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Superannuation & Wealth Management in Australia

*An analysis of consumer behaviour,
advice and fund performance.*

May 2010

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Superannuation & Wealth Management in Australia

Report 12 – May 2010

*An analysis of consumer behaviour,
advice and fund performance*

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1. INTRODUCTION

With the increased focus by the Australian Government recently on most areas relating to the managed funds and superannuation industry, through a proliferation of inquiries and reports, including; “The Ripoll Report”, “The Super System Review” – Cooper Inquiry, “Henry Tax Review”, and “The Future of Financial Advice” – Chris Bowen, it is timely to update the Roy Morgan Research “Superannuation and Wealth Management in Australia” report to understand consumer behavior in this area.

This report is based on the most extensive study of consumer financial behavior in Australia with over 50,000 interviews conducted annually.

Roy Morgan Research as the industry standard in Australia for data relating to all aspects of consumers’ financial behaviour, is uniquely placed to understand how superannuation and the managed funds industry generally fits within the household financial structure. All major financial institutions in Australia subscribe to Roy Morgan Research data and it is used extensively by government agencies and inquiries, by financial analysts, in company presentations and by the financial press.

The reliability of Roy Morgan Research’s Consumer Finance data is largely due to our uniquely large sample of more than 50,000 interviews per annum. The data is also unparalleled in terms of data coverage with continuous collection of survey data for more than 14 years. Roy Morgan International also collects comparable Consumer Finance data for the NZ and Indonesian markets.

Since 1996 Roy Morgan Research has conducted more than 400,000 interviews with Australians holding superannuation or retirement savings account products, and from each of these interviews collected a range of details including the specific type of product, the fund manager the product is with, the value of the investment and how the investment was obtained.

Roy Morgan Research superannuation and managed funds data is also unique in that it can be linked to a vast range of other financial and non-financial information to enable an holistic understanding of each person’s financial needs and behaviour. This is not possible with simple stand alone surveys or production specific inquiries.

Since the introduction of Superannuation Choice in July 2005, Roy Morgan Research has been tracking the impact this has had on consumers. This report is the twelfth in the series of such reports published since December 2005 and like the last report it expands on the original theme by putting superannuation in the context of wealth management rather than the normal “single product” approach.

Whilst superannuation is still the major household financial product in Australia in terms of value, it should be understood and analysed in the context of all the other financial products, assets and debt that make up the true financial position of Australian households.

Major issues such as household debt, superannuation adequacy or financial planning cannot be understood comprehensively at the aggregated level but must be analysed at the individual household level. It is very difficult, for example to look at household debt issues without taking into account that around 56% of people effectively have no debt. Retirement

saving adequacy also cannot be looked at simply in terms of superannuation when individuals have nearly as much in direct investments as they do in superannuation and yet this is often ignored. Financial planning should also be considered more holistically and can't be restricted to advice on one product or even investments alone.

This report continues the coverage of the superannuation market into the period ended December 2009. In addition to regular features such as analysis of the level of superannuation switching, ranking of winners and losers from the most recent switching data, and measures such as satisfaction and intention to switch super funds, it also includes a system for ranking superannuation fund managers in Australia. Critical issues such as potential financial planner preferences, perception of independence and advice have also been dealt with in considerable detail.

An important feature of these reports is that they look at segmentation for the wealth management industry based on customer value. The use of value based quintiles highlights the fact that this market cannot be treated as a simple overall aggregate because the top 20% account for around 70% of the market value and that the bottom 60% of the market account for less than 12% of the value.

We believe that the insights and analysis provided in this report will be of great strategic value to companies involved in the funds management industry, government regulators, industry bodies etc. and can be an aid to further enquiries using the unique Roy Morgan Research Single Source approach.

NB. All data quoted in this report is from Roy Morgan Research.