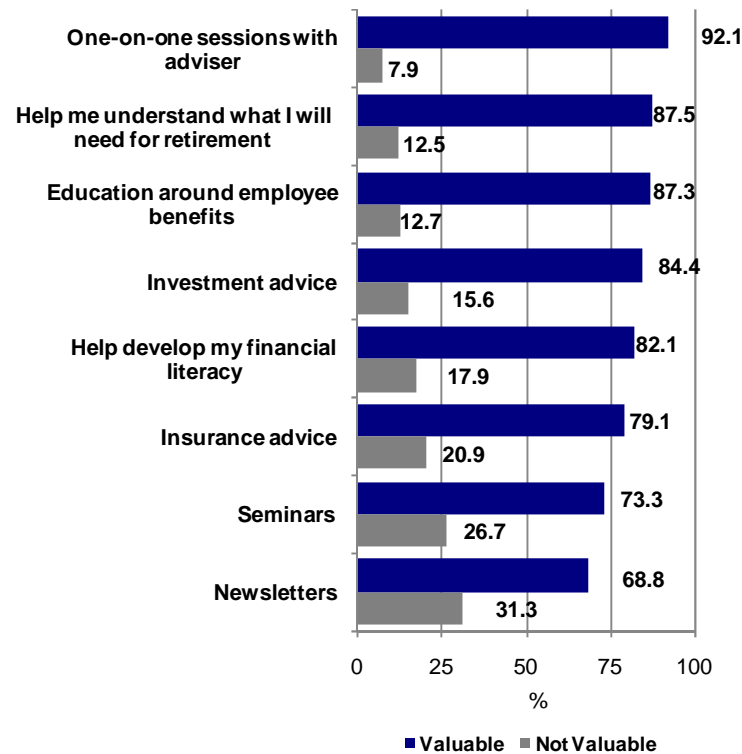


n = 277, member respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund.

n = 90, employer respondents who have funds which utilise the services of financial adviser(s) to support employees and provide services to the corporate super fund

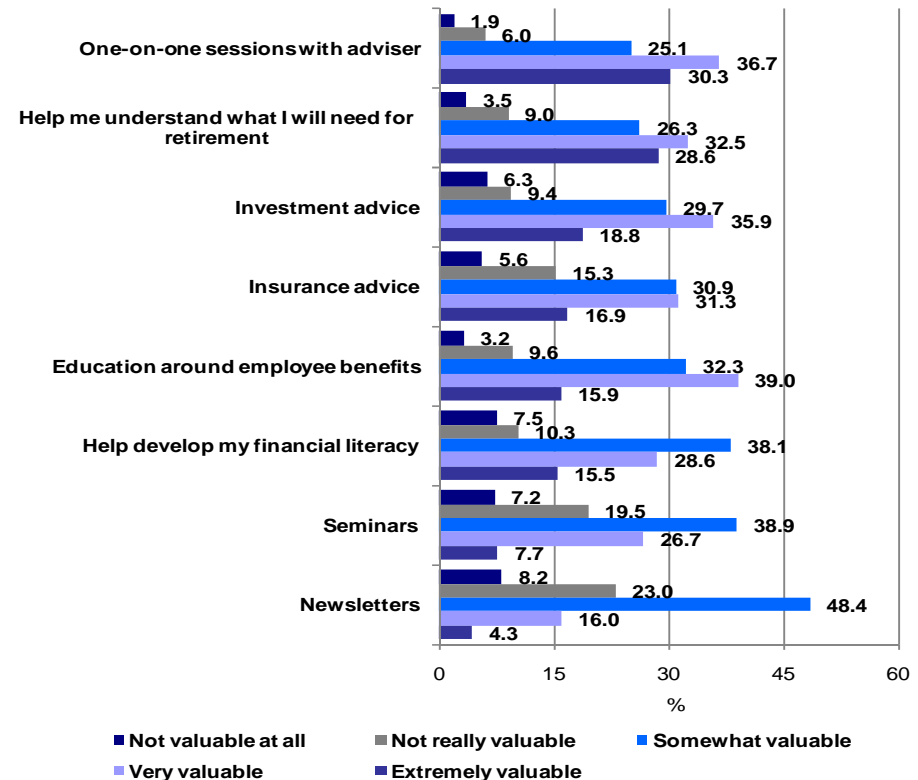
One-on-ones Most Valued Member Service

What value do you get from the following services?



n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their

What value do you get from the following services?



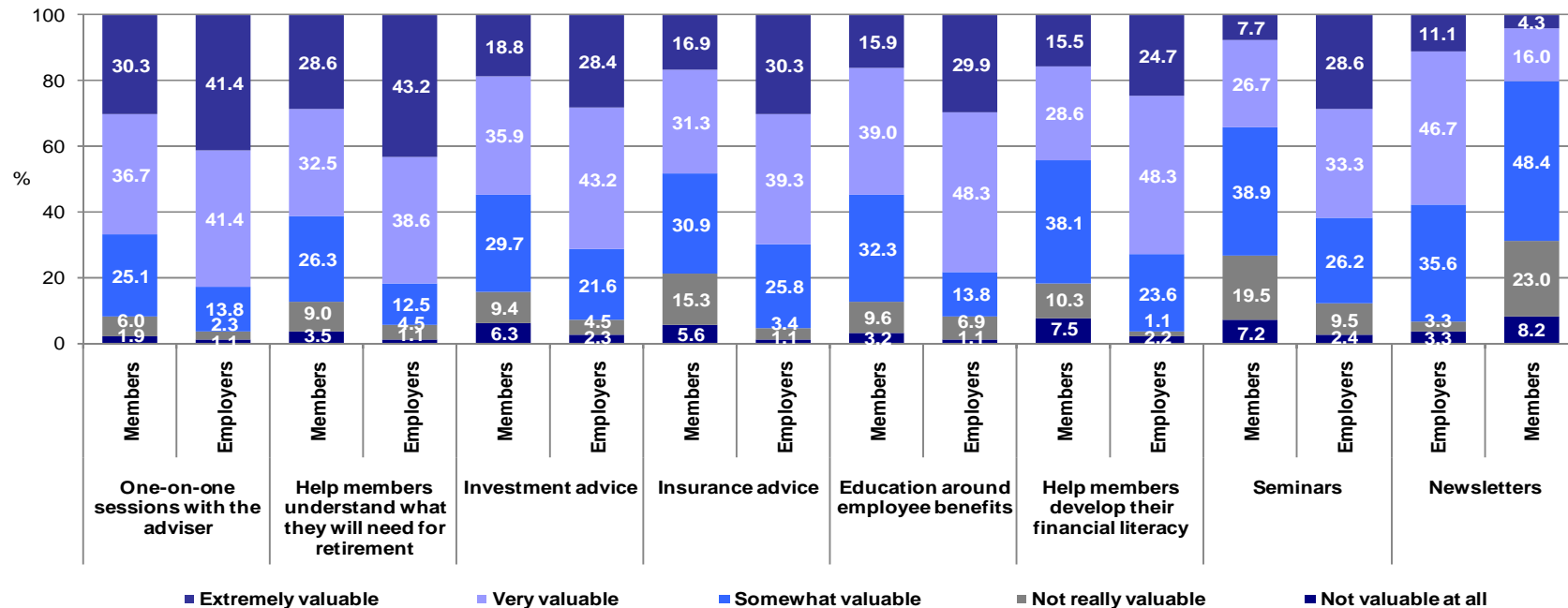
n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

- One-on-one sessions with the adviser are the most valued member service, followed by helping members to understand what they need for retirement and education around employee benefits.

Newsletters Least Valued Advice Service



What value do you get from the following services?
(Members and Employers)



n =277, member respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund.
n =90, employer respondents who have funds which utilise the services of financial adviser(s) to support employees and provide services to the corporate super fund

- Across the board, employers perceive the value members get from the services provided through their corporate super fund to be greater than the value perceived by members themselves.
- Members perceive much less value from newsletters, seminars and insurance advice than employers. Newsletters are the service least valued by members.

Other Services Valued: Updates



- When asked about the other services that they value, those who have used the services of a financial adviser associated with their corporate super fund mention the assistance and the information they receive from their advisers.

*“They keep me informed of changes and of anything that's not properly set with my super.”
(Male, 28 years old, WA)*

“Attention to detail upon every request. Lots of care and time taken to ensure I fully understand super and its benefits.” (Female, 28 years old, NSW)

“Assisting in rolling over other super funds.” (Male, 44 years old, WA)

- They also value the bulletins advising them of legislative changes and account details, as well as regular reviews of their personal financial situation.

“Annual updated statements regarding investment details.” (Male respondent, 38 years old, WA)

“Regular review keeps you records up to date (e.g. beneficiaries).” (Male respondent, 45 years old, WA)

“Regular bulletins and updates on legislation. Reviews on performance of underlying funds and recommendations to change. Regular offers of 1-1 sessions. Personal advice.” (Male respondent, 46 years old, WA)

Greatest Value & Benefits: One-on-one



- Corporate super fund members highlight tailored information and one-on-one sessions as the greatest value received from their CS adviser.

“The fact that you are treated individually and that one size does not fit all. Being able to discuss personal requirements.” (Male, 33 years old, NSW)

“One-on-one discussions regarding my personal investments and insurances.” (Male respondent, 43 years old, WA)

“Advice and support relative to you when you need it.” (Male respondent, 27 years old, WA)

- They also value the ability to contact their adviser for information and advice and the access to unbiased or independent guidance.

“Ability to contact as and when needed. Provided as part of my super funds services.” (Male, 50 years old, Qld)

“Easy to get the information we need if necessary in some cases like abode when purchasing our home and needed to find out all the details of my cover.” (Female respondent, 42 years old, NSW)

“Ability to have unbiased information and allows flexibility.” (Female, 49 years old, SA)

“Independent advice to look after the fund’s best interests. Personal service.” (Male respondent, 46 years old, WA)

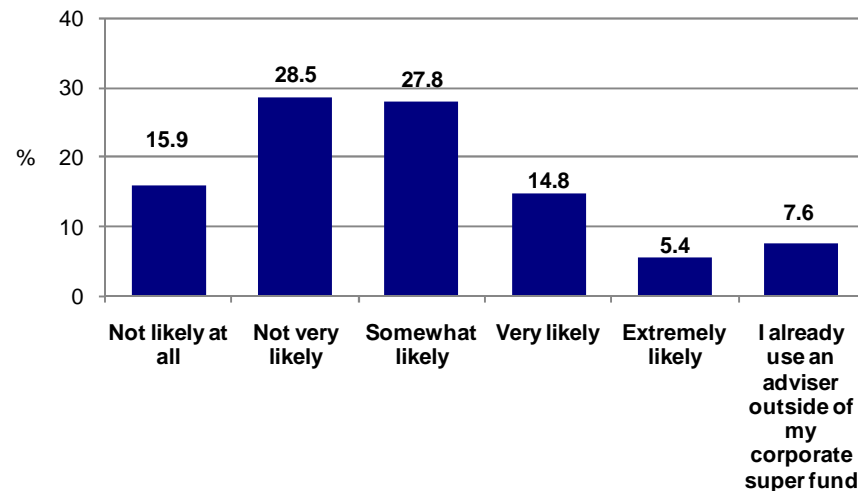
3.2 Propensity To Use & Pay

Two In Five Not Likely To Use An Adviser Outside Of Their CS Fund



- More than two fifths of those who have used the services of a CS adviser say they would not be likely to use an adviser if the service wasn't provided through their super fund (44.1%).
- This suggests that a considerable proportion of corporate super fund members would not have access to professional advice to guide their decision-making if insufficient numbers were to opt-in as part of the proposed Opt-in legislation.
- One fifth express a high likeliness of using an adviser outside their corporate super fund (20.2%) while a further quarter (27.8%) are somewhat likely to do so. Less than one in ten (7.6%) already use an adviser outside of their corporate super fund.

How likely would you be to use an adviser if the service was not provided through your corporate super fund?



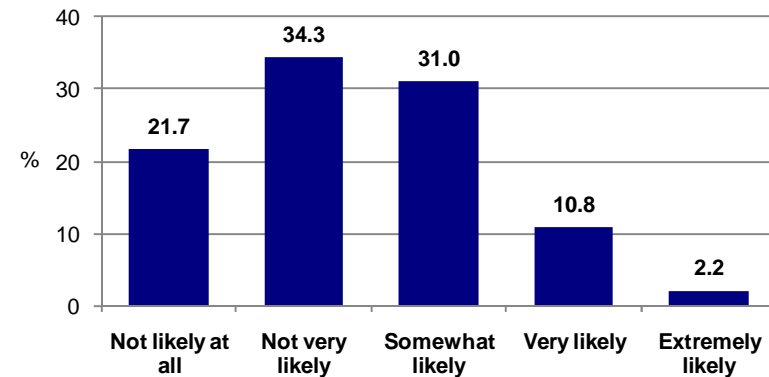
n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

Majority Wouldn't Pay Fees For Advice



- The majority of members who have used a CS adviser would not be likely to pay upfront fees for financial advice if it was not part of their corporate super fund offer (56.0%). Around one third (34.3%) are not very likely to do so, while a further fifth (21.7%) are not likely at all.
- Again, this suggests that more than half of corporate super members would not otherwise seek professional advice in an Opt-in and fee-for-service environment if the service was not available through their fund.
- On the flip side, just under one third (31.0%) are somewhat likely to pay upfront fees for external advice, however only 2.2% expressed strong conviction (extremely likely).

Would you be willing to pay upfront fees for financial advice if it was not part of your corporate super fund offer?



n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

3.3 Legislation Perceptions

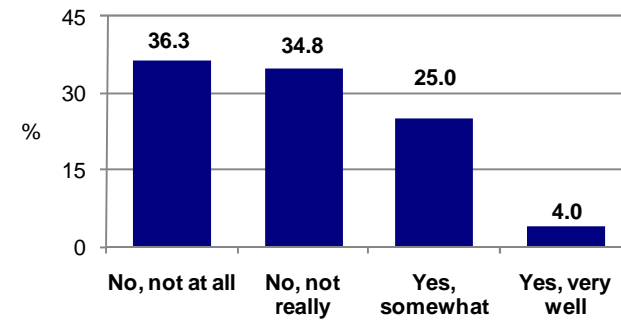
Low MySuper Understanding & Support



- Only 29.0% of corporate super fund members understand the intention of MySuper, while just 4.0% say they understand this 'very well'.
- A massive 71.1% do not understand MySuper's intention.

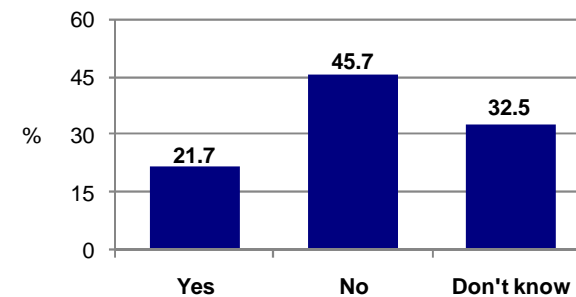
- Once prompted, just under half of corporate super fund members (45.7%) do not support the MySuper initiative and a further third (32.5%) are unsure of where they stand. Only one fifth of members (21.7%) claim to support the proposed legislation.

The Government is proposing a “one size fits all” low cost superannuation fund which they have called MySuper. Do you understand the meaning of this proposal?



n = 529, respondents who use their employer fund (corporate super fund)

MySuper will not provide any investment choice, it will only provide a standard, basic, insurance cover, and will not allow for the provision of any advice except from the fund's own trustee (intrafund advice). The intention is to legislate that MySuper must be the default fund for all employees who do not choose to be in another fund. Do you support this initiative?



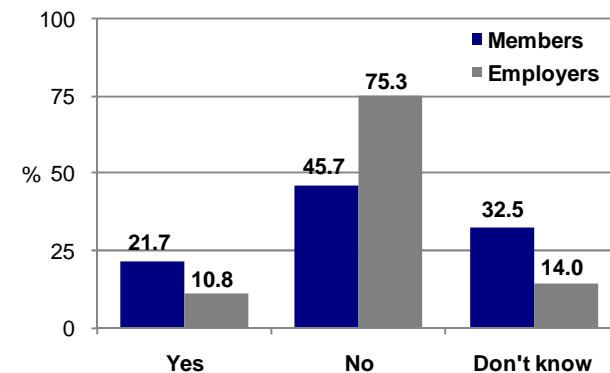
n = 529, respondents who uses My employer fund (corporate super fund)

Members More Unsure Of Their Support



- Employers are much more likely to be opposed to the MySuper legislation than members (75.3% vs. 45.7%), while members are more than twice as likely to be undecided (32.5% vs. 14.0%).
- The results suggest a much greater level of ignorance of MySuper among corporate super fund members than employers.

MySuper will not provide any investment choice, it will only provide a standard, basic, insurance cover, and will not allow for the provision of any advice except from the fund's own trustee (intrafund advice). The intention is to legislate that MySuper must be the default fund for all employees who do not choose to be in another fund. Do you support this initiative?

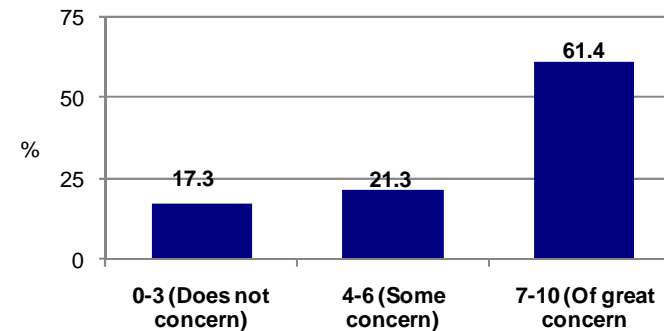


Potential Loss Of Services A Concern To Members Who Utilise CS Advice



- Three in five of those members who have utilised the services of a CS adviser claim that the possibility that advice services will be withdrawn as a consequence of the Opt-in legislation is of great concern to them (61.4%) – based on those who gave a rating between 7-10.
- A further one fifth express some concern (21.3%) while less than one fifth (17.3%) say this possibility does not concern them at all.

The Government is proposing legislation to necessitate employees to opt-in each year to receive services from their corporate super adviser and to agree to a fee. If insufficient employees opt-in each year this could force the withdrawal of these services. Would this be a concern to you?



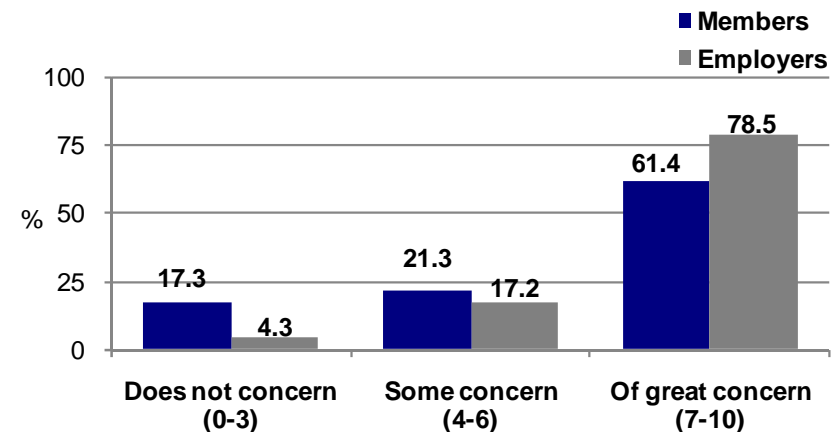
n = 277, respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

More Employers Concerned About Potential Opt-in Consequences



- A larger proportion of employers are greatly concerned about potential consequences of the Opt-in legislation than members (78.5% vs. 61.4%).
- Four times as many members are not concerned at all about the possibility of losing advice services under Opt-in (17.3% vs. 4.3%) than employers, however the overall proportion is still low.

The Government is proposing legislation to necessitate employees to opt-in each year to receive services from their corporate super adviser and to agree to a fee. If insufficient employees opt-in each year this could force the withdrawal of these services. Would this be a concern to you?



n = 277, member respondents who use their employer fund (corporate super fund) and have used the services of a financial adviser associated with their corporate super fund

n=93, employer respondents

The Unconcerned Have External Advisers



- Those who expressed low concern for the change (0-3 rating) generally say they already have an external adviser or would contact one, while others have a low perception of the advice they have received through their fund.

“Government is trying to make money on financial adviser by saying we need to use this service. I have an outside financial adviser and current fee for advice is zero.” (Female, 63 years old, Qld)

“The advice to date has not been very beneficial.” (Female respondent, 60 years old, NSW)

- Those sitting on the fence (4-6 rating) reason that they need more information regarding the Government’s proposal and that they seldom use the services of their adviser.

“Concerned, but need more details of the rationale and impacts to determine level of concern.” (Male, 33 years old, Vic)

“I haven't used this service enough to really comment but as my financial circumstances are changing I would like to use this service more.” (Female respondent, 44 years old, WA)

- Those who express high concern (7-10 rating) say the main reason is that they value the advice they receive from their corporate super advisers.

“The financial adviser services are an essential component of understanding and managing your super funds as your circumstances change.” (Male, 34 years old, WA)

“I need my adviser and don't want to lose him. I don't want to go to a bank or a call centre.” (Female respondent, 48 years old, NSW)

4.0 Corporate Super Employers

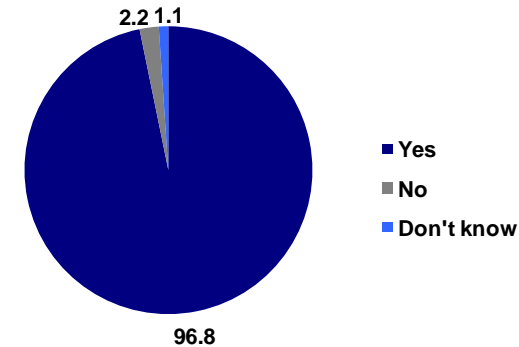
4.1 Adviser Usage & Value

High Usage Of & Value From CS Advisers

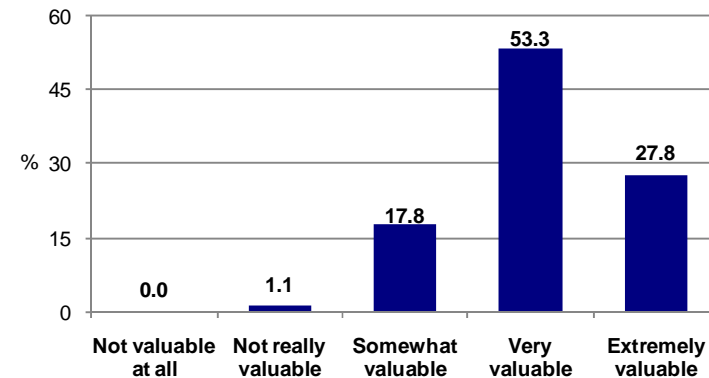


- Almost all employer respondents (96.8%) say their fund utilises the services of a financial adviser(s) to support employees and to provide services to their corporate super fund.
- In general, almost all employers perceive the services offered to their fund to be of some value (98.9%).
- More than half find the services very valuable (53.3%), while one quarter (27.8%) find the services extremely valuable.

Does your fund utilise the services of a financial adviser(s) to support employees (i.e. members) and to provide services to your corporate super fund?



How valuable in general do you find the services offered to your corporate super fund to you, as an employer or policy committee member?



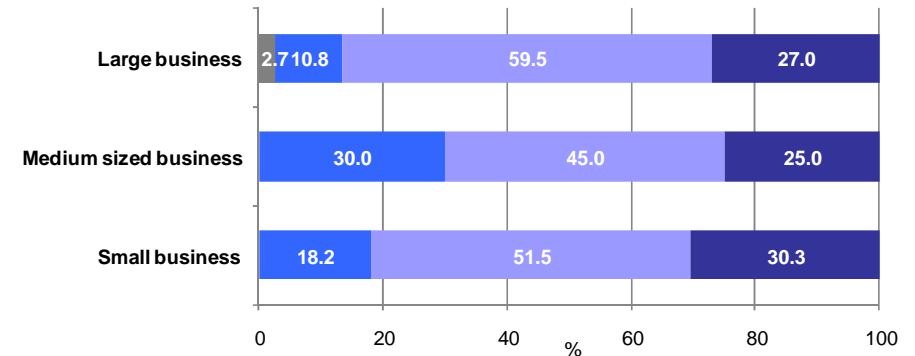
n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate superfund

Big Businesses Get Greatest Value



- Large businesses (those with more than 200 employees) are the most likely to say the services offered to their corporate super fund are either 'very' or 'extremely' valuable (86.5%).
- Almost one third of small businesses (those with up to 50 employees) find the services offered to their corporate super fund 'extremely valuable' (30.3%).

How valuable in general do you find the services offered to your corporate super fund to you, as an employer or policy committee member?



■ Not valuable at all ■ Not really valuable ■ Somewhat valuable ■ Very valuable ■ Extremely valuable

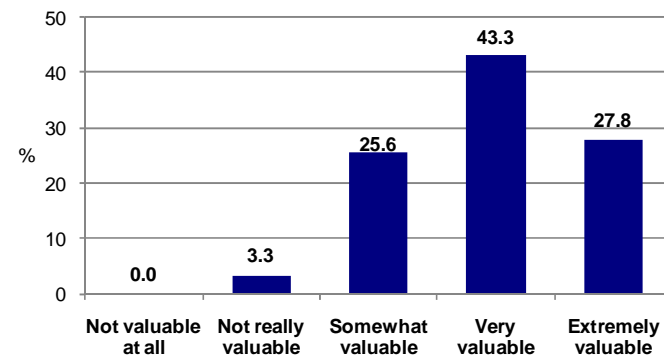
n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund

High Perceived Value For Members

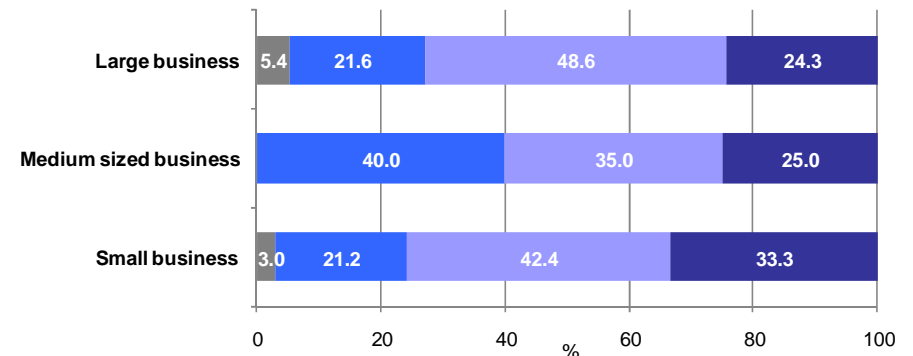


- Some 71.1% of employers say that the services offered through their corporate super fund are either 'very' or 'extremely' valuable for members.
- Two fifths say the services are 'very valuable' (43.3%) while a further quarter say they are 'extremely valuable' (27.8%). Only 3.3% say they are not really valuable.
- Employers from small businesses are the most likely to claim the services are 'extremely valuable' for members (33.3%), possibly reflecting the fact that members of small firms would not otherwise have access to such services.

How valuable in general do you think the services offered through your corporate super fund are for members?



n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund



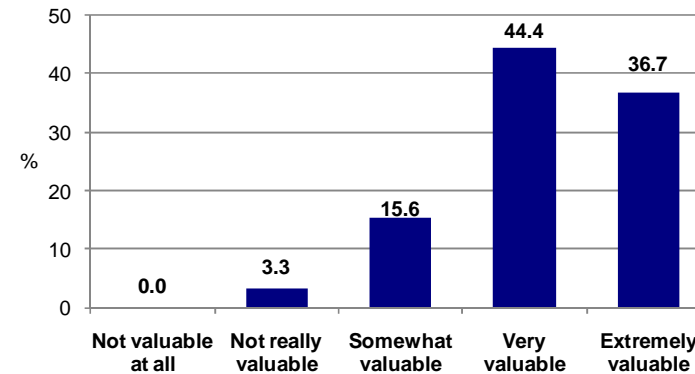
■ Not valuable at all ■ Not really valuable ■ Somewhat valuable ■ Very valuable ■ Extremely valuable
 n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund

Fund Relationship Cherished By Most

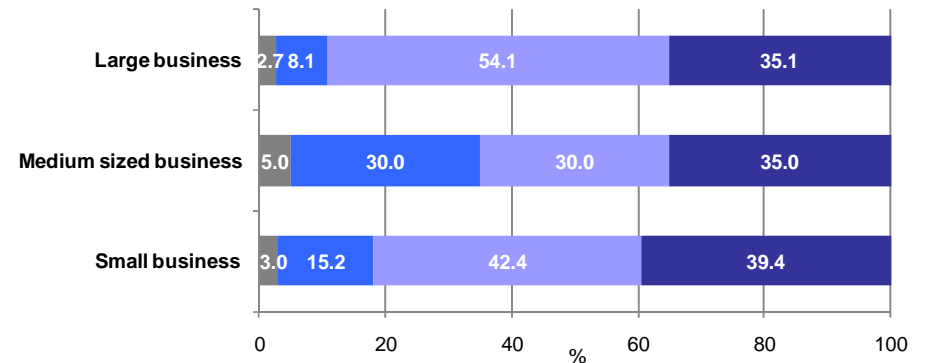


- More than one third of employers say the relationship they have with their corporate super fund adviser is 'extremely valuable' (36.7%), while a further two fifths (44.4%) say the relationship is 'very valuable'.
- Only 3.3% say it is 'not really valuable' and none say it is 'not valuable at all'.
- Employers in small businesses are slightly more likely to describe their corporate super fund adviser relationship as 'extremely valuable' (39.4%), however large businesses have the highest proportion of employers that describe the relationship as either 'very' or 'extremely' valuable (89.2%).

To what extent do you value the relationship you have with your corporate super fund adviser?



n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund



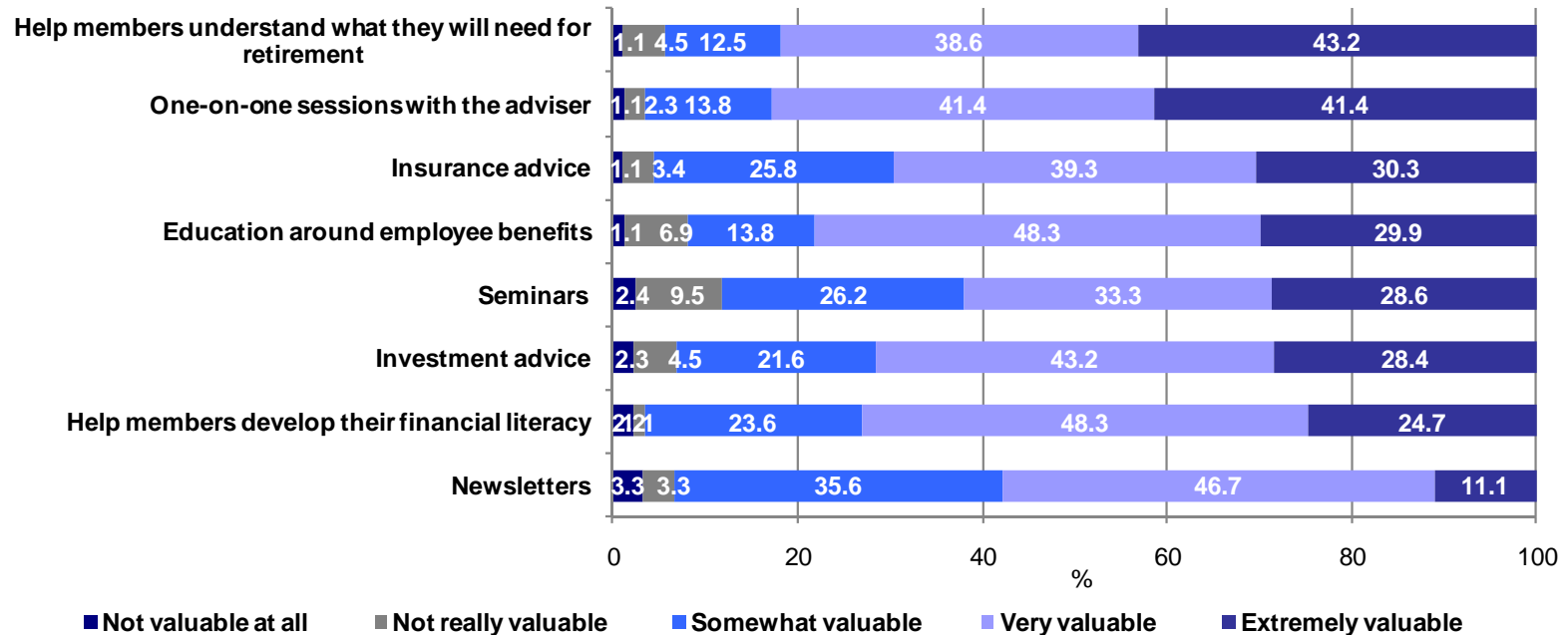
■ Not valuable at all ■ Not really valuable ■ Somewhat valuable ■ Very valuable ■ Extremely valuable

n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund

Information & Education Most Beneficial



What value do you think your members get from the following services?



n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund

- Helping members to understand what they will need for retirement (43.2%) and one-on-one sessions with the adviser (41.4%) are the member services most likely to be viewed by employers as 'extremely valuable'.
- While most services are perceived to be valued by members to some extent, seminars (11.9%) are the most likely to be perceived to hold little to no value.

Greatest Member Value: Advice Access...



- When asked to list the greatest value and benefit they get from having a corporate adviser's services available to super fund members, employers cite the convenience for members in accessing independent, personalised professional advice, education and information.

"Direct access to expert advice." (Male respondent, aged 45, WA)

"Just having someone available when needed is very valuable. Questions are quickly responded to. Online services for myself, being the administrator of the company fund, are also very valuable and general emails are responded to quickly also." (Female respondent, aged 47, NSW)

"They would not get any informed advice if it were not for our advisers." (Male respondent, aged 51, NSW)

"Superannuation is an area that is constantly changing and as a layman it is hard to keep up with the government changes. Also, the world of investment is a specialised area and best handled by the experts!! Our advisers are professional, timely in the response and make a very confusing subject easy to understand." (Female respondent, aged 50, NSW)

"The staff are able to understand their financial situation, and plan for retirement with some understanding." (Female respondent, aged 47, NSW)

"Individual advice." (Male respondent, aged 33, NSW)

"Advice is not tied to the provider and the personalised service he delivers makes sure we get the best deal." (Male respondent, aged 41, NSW)

"They have someone who provides independent advice and works for us and has looks after our interests." (Male respondent, aged 52, NSW)

... Investment & Other Assistance



- Employers also highlight the assistance provided to members around their investments and other areas such as lost super.

“All round assistance, knowledge that the adviser is acting on the best interest of our company. Someone to go to that I can trust when I need assistance.” (Female respondent, aged 37, NSW)

“Their experience and willingness to communicate with all levels of employees as and when required as well as on a proactive basis. They have also been very valuable in assisting the company in improving overall benefits available to the employees.” (Female respondent, aged 43, NSW)

“Assisting with choice of fund provider and co-ordinating information flow from the Fund provider and employees. Tracking lost Super.” (Male respondent, aged 55, NSW)

Greatest Fund Value: Expertise



- When asked to list the greatest value and benefit they get from having advice services available to their corporate super fund i.e. for fund decision making, employers list expertise around products, investment performance and legislation.

“The adviser has access to a broad range of products and information. When decisions need to be made I know the adviser has assessed all scenarios and is presenting us with the options he/she believes are best suited for our company.” (Female respondent, aged 37, NSW)

“Fund decision making definitely - we know they have made wise financial investments for us because the proof is in the profit! We would be lost without their direction and professionalism.” (Female respondent, aged 50, NSW)

“The advice services ensure we are well educated on matters affecting fund performance, have clarity on market performance and are kept aware of changes in legislation to plan strategically. This provides us with a level of comfort and security we are making the correct decisions.” (Male respondent, aged 31, NSW)

“The information provided by our adviser enables us to monitor our fund’s performance and take action when and if needed.” (Female respondent, aged 58, NSW)

- Employers also cite the accountability and oversight provided by their corporate super adviser.

“Having someone who is accountable to me for what happens.” (Male respondent, aged 43, NSW)

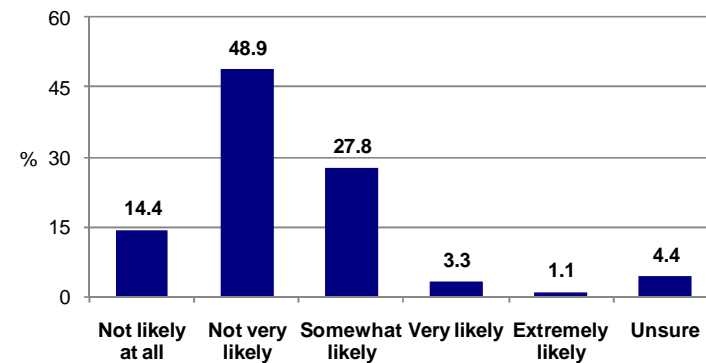
“The Adviser looks after ALL super stuff.” (Male respondent, aged 47, NSW)

4.2 Propensity To Use & Pay

Members 'Unlikely' To Seek External Advice

- The overriding perception of employers is that members would not be likely to use an adviser if the service was not provided through the corporate super fund.
- Three in five employers (63.3%) say members would not be likely to seek external advice, while a further quarter (27.8%) say members would be only 'somewhat likely'.
- Employers are more pessimistic than members about members' propensity to seek external advice if the service was not available through the corporate super fund (63.3% vs. 44.4%), however the implication is that members would not otherwise have access to professional advice, which could lead to poor decision-making around their finances.

In your view, how likely would your members be to use a financial adviser if the service was not provided through your corporate super fund?



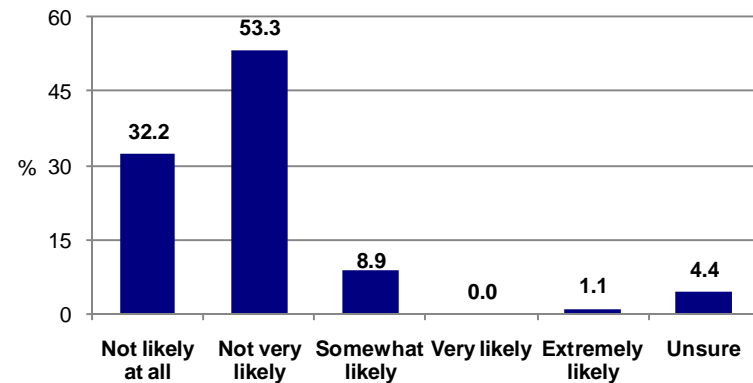
n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund

Members 'Unlikely' To Pay Upfront Fees

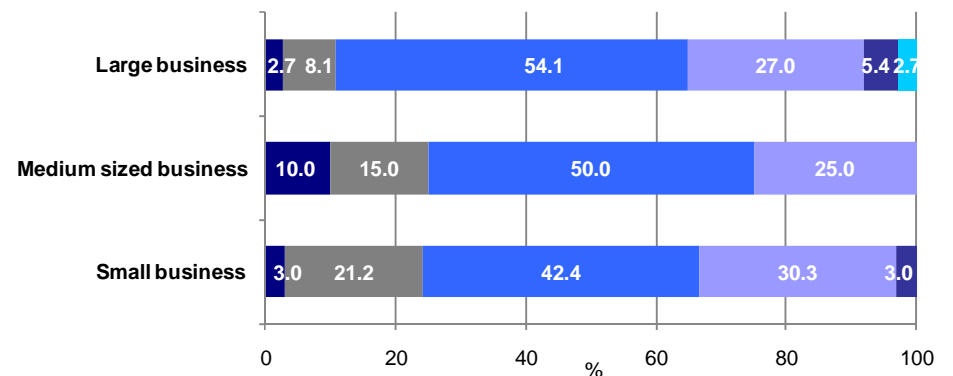


- An overwhelming majority of employers do not think members would be willing to pay upfront fees for financial advice if it was not part of the corporate super fund offer (85.5%), with almost one third saying they would be 'not likely at all' (32.2%) to pay fees for external advice.
- Only one in ten employers (10.0%) say members would be likely to do so.
- Large businesses are the most optimistic about members' likeliness to pay upfront fees for advice outside the super fund (35.1%), although this is almost half the proportion who say they are unlikely (62.2%).
- Around one fifth of small business employers (21.2%) say members are 'not likely at all'.

In your view, how likely would your members be to pay upfront fees for financial advice if it was not part of the corporate super fund offer?



n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund



n = 90, respondents whose fund utilises the services of financial adviser(s) to support employees and provide services to the corporate super fund

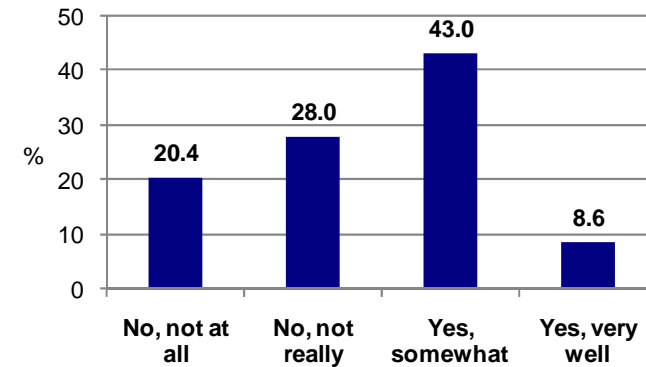
4.3 Legislation Perceptions

Understanding Of MySuper Polarised

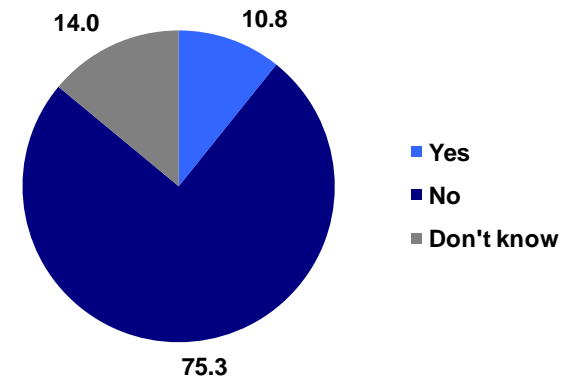


- While around half of corporate super employers have at least some understanding of the proposed MySuper legislation (51.6%), only 8.6% say they understand it very well.
- Furthermore, almost half of employers (48.4%) do not really understand the proposal or do not understand it at all.
- After explaining the intention of the MySuper legislation and then testing support levels, three quarters of employers (75.3%) claim not to support the initiative.
- Only 10.8% express support for MySuper while a further 14.0% are unsure where they stand on the proposal.

The Government is proposing a "one size fits all" low cost superannuation fund which they have called MySuper. Do you understand the meaning of this proposal?



The intention is to legislate that MySuper must be the default fund for all employees who do not choose to be in another fund. Do you support this initiative?

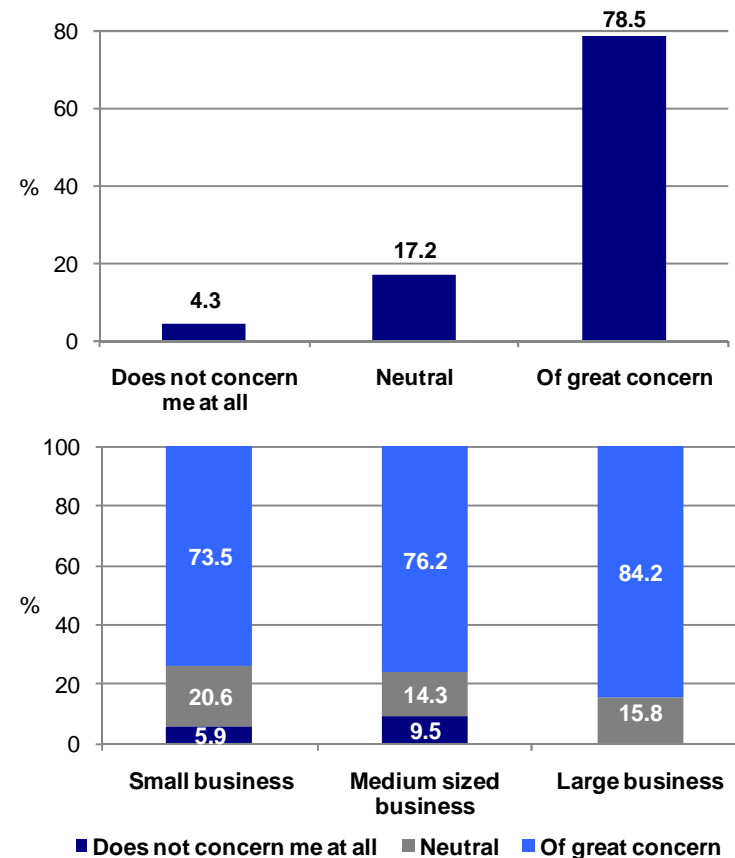


Opt-in A Concern To Most Employers



- There is considerable concern among corporate super employers about the possibility that advice services will be withdrawn as a consequence of the Opt-in legislation.
- Three quarters of employers (78.5%) say this is of great concern, while just under one fifth (17.2%) do not feel strongly either way. Only 4.3% say this possibility does not concern them at all.
- Large businesses are the most likely to be concerned by the potential loss of corporate super services, with 84.2% saying this is of great concern, compared to three quarters of small and medium sized businesses (73.5% and 76.2% respectively).

The Government is proposing legislation to necessitate employees to opt-in each year to receive services from their corporate super adviser and to agree to a fee. If insufficient employees opt-in each year this could force the withdrawal of these services. Would this be a concern to you?



Reasons For Opt-in Concern: Member Risk

- When asked to provide a reason for their concern over the potential loss of services under the Opt-in legislation, employers say it could reduce benefits for employees and put members at risk of making poor decisions around their super and finances.

“Our company has spent considerable time and money ensuring that staff continue to understand their financial position and options. Without this advice they could potentially slip back into making ill informed decisions.” (Male respondent, aged 56, NSW)

“If we lost the services of our adviser I think staff morale would suffer, and it would be a negative for us as an employer and for our staff.” (Female respondent, aged 50, SA)

“We have an adviser as part of our superannuation process because we feel it is of benefit to our employees. This should be our choice to make. Existing superannuation choice flexibility already provides employees with other options if they choose.” (Male respondent, aged 49, NSW)

“Current system works very well and is cost effective to our employees.” (Male respondent, aged 51, NSW)

- Employers also point out that members gain value from the services provided and benefit from having the cost embedded in the super plan.

“Members generally look at the available services within the offerings of a corporate fund. They would prefer to receive these services.” (Female respondent, aged 44, NSW)

“By having the adviser remunerated through the super plan all members have access to him and they do not need to think how much will this cost. They contact the adviser at any time and we have them on site regularly.” (Male respondent, aged 52, NSW)

Reasons For Opt-in Concern: Complacency

- Employers also fear the legislation will cause complacency on the part of employees towards superannuation and advice.

“This will create apathy towards super.” (Male respondent, aged 54, NSW)

“Without advisory services most people will just leave funds where they are and not bother to consolidate funds.” (Male respondent, aged 44, Qld)

“It will instil an attitude of ‘out of sight out of mind’ until it’s too late!” (Male respondent, aged 54, NSW)

“Most of our employees would not be inclined to self help and we have a greater take up of services where the provision of said services is readily available, and promoted by us as the employer. Were it not promoted by us as the employer, or by the adviser, this is likely an issue staff would not consider until they are nearing retirement, which is too late.” (Male respondent, aged 38, NSW)

“Less people would seek financial advice and education and hence the country would be financially worse off. It’s a ridiculous suggestion.” (Male respondent, aged 40, Qld)

“People need help. Often they don’t know where to go or don’t bother because they think advice is only for rich people.” (Female respondent, aged 54, NSW)

“Employees with the lack of knowledge who we feel do not stand and up say what is this all about; however when seminars are held they get a lot out of them; would wait until it was too late to actively do anything with their super if it was not for the seminars and our available advisers. With no pensions in the near future for ageing employees urgency should be around education of superannuation not trying to reduce this to set people up with a bad financial future.” (Female respondent, aged 38, NSW)

Reasons For Opt-in Concern: Cost



- Employers are concerned that members would not be able to afford to pay for advice if it was not offered through the super fund, and that those who most need advice would miss out as a result of younger employee apathy.

“The current advice is free to members. Any cost to the individual will have a negative impact.” (Male respondent, aged 59, NSW)

“Many of our employees are low income earners and would not be able to afford the fee, so they would be left with nowhere to go for advice if they needed it.” (Female respondent, aged 47, NSW)

“Although only a few people may take advantage of advice, by not having it available jeopardises people maximising their retirement savings.” (Male respondent, aged 59, NSW)

“In reality, most young employees are not as concerned about their super and investments compared to someone in their 50's, given the current demographic most employees fall in the former category. Since most of the younger employees are unlikely to opt for these services it is not fair to the older ones who do require this.” (Female respondent, aged 28, NSW)

- There are also fears the new system will pose an unwanted administrative burden for employers.

“Regardless of how important to opt in, employees will need to be constantly reminded. The administration and maintenance will be large, inefficient and unwieldy.” (Male respondent, aged 48, Qld)

“As an employer we will have to answers all the member queries and therefore increase our workload on something that we are not experts in.” (Male respondent, aged 38, NSW)

Appendix: Sample Demographics

Sample Composition Members



Gender

	Percent
Female	37.8
Male	62.2
Total	100.0

Age (Banded)

	Percent
20 & below	0.8
21 - 30	18.0
31 - 40	25.0
41 - 50	26.8
51 - 60	24.8
61 & above	4.7
Total	100.0

Age (Generations)

	Percent
Pre-Boomers	0.2
Baby Boomers	43.1
Gen X	38.0
Gen Y	18.7
Total	100.0

State

	Percent
ACT	0.2
NSW	41.0
Qld	5.9
SA	3.2
Vic	11.0
WA	38.7
Total	100.0

Wealth Segments

	Percent
Mass market (<\$50k)	21.4
Mass affluent (\$50-350k)	55.3
Core affluent (\$350-\$750k)	14.3
HNW (>\$750k)	9.1
Total	100.0

Investment Portfolio

	Percent
Less than \$50,000	21.4
\$50,001 to \$150,000	35.0
\$150,001 to \$250,000	11.0
\$250,001 to \$350,000	9.3
\$350,001 to \$450,000	5.8
\$450,001 to \$550,000	3.9
\$550,001 to \$650,000	3.0
\$650,001 to \$750,000	1.5
More than \$750,000	9.1
Total	100.0

Primary Source of Financial Advice

	Percent
Financial adviser – not provided through my super fund	21.4
Financial adviser – provided through my corporate super fund	35.0
Accountant	11.0
Banker or private banker	9.3
Friends or family	5.8
Media	3.9
No one – I use my own judgment	3.0
Other	1.5
Total	100.0

Sample Composition Employers



Gender

	Percent
Female	49.5
Male	50.5
Total	100.0

Age

	Percent
Below 30	6.5
30 - 49	59.8
50 - 64	33.7
Total	100.0

State/territory

	Percent
NSW	78.3
Qld	7.6
SA	1.1
Vic	5.4
WA	7.6
Total	100.0

Number of employees

	Percent
Small business	36.6
Medium sized business	22.6
Large business	40.9
Total	100.0

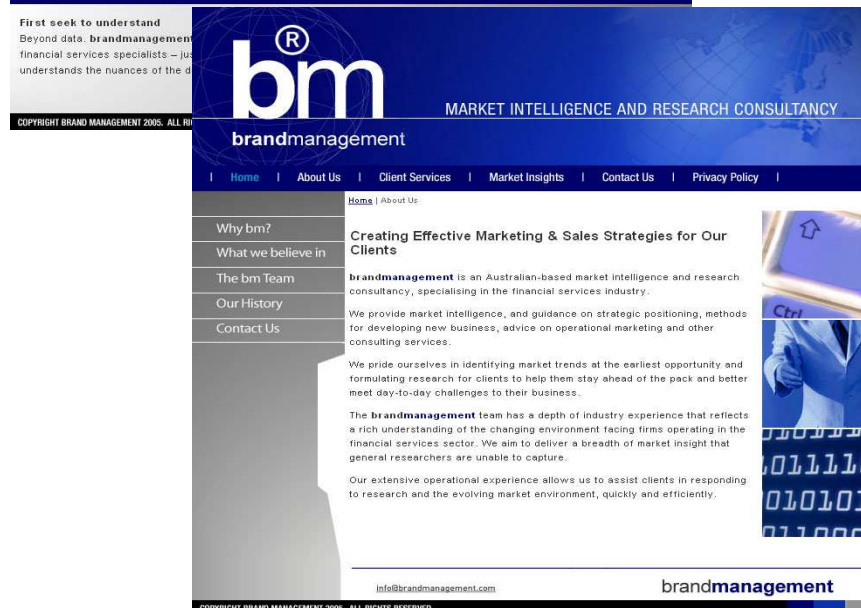
Number of employees

	Percent
Less than 20	28.0
21 to 50	8.6
51 to 100	10.8
101 to 200	11.8
More than 200	40.9
Total	100.0

Industry

	Percent
Mining	11.8
Manufacturing	18.3
Construction	8.6
Wholesale trade	5.4
Retail trade	4.3
Accommodation, cafes and restaurants	1.1
Transport and storage	3.2
Communication services	5.4
Finance and insurance	18.3
Property and business services	2.2
Health and community services	4.3
Cultural and recreational services	1.1
Other	16.1
Total	100.0

brandmanagement Group



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

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