



**NATIONAL INFORMATION CENTRE ON RETIREMENT
INVESTMENTS INC
(NICRI)**

**SUBMISSION TO
SENATE SELECT COMMITTEE ON SUPERANNUATION
PLANNING FOR RETIREMENT**

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Purpose of this submission

To inform Senate Committee members of the existence of the National Information Centre on Retirement Investments Inc (NICRI), an independent body whose objectives are:

- to provide an accessible, independent source of information concerning financial and investment products of importance to investors;
- to research and publish items on consumer issues relevant to the financial welfare of investors;
- to promote community awareness, particularly amongst retirees, of consumer investment issues;
- to examine any unfairness in the market between consumers and providers of investment services;
- to have a role in government policy making in respect of investment issues;
- to liaise with relevant consumer, retiree, academic and industry groups, as well as government departments, for the purpose of furthering these objectives.

In the context of the Senate Committee on Superannuation hearings into Planning For Retirement, NICRI's area of service delivery demonstrates a user friendly source of information to Australian consumers to help them prepare their finances for their retirement years.

Background

The National Information Centre on Retirement Investments Inc (NICRI) (formerly the National Clearing House on Pensioner Investments) was established in 1989 and formally launched in March 1990. The Centre was set up to provide consumers with independent information on investment products, primarily targetting retirees and those approaching retirement. The aim was to make consumers aware of the advantages of wisely investing their retirement savings, rather than relying on the social security system. For example, NICRI has played a substantial role in information dissemination regarding deeming.

NICRI was set up to be an independent information agency, operating at arms length from government and industry. NICRI does not accept any financial assistance from industry so as not to compromise its independence. We continue to provide our service free of charge to the public and ensure that any information given to our information officers is kept entirely confidential. Results of evaluations carried out over the years point to these three things – independence, cost free and confidentiality – to be of prime importance to consumers.

NICRI is currently staffed by a Director, Office Manager, Community Education Officer, Research Officer and a part time Information Officer.

Our Clients

Since NICRI's inception some 11 years ago, the financial advice being offered to consumers has changed considerably. The range of investment products has expanded and the way these products are marketed and sold has changed. Consumers are becoming far more aware of investment products and have started to take a greater interest in saving and investing for their retirement. The possibility of being fully or partly self sufficient in retirement is becoming increasingly important for the majority of Australians.

As a result of this interest in saving and investing we have become aware over the past few years that the questions being asked of our information officers have become far more sophisticated and complex. Consumers have lived through the 'great scams' and are starting to take more responsibility for keeping their money safe. They are no longer just accepting the word of their financial advisor. There is also a greater realisation that once their money has been lost it is difficult if not impossible to replace, especially in the case of retirees.

This awareness, along with the complexity of new investment products forever being introduced to the market, has impacted heavily on NICRI's workload. While the number of calls has experienced only a steady rise, the length of the calls has risen considerably. It is now not unusual for a consumer to be on the telephone to an information officer for 1 to 1.5 hours.

Service Delivery

NICRI's service delivery concentrates on three main areas –

- freecall telephone service
- a range of publications
- seminar participation.

Our freecall telephone service is available to consumers Australia wide. In the 2000/2001 financial year we assisted 6,917 callers with concerns and questions about investment products, financial plans and/or planners, social security and taxation issues. We are finding as time goes on that consumers are becoming far more sophisticated and interested in how to make the most of their savings. It follows that each contact requires more time to explain consequences and options of individual's investments. NICRI launched an internet site in 2000 to inform consumers of our services and to answer questions via e-mail. This move has had a significant impact on our workload in terms of the complexity of questions requiring answers and the ease of the sender being able to re-contact if further information is required.

NICRI researches, writes and publishes a range of leaflets and technical papers relating to general information about the investment industry, investment products and the financial planning process. They are basic, easy to understand publications that explain the subject, set out advantages and disadvantages and taxation and social security implications. There has been 3 evaluations into NICRI's service and have been delighted with the positive response from consumers about our publications. In 2000/2001 we distributed approximately 200,000 leaflets. NICRI's information publications are on our website at www.nicri.org.au.

As part of our funding contract with the Department of Family and Community Services (FaCS), NICRI participates in seminars run by the Financial Information Service of Centrelink. In the previous twelve month period our Community Education Officer presented talks at 47 Centrelink Financial Information Service (FIS) seminars. We also undertake training modules for new and backup Financial Information Service Officers. Talks and training sessions were also presented to 19 non government organisations i.e. pensioner/older person's organisations and clubs, financial counselling groups, educational institutions such as TAFEs, etc. Seminar participation has remained fairly steady over the past three years due to restrictions on funding and we believe there is an unmet demand for additional seminars/presentations by NICRI. This service obviously is the more expensive of the information dissemination processes.

NICRI works closely with FaCS and Centrelink in several areas, most notably in the co-production of the *Investing Money: Your Choices* booklet distributed by the Department originally in 1997/98. NICRI worked once again with the Department to update the publication during 2001. We have also provided input into other FaCS publications i.e. *Understanding Retirement Income Streams* (a joint publication with ARISA), *Home and Resident's Choices*, and the Department's explanatory leaflet on Deeming.

Media

NICRI supplies articles about investment products, financial planning issues, redundancy, social security and taxation implications etc to newspapers and retiree journals on a regular basis. We have been quoted in financial sections of major newspapers on various topics and have been recommended as a major contact for consumers through *Choice*, the magazine of the Australian Consumers Association and *Personal Investor*.

Evaluations/Feedback

Since NICRI's inception, three evaluations of the service have taken place. The first in 1991 sought to determine the effectiveness of the publications. Consultants ran a focus group of older people with varying degrees of understanding of investment products. The outcome of the study was very positive and supported the direction NICRI was taking in terms of content and providing information in an easy to understand manner.

The second evaluation was conducted by Ageing Agendas & the Australian Pensioners' & Superannuants' Federation in March 1998 and investigated the overall effectiveness of the NICRI service including publications and distribution. Again, the feedback received was very positive with respondents suggesting that NICRI needed to be more accessible so as to help more consumers, particularly in regional and rural areas. This evaluation also covered our participation in FIS and other organisation's seminars and training and confirmed that our participation was appreciated and very effective.

A third evaluation was carried out in September 2000 by NICRI itself seeking to ascertain the effectiveness of our freecall telephone service. Consumers that had contacted us via our freecall line were asked to respond to a written questionnaire. Key findings included the value of our independent status, the clarity and conciseness of information received, our confidentiality, and the courteous and professional manner in which consumers are treated.

Additionally, ongoing evaluation is provided to FaCS through regular reports on our service delivery. These reports are required under our funding contract and set out statistics relating to all aspects of NICRI's service delivery.

Copies of NICRI's evaluations can be made available if required.

Service Delivery Demand

For many reasons there have been considerable pressures on NICRI's service delivery including:

- NICRI is the only independent investment information source of its kind;
- there has been an increase in the average savings Australians are retiring with;
- further increases in retirement savings can be expected to flow from the maturity of the compulsory superannuation guarantee system;
- there is a greater need for independent information, so that the best use can be made of retiree's increased financial resources;
- as retirees become more educated in investment products, they are buying into more sophisticated investments. For example, retirees are realizing that they don't need to restrict themselves to placing their retirement savings into basic bank accounts. There has also been an increase in share ownership by consumers generally;
- there have been significant increases in the range and complexity of the retail investment product market;
- there is considerable pressure in an ever changing market place to update and expand NICRI publications to keep consumers properly informed;
- with the increase in the use of the internet, NICRI needs to update regularly the information appearing on the website;
- NICRI has been approached to deliver more services to regional and rural areas;
- there is increased concern regarding cases of fraud and mismanagement of funds and a general declining confidence in the financial planning industry; and
- the spate of recent corporate collapses has created uncertainty in the minds of older Australians about investing generally.

Outcomes for Government and Evaluation of Benefits

Benefits to Government of continuation of support for NICRI include:

- less pressure on social security system. For example: greater provision of preventative function ensuring assets are invested wisely and safely; greater maximization of retiree income through better investment choices; consumers are less susceptible to fraud and loss;
- ensures the older population is provided with a point of reference for sound management of their financial affairs; and
- complements the Financial Information Service of Centrelink.