

Media Release

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Australians support 12 per cent super contributions and are more willing to switch funds to get a better deal on fees, performance and transparency

– *FSC / ING DIRECT Your Super Future report*

11 October 2015 - Eighty-eight per cent of Australian workers support our current superannuation system while 35 per cent say they are likely to change funds to get a better deal according to the 2015 FSC / ING DIRECT *Your Super Future* report.

While the FSC / ING DIRECT report found that people have confidence in the superannuation system, 51 per cent believe their super fund will not provide enough income for a comfortable retirement.

Just over half (55 per cent) of Australians will use additional income sources such as property and employment to supplement their superannuation, while one in nine Australians say they will rely on inheritance as a source of income support in retirement.

Vaughn Richter CEO of ING DIRECT said: “As an industry we need to ensure that super funds are as simple and transparent as possible so that people can see how much they are likely to have accumulated by retirement and plan accordingly.”

The amount Australians believe they need to save in super for a comfortable retirement varies according to current household income. Almost half of workers (46 per cent) believe up to \$500,000 will be enough to provide them with a comfortable retirement while 39 per cent say \$1 million or more is the right amount.

Eighty per cent of Australians support an increase in superannuation contributions to 12 per cent over the next decade.

Sally Loane, CEO of the Financial Services Council said: “With average balances still low – at \$70,000 for women and \$110,000 for men – there is scope to build more flexibility into the superannuation system to reduce the great gender divide.”

“Australians recognise that periods of reduced or no workforce participation due to child or elder caring responsibilities play a key role in the gender gap, and they support more flexibility in the super system to help those who have taken ‘career breaks’ to build their retirement savings when they can.”

Ms Loane said: “There is a good case for increasing superannuation contributions to 12 per cent, with our survey finding that a significant portion of Australians – more than 80 per cent – support the increase as a priority. “

“The current superannuation guarantee rate of 9.5 per cent is simply too low to enable Australians to self-fund their retirement,” she said.

“The superannuation guarantee must be increased to 12 per cent sooner rather than later to plug the \$136 billion blow-out in the retirement savings gap, which is the difference between the amount the working population will accumulate by retirement and the amount required for an adequate retirement for their life expectancy, in other words, what we have and what we need.”

The FSC / ING DIRECT *Your Super Future* report also shows there is a growing awareness amongst Australians of the impact of fees on superannuation, with 38 per cent saying fees are too high. Fees and better performance / returns ranked equally (52 per cent each) as the most common reasons for switching funds.

Consistent with previous years, around one in three workers (29 per cent) are aware that some providers are now offering zero-fee super funds. Only five per cent claim they pay no fees.

Mr Richtor said: “I am particularly pleased that increasingly Australians are considering switching their super funds to get a better deal on fees, performance and transparency. It shows people are taking more control of their retirement savings.”

The FSC / ING DIRECT *Your Super Future* report also shows that the majority of workers have a single superannuation fund, most often an industry fund, with 68 per cent saying it was selected because it was their employers default scheme. The most common reasons for having multiple superannuation funds are apathy “not getting around to it” (43 per cent) and necessity, being “locked in” due to employer requirements (18 per cent) or fund requirements (18 per cent).

Over half of Australian workers feel ‘in control’ of their super (56 per cent) and able to make informed decisions about it (53 per cent). While 89 per cent check the balance of their super fund, 64% of Australians claim to know the actual amount in their super funds – this has decreased slightly over the past two years.

Ms Loane also said: “We need to inject more flexibility into our superannuation system to cater for different stages of the life cycle such as taking career breaks to raise children or working reduced hours to care for sick or aging family members.”

“Research by Rice Warner for the FSC, shows an average Australian woman must contribute 18 per cent of her income to super from the time she enters the workforce to achieve an adequate, self-funded retirement without the support of the age pension.”

“This is not feasible, therefore we need a system which enables people to make contributions when they are financially able to close the retirement savings gap,” she said.

KEY FINDINGS			
Confidence and engagement in super has remained steady in the past 12 months due to strong superfund performance.			
2015	2014	2013	
88%	86%	89%	support Australia’s superannuation system
81%	83%	84%	see superannuation is essential in providing a comfortable retirement
57%	61%	55%	believe the superannuation system is something to be proud of

59%	64%	53%	say the superannuation system provides stability and certainty
68%	71%	64%	say superannuation returns are 'good'
52%	52%	53%	consider returns are better than the previous year
51%	52%	62%	believe super will not be enough to fund a comfortable retirement
80%	80%	83%	support increasing contributions to 12%
64%	68%	72%	know approximately how much is in their superfund now
38%	35%	31%	Say fees paid to their superfund are too high
52%	53%	n/a	say lower fees would be a key reason why they would consider switching funds: 52% say better performance by another provider would be key
29%	32%	32%	are aware of zero-fee super funds
62%	71%	66%	say super funds, their fees and the way they work are not transparent enough
68%	68%	74%	use their employer's default fund
35%	27%	19%	Would be likely to change their fund provider in the future

To learn more, download the FSC / ING DIRECT *Your Super Future* report from <http://www.fsc.org.au/research/yoursuperfuture2015>

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Notes to editors:

Your Super Future is based on a study conducted by KREAB Research on behalf of ING DIRECT and the Financial Services Council. The research comprised an online survey of over 1,200 Australian workers in August 2015.

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About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

About ING DIRECT

ING DIRECT changed the way Australians bank 16 years ago by launching the country's first high interest, fee free online savings account. Since then, we've brought this low fee value to home loans, transactional banking and superannuation.

With over 1.5 million customers – and \$34 billion in savings and \$38 billion in mortgages – ING DIRECT has the highest Net Promoter Score (advocacy) of any bank in Australia.