

A long-term engagement

A new ASIC report has called for more to be done to help people engage with their super

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A new report by the Australian Securities and Investments Commission (ASIC) has highlighted the need for more work to be done to increase member engagement with their super funds.

The ASIC *Member Experience of Superannuation Report* (Report 529) released on 30 June is well-worth a read as it presents both challenges and opportunities for employers and employees.¹

You might be thinking: Why is a report on the need to increase member engagement with super of interest to employers and employees?

Financial stress hurts individuals and businesses

For most Australians, their quality of lifestyle in retirement is largely dependent on how much super they have accumulated (along with owning one's own home).

People with lower super balances are more likely to fear retirement and, over the course of their working life, be subject to increasing levels of financial stress.

Financial stress in the workplace can lead to feelings of hopelessness, anxiety, depression, risk-taking, illness, absenteeism, poor decision-making, reduced productivity and more.

In addition, a lack of financial preparedness for retirement can also lead to people who would otherwise have retired, and who want to retire, feeling they have no other choice but to stay on at work.

A report released last year by The Centre for Social Impact revealed that 2m Australians are experiencing a high level of financial stress or vulnerability.²

Similarly, the Australian Psychological Society's series of 'Stress and Wellbeing' surveys concluded that financial stress is felt strongly by a 'concerning' number of Australians.³

The ASIC *Member Experience of Superannuation Report* maps three stages of the superannuation lifecycle—joining a fund, ongoing membership of a fund and changing or leaving a fund. The balance of this article considers how people can be encouraged and supported in the workplace to better engage with their super at all times.

Joining a fund

An important threshold question for employers here is: Why they have chosen their existing default super fund and whether or not it remains the most appropriate fund for their employees?

Usually employers choose a default super fund based on factors such as past performance and competitive fees and charges. If an employer, how long has it been since you benchmarked the performance of your default fund, its fees and charges and its level of service and support provided to your employees with that of other super funds?

Most employees do not choose their own super fund which means their super will be paid to the default super fund chosen by their employer.

Also, unless members choose otherwise, their super will be invested in the fund's default investment option, plus they will be provided an automatic level of insurance which may or may not suit their particular financial goals.

Employees can also make decisions about whether or not to make voluntary contributions to their super. Sadly, many

people realise too late in their working life that if they had made additional contributions to their super (which are subject to caps) they would have been more likely to have accumulated sufficient savings to fund the retirement lifestyle they want. If an employee, how long has it been since you reviewed the level and type of your voluntary super contributions?

In relation to insurance, super fund members have options to take out death, total and permanent disability insurance or income protection insurance, and to do so at different levels of cover depending on their current circumstances.

The most important decision members of super funds can—and should—make is how their super is invested.

As the ASIC MoneySmart website says: “With super, it’s easy to set and forget. But choosing a suitable investment option will have a major impact on how your super performs.”⁴

Members of super funds can typically choose from a number of investment options—for example a Growth, Balanced or Conservative option. The Growth option is likely to aim for higher average returns over the long term whereas a Balanced option aims for reasonable returns, but lower than those of a Growth option, while a Conservative option would typically aim for lower risk and a lower return over the long term.

Typically, younger people, who will not access their super for some years will benefit from a Growth option. As members approach retirement, they may switch to a more conservative option. Of course, the appropriate investment option depends on individual circumstances and the role super plays in an individual’s overall financial planning.

Businesses can encourage and support their staff to take an active interest in and ownership over these important financial decisions by:

- Asking their super fund to run information sessions for staff and management,
- Ensuring their super fund has useful and well-presented information on its website including easy to use calculators, and
- Checking their super fund provides high levels of customer service and support for member inquiries.



Ongoing membership of a fund

One very good time to engage strongly with super arises each year when funds distribute their annual member statement, usually between August and December.

The statement will contain important information including the individual’s super balance; levels of insurance cover; investment option/s selected; and fees paid. Funds will often also indicate how the fund performed against various independent industry rating agencies medians.

At this time of the year, employers seeking to support their staff’s engagement with super may consider the following types of strategies:

- Posting short notices in the staff newsletter or on the company intranet encouraging people to make the time to read their annual statement and consider contacting their super fund for an annual ‘super checkup’. Your super funds can provide you with suggested wording; and
- Inviting your super fund to conduct a workplace seminar for staff.

Changing or leaving a fund

The factors to be considered, continually reviewed and acted upon, when joining a fund and participating in a fund also apply when changing or leaving a fund.

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Is the fund performing well compared to the industry median? Are its fees and charges value for money? Does it provide high quality member service and support?

The ASIC report reminds us that to make the most of super requires ongoing engagement and activity. If your super fund is not providing the levels of individual and/or business support outlined in this column, it may be time to 'break off the engagement' and find someone better matched to your needs.

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- 1 See <http://asic.gov.au/regulatory-resources/find-a-document/reports/rep-529-member-experience-of-superannuation/>
- 2 See <http://www.csi.edu.au/financialresilience/>
- 3 See <http://www.psychology.org.au/psychologyweek/survey/>
- 4 See <https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-investment-options>



DCLS International Tenants Day

The Tenants' Advice Service of Darwin Community Legal Service (DCLS) celebrated International Tenants' Day on Monday 2 October 2017 at Darwin's Smith Street Mall.

This event was to raise awareness of the legal rights of renters across the NT and the need for law reform for fairer and safer tenancies.

DCLS is lobbying the NT Attorney-General the Hon Natasha Fyles to reform the Residential Tenancies Act. DCLS seeks particular urgency for specific regulation of residential tenancy databases, establishment of a centralised bond board and stronger protections for tenants affected by domestic and family violence.

The NT is unique in that more than 50% of the population pay rent to live in their home. This is significantly higher than in any other Australian jurisdiction. NT also has the highest homelessness rate in the country with long public housing waiting lists lasting several years. With emergency shelters often full, renters are mostly at the mercy of the private rental market. Despite this, NT has some of the weakest tenancy laws in the country.

The NT is the only jurisdiction in Australia without specific and effective regulation of residential tenancy databases. These databases are operated by private companies that

collate and sell data about tenants to real estate agents and landlords. This includes 'blacklists' of tenants that have allegedly defaulted on their tenancy obligations. Once a tenant has their name on a blacklist, they are effectively banned from the private rental market.

DCLS was pleased to see support at this event by representatives from many organisations including the Law Society NT, NT Shelter, YWCA, Somerville, CAAPS, APONT, Salvation Army as well as members of the public.

In the coming weeks and months, DCLS will continue to work with and lobby members of Parliament and engage community organisations to achieve its law reform goals.

