

Suncorp-ASFA Super Attitudes Survey

2012

Wave 3 Report



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Introduction

Australia's 300,000 babies born each year are contributing to a superannuation crisis for the nation's women, resulting in a 'Super Baby Debt' that is leaving them even further short of achieving a comfortable retirement.

The term 'Super Baby Debt' refers to the amount of money women are losing from their retirement savings by taking time off work to raise a child.

Just two years out of the workforce can leave women \$50,000 worse off than their men in retirement.

This problem is further exacerbated by the current gender gap in superannuation knowledge, engagement and attitudes, as revealed in the Suncorp-ASFA Super Attitudes Survey 2012.

Partnering with the Association of Superannuation Funds in Australia (ASFA), Suncorp Life initiated a new survey that outlines some attitudes to our retirement savings system.

The survey is a key indicator of Australia's love/hate relationship with super and highlights some of the issues that need to be addressed.

By looking at these factors we are aiming to build up a clearer picture of Australians and their attitudes to super, and also use those insights when developing the products and services we provide.

More importantly, we are looking to improve how we engage with Australians in order to help them secure a more comfortable retirement.

One of the key barriers we need to address is the complicated relationship between women and super. This is underlined by the often emotional connection that women have with money.

Suncorp and ASFA believe women have the power to tackle the challenges associated with superannuation head on through education and being aware of options like a simple rule of thumb proposed here for the first time, The One Per Cent Rule.

Issues such as the 'Super Baby Debt' can be avoided by following The One Per Cent Rule.

Women can recoup their lost super by contributing an additional 1 per cent towards their superannuation contributions for every two years out of the workforce, for the rest of their working lives.

By changing how we approach issues such as the 'Super Baby Debt', we are helping to make superannuation more relevant to the women (and men) of Australia.

Methodology

Conducted on behalf of Suncorp Life by TNS, the survey was run nation-wide in January 2012 and captured the views of 1,738 Australians with a super account aged 25 to 70.

Unless otherwise specified, "Australians" is used throughout this report to refer to the survey respondents.

This is the third wave of research that has been conducted as part of the Suncorp 'Attitudes to Super' series.

Super Baby Debt

Many women choose to take time off from the workforce to raise a child, representing an important step in the bonding process between the mother and baby.

Yet for many of these women, this time also represents a loss in income and leaves them with no employment-related super contributions.

The consequence is that these mothers are left with what Suncorp calls a 'Super Baby Debt'.

The 'debt' occurs when women suspend their normal superannuation contributions to take two or more years out of the workforce to have children.

Over the life of their careers, this can leave women significantly worse off than men in retirement.

The 'Super Baby Debt' was calculated using ASFA's Super Guru Retirement Projector based on comparisons of three scenarios of a 32 year old woman, who takes two years out of the workforce with salaries as follows:

a) \$65,000 salary = **\$28,000 Super Baby Debt**

b) \$85,000 salary = **\$36,500 Super Baby Debt**

c) \$115,000 salary = **\$50,000 Super Baby Debt**

Comparisons were made to a 32 year old woman, who has the same salary and super balance, and takes no time out of the workforce.

This assumes parental leave is taken from ages 32-33, and retirement is at age 65.

The One Per Cent Rule

The good news for the mothers of Australia is that there is an answer.

While the 'Super Baby Debt' can eat away at a woman's nest egg, women do have the power to overcome it by following The One Per Cent Rule.

For every two years out of the workforce women need to make an additional 1 per cent super contribution for the rest of their working life.

This 1 per cent will make up for the lost super contributions.

The One Per Cent Rule is part of the solution to the retirement savings shortfall that many women face down the track.

Infographic

Available for reproduction and use on request. Contact Natalie.Kitchen@suncorp.com.au.

SUPER BABY DEBT
The \$\$ mums are losing from their superannuation

THERE IS AN ANSWER

TIME AT HOME WITH KIDS

2 KIDS
2 YEARS

\$50,000*
in SUPER BABY DEBT eating into a woman's nest egg

SUPERANNUATION MAKES WOMEN FEEL ...

| | | |
|----------------------------|------------------------------------|---------------------------------|
| 2 in 5 feel 'POWERLESS' | 1 in 5 feel 'ASHAMED' OR 'DUMB' | 63% feel FINANCIALLY EXPOSED |
|----------------------------|------------------------------------|---------------------------------|

TAKE THE POWER BACK WITH

THE ONE PER CENT RULE

Overcome your Super Baby Debt by adding another 1% in super contributions over your working life

NEED SOME HELP WITH YOUR SUPER?

**CALL US NOW
1800 641 931**

asfa the voice of super

One Company Many Brands SUNCORP GROUP

* Calculated using ASFA's Super Guru Retirement Projector and based on a 32 year old woman, who takes two years out of the workforce and has a \$115,000 salary, compared to a 32 year old woman, with the same salary and super balance, and no time out of the workforce.

Key Findings

| | |
|---|----------------------|
| <p>One in five women feel 'ashamed' or 'dumb' when it comes to knowledge of superannuation</p> | <p>Page 8</p> |
| <p>Two in five women feel powerless when it comes to their superannuation</p> <ul style="list-style-type: none"> • Around one in two Australians (47%) find super complicated and around three quarters of them (72%) suffer negative emotions as a result <ul style="list-style-type: none"> - Powerless (43%), Inadequate (22%), Ashamed (17%) and Dumb (16%) - Women are more likely than men to suffer negative emotions as a result of being confused by the complexity of their super. | <p>Page 8</p> |
| <p>63 per cent of women worry they might be financially exposed upon retirement (men 53%)</p> <ul style="list-style-type: none"> • Around three in five (58%) Australians are becoming increasingly concerned their super will not be sufficient to fund their retirement | <p>Page 9</p> |
| <ul style="list-style-type: none"> • Around three in four Australians (76%) are still not currently motivated enough to get more actively involved with their super, mainly because they don't know where to start <ul style="list-style-type: none"> - Lower active involvement among women (19%) than men (29%). | <p>Page 10</p> |
| <ul style="list-style-type: none"> • There is a clear lack of engagement with, and knowledge of superannuation <ul style="list-style-type: none"> - Less than one in four claim to be actively involved with their super - One in four don't know their current balance - One in 10 don't know who their super provider is - Around one in four either don't know what fund option they are in or that they could choose. | <p>Pages 11 - 12</p> |
| <ul style="list-style-type: none"> • The lack of knowledge and perceived complexities of super is not being helped by information distributed by super providers <ul style="list-style-type: none"> - It is seen as too long and complicated by two in five - It is also seen as difficult to understand by one in three. | <p>Page 12</p> |
| <ul style="list-style-type: none"> • Around two in three Australian workers (64%) support an increase in the compulsory super guarantee from 9% <ul style="list-style-type: none"> - Of these, one in three support an increase to 15% - Women (60%) are less likely than men (67%) to support the increase. | <p>Page 13</p> |
| <ul style="list-style-type: none"> • Australians tend to have unrealistic expectations of how much super they will need to retire on <ul style="list-style-type: none"> - One in four don't know how much more they will need for retirement - Most commonly, they estimate they have less than \$40K in super (35%) - Close to one in two (45%) believes they only need an additional \$300K or less to fund their retirement. | <p>Page 14</p> |

Understanding of superannuation

Overview

Superannuation is confusing, with almost one in two Australians (47%) reporting they find super complicated. Australian men state a far greater understanding of super than women. Yet many people still find it difficult to understand the legalistic and regulatory nature of the industry

It's super complicated

There is a clear gender imbalance when it comes to understanding super. This is highlighted by the fact that 52% of women still find super complicated, compared to only 42% of men.

Good understanding

On the flipside, 44% of Australians say they have a good understanding of their super. Yet once again, it's the men (49%) who report higher than the women (39%) in terms of their comprehension.

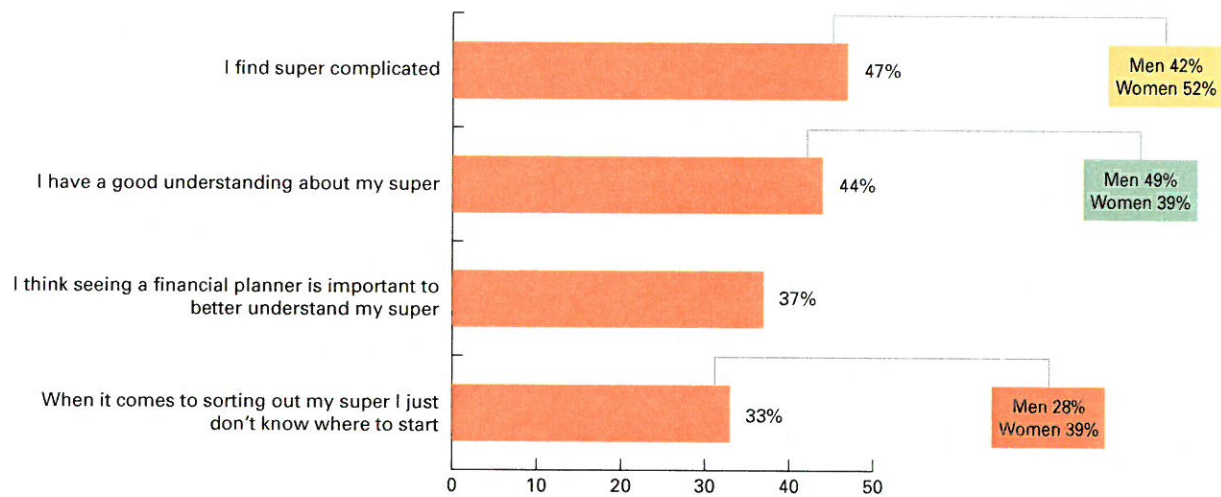
Sorting out super

When it comes to sorting out super, 33% of Australians say they don't know where to start. This includes 39% of women agreeing as opposed to just 28% of men.

Education is the answer

The confusion around super is something that 37% of Australians believe could be resolved by seeing a financial planner who could help them better understand the system.

Chart 1: Level of understanding of superannuation



Figures shown in the chart above represent the proportion of respondents who agreed or strongly agreed with each statement.

Complicated feelings around superannuation

Overview

As an industry, do we really understand Australians when it comes to their retirement savings? One of the main barriers we need to acknowledge and address is the complicated relationship between women and super. This is highlighted by the often emotional connection with money, and the reported lack of understanding and low levels of engagement women have with their superannuation.

Feel powerless

We know that almost one in two Australians find super complicated. More than two in five (43%) of those feel powerless in relation to their retirement savings as a result. Around 2 in 5 (41%) women feel powerless.

Feel inadequate

Feelings of inadequacy are not often associated with super, yet strangely enough 22% of those people who find super complicated feel inadequate. Of those, 25% of women feel inadequate compared to 18% of men.

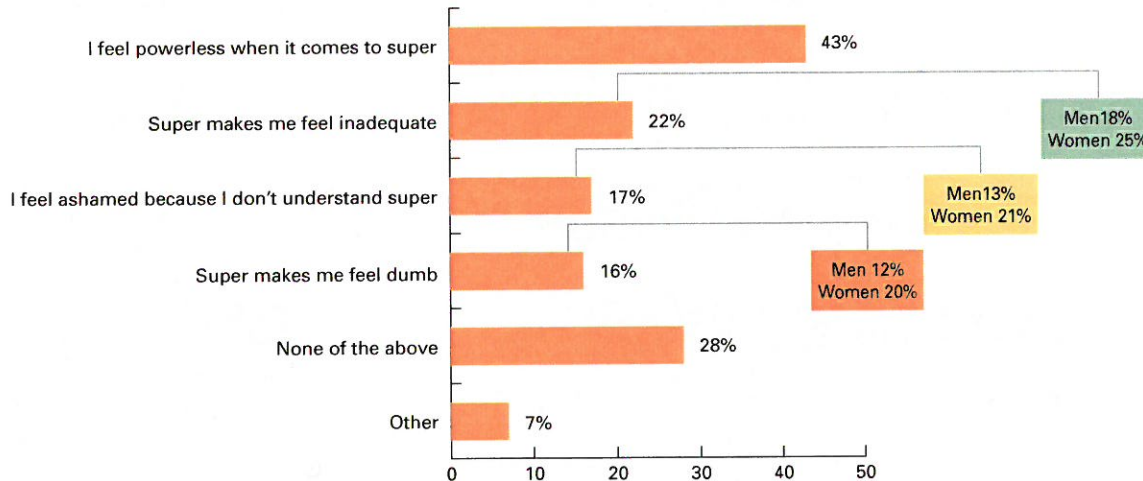
Feel ashamed

Not understanding super makes 17% of those people who find super complicated feel ashamed, with more women (21%) strongly associating themselves with the emotion than men (13%).

Feel dumb

The clincher is that super makes 16% of Australians who find super complicated feel dumb. Of those, 20% of women feel dumb when it comes to their super in comparison to 12% of men.

Chart 2: How Australians feel when they find superannuation complicated



Figures shown in the chart above represent the proportion of respondents who agreed with each statement.

Level of worry about superannuation

Overview

We all want a comfortable retirement. But whether or not we will have enough to retire on to live a comfortable existence is another question. So it's no surprise that almost three in five (58%) Australians are increasingly worried that they won't have enough super to retire on. Meanwhile, Government changes to the rules of super are causing almost one in two Australians (49%) to lack confidence in super.

Retirement woes

The concern around having enough to retire on seems to be a universal one for Australians, with 58% of people worried they won't have enough. Women (63%) reported being more concerned than men (53%).

Set and forget

The common 'set and forget' approach to super means many people don't have a level of engagement with their savings that could result in a better balance. Of the 41% of people who take this approach, women (47%) are more likely to 'set and forget' than men (34%).

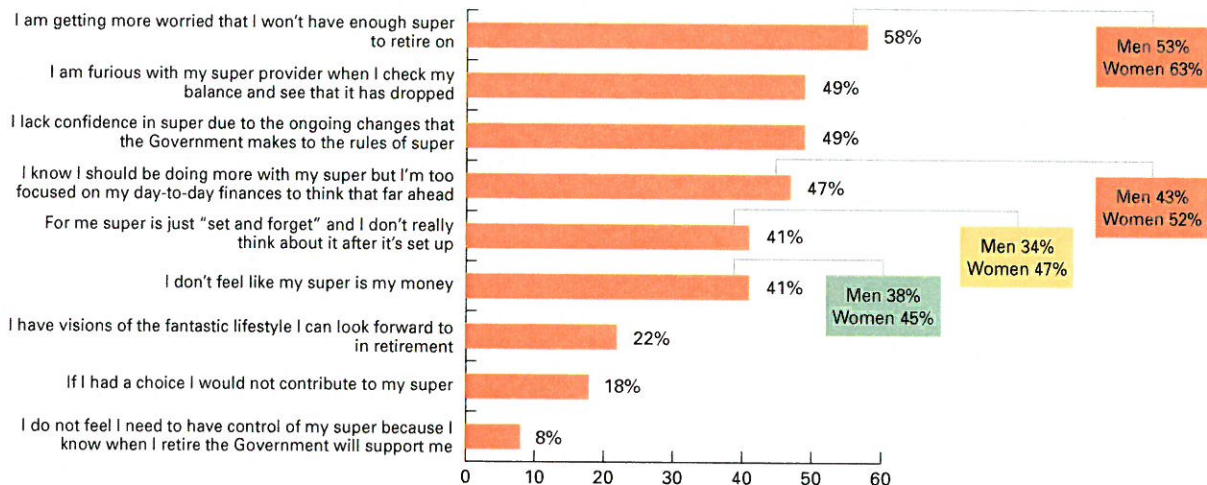
No contributions

If given the choice, 18% of people would choose not to contribute to their super. This could be a reflection of their lack of faith in the system or the belief that the Government will support them later in life (8% of Australians).

Lacking confidence

While the industry is struggling to make super relevant to customers, this challenge is not made any easier by the fact the Government is continually tinkering with the rules. Confidence in super is markedly low, and 49% of people believe the rule changes made by the Government are contributing to their lack of faith.

Chart 3: Concerns about superannuation



Figures shown in the table above represent the proportion of respondents who agreed or strongly agreed with each statement.

Engagement with superannuation

Overview

For various reasons it is hard for Australians to be engaged and involved with their super. Currently 70% of Australians admit to having no active involvement with their super, while just 24% (men 29%, women 19%) say they are actively involved and 7% unsure.

Getting started

Many people (40%) claim they don't know where to start when it comes to getting more involved with their super. Women fare worse at 43%, compared to 36% of men who are unsure how to get more involved.

Too busy

Time spent on managing other day-to-day finances is also a common reason for people not to get involved with their super, with 30% of Australians citing this reason.

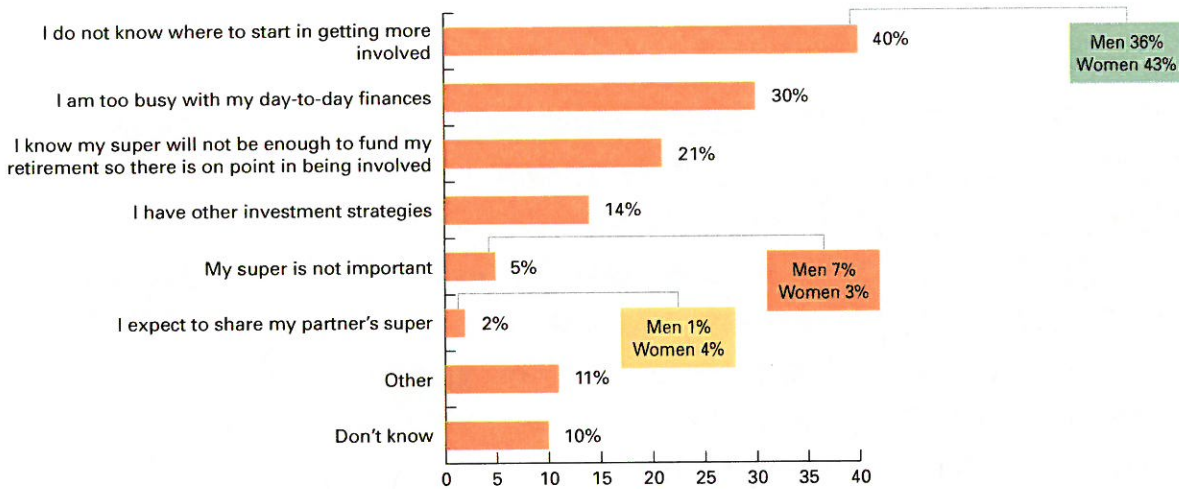
Not important

Maybe a reflection of people's lack of understanding about how important their super actually is, but 5% of Australians don't consider it to be important.

Sharing their savings

A small percentage (2%) of people still believe they have no need to get involved with their super as they are expecting to share in their partner's super.

Chart 4: Reasons for not being involved in super



Active involvement with superannuation

Overview

It's hard to get excited about something like super or even take an interest in it, especially given the complicated nature and delayed gratification that it offers. This is reflected in low levels of involvement. However, the impending regulatory changes will mean the industry is more proactive about getting their members involved with their retirement savings.

Changes made to super in past 12 months

Almost one in five (17%) Australians have consolidated their super in the past year. While just 15% have taken advantage of Government co-contributions, 15% changed investment options, 9% increased regular contributions and 7% changed super providers.

How changes were made

Two in five people (40%) made changes to their superannuation via their super provider, while one in three (34%) chose to do these changes online, and 16% via a financial adviser. Most commonly, people (31%) reported that they would prefer to be able to do these changes themselves online.

Knowledge of balance

More than one in four (26%) people have no idea what their super balance is.

Method of checking super balance

Reading the mailed paper statement (54%) remains the most common way for Australians to check their super balance. However technology is catching up, with checking your statement on the fund website sitting at 30%.

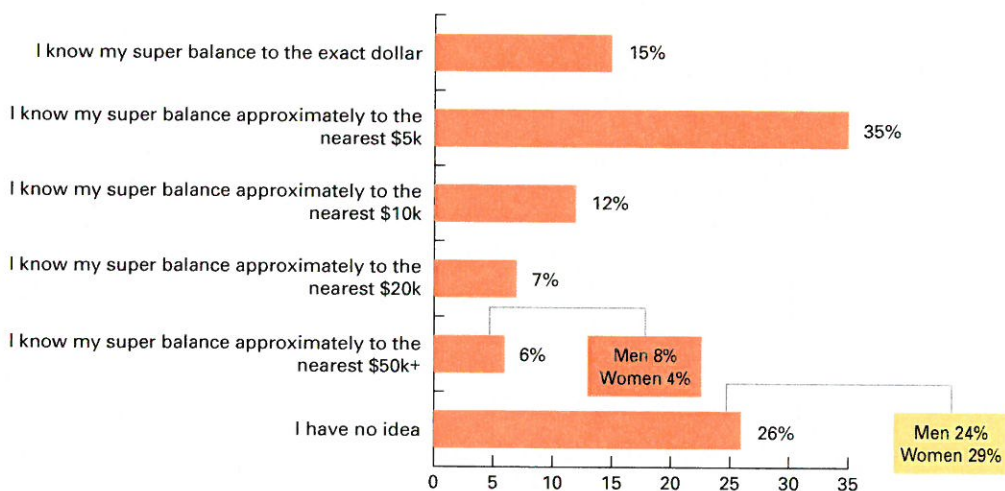
Frequency of checking balances

Two in five people (40%) are checking their super balance at least quarterly or more often.

Financial advice

A little over one in two (58%) Australians have never sought financial advice about their super.

Chart 5: Knowledge of balance in superannuation fund



Superannuation set up and relationship

Overview

Australians want to make the best decision when it comes to their superannuation, but are often held back by a lack of understanding or the convoluted way in which the industry communicates with them. It's a complicated relationship and one that needs to change, especially given the shift in power the StrongSuper changes will bring to the consumer.

Investment options

About one in four (28%) Australians have their super invested in their fund's default option because they assumed it to be best for them or did not know what would be better. While 18% do not know what option they have, and 5% didn't even know they could choose an option.

Contact with super fund

Two in five (40%) consider that the information they receive from their super provider is too long and complicated, while one in three say it is difficult to understand.

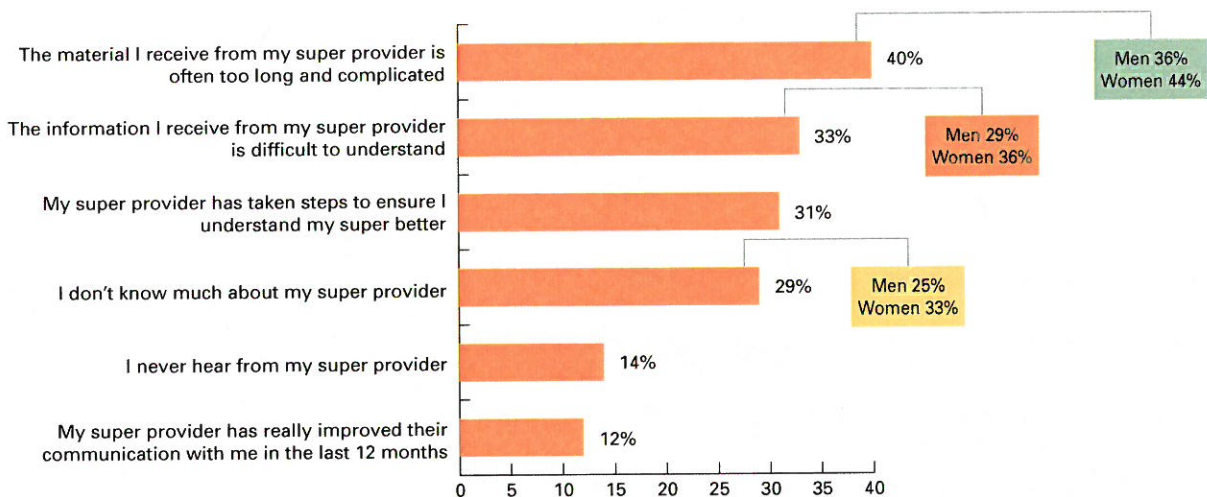
Communications

Some 12% of Australians report that member communications have improved over the last 12 months – a potential sign that the industry is taking note and improving the way they talk with their customers.

Superannuation provider

Around one in 10 (12%) don't even know who their superannuation provider is.

Chart 6: Type and level of contact with superannuation provider



Figures shown in the chart above represent the proportion of respondents who agreed or strongly agreed with each statement.

Increase to compulsory contributions

Overview

Compulsory super contributions were first introduced to Australians 20 years ago, and is now well and truly entrenched in society. But are Australians getting the message about the importance of these contributions and the difference it can make in retirement? While research shows that member understanding and engagement is still an issue, we can see a large percentage signalling their support for the super guarantee increase.

Support an increase from 9%

Around two in three (64%) working Australians support an increase in compulsory super contributions from 9%. A large percentage of women (60%) support this increase.

Raising the bar even further

Almost two in five (37%) of these supporters believe the super guarantee should be raised even further, to at least 15%.

Chart 7: Support increase in compulsory superannuation contributions from 9%

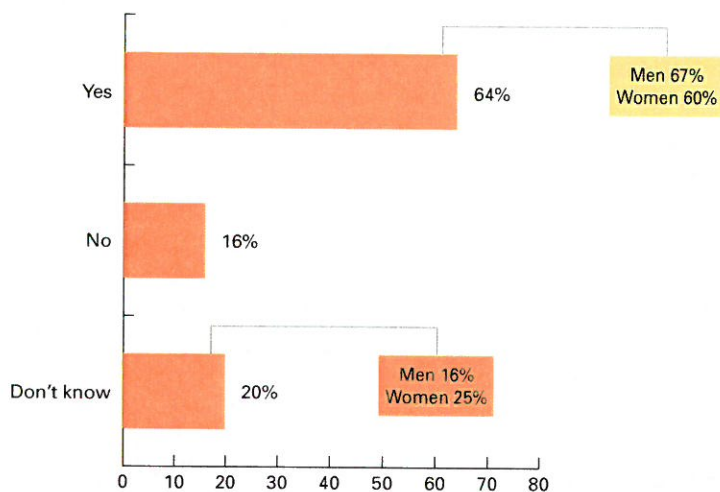


Chart 8: Compulsory superannuation contributions should be increased to...

| Contribution level | Percentage |
|--------------------|------------|
| 9% or less | 3% |
| 10% to 11% | 17% |
| 12% | 33% |
| 13% to 14% | 3% |
| 15% | 37% |
| 16% or more | 7% |

Superannuation savings

Overview

Australians tend to underestimate how much super they need to retire on. We all want to live a comfortable retirement, yet the reality is that we may not get to achieve that because of a lack of savings and misguided notions.

Personal contributions

Two in five (40%) people state that they never top up their superannuation, and a further 27% of Australians would not consider it at the moment due to the state of the economy.

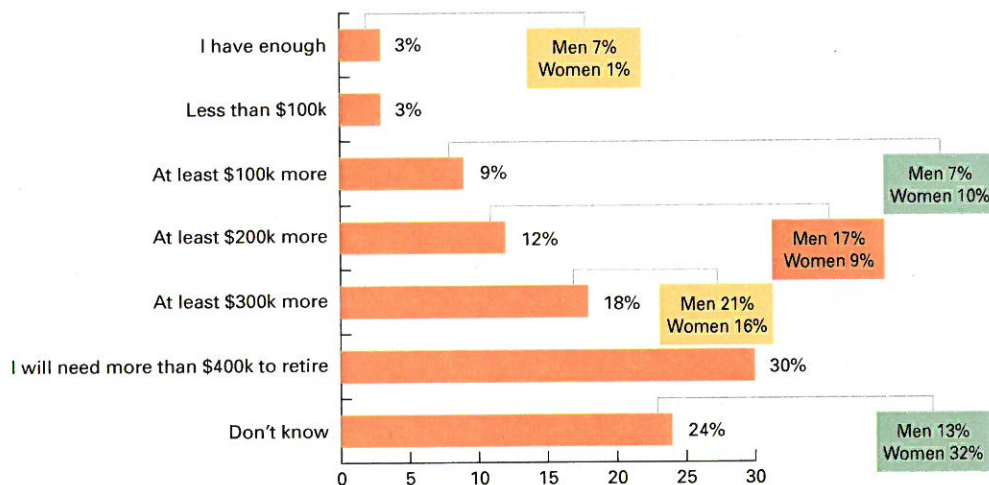
Current superannuation savings

More than one in three (35%) claim to have less than \$40,000 in their super savings, while 20% don't even know what their current balance is.

How much more super do I need?

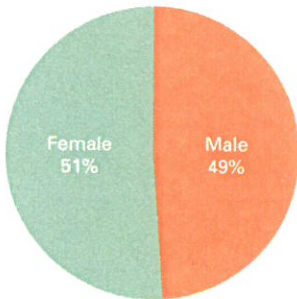
Almost a quarter (24%) of Australians don't know how much more they need to save before they retire, while close to one in two (45%) believes they only need an additional \$300K or less to fund their retirement.

Chart 9: How much more superannuation required for retirement.

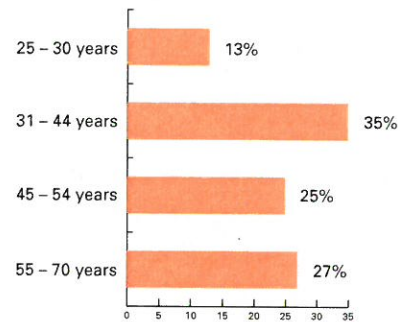


Demographics

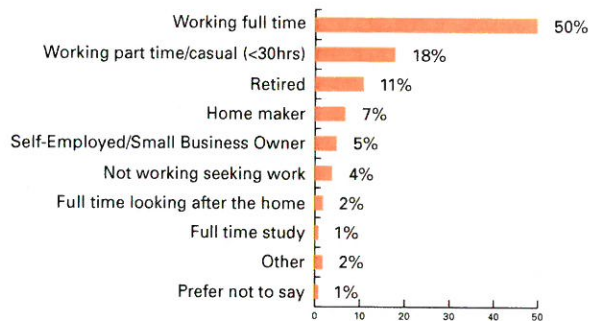
Gender



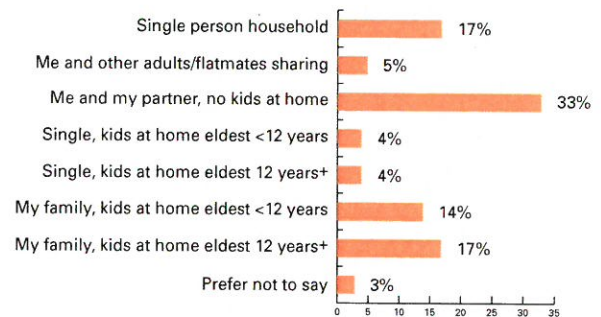
Age



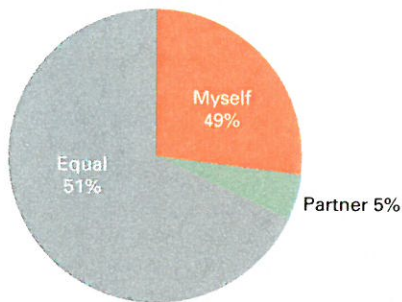
Employment status



Household status



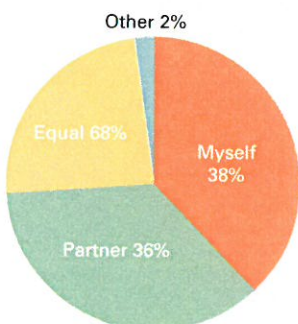
Financial decision maker status



Annual household income



Main income earner



Current superannuation balance

