

22-6-2005

Our retirement in their hands: a user perspective

C. L. Cortese

University of Wollongong, corinne@uow.edu.au

D. K. Aylward

University of Wollongong, daylward@uow.edu.au

J. Glynn

University of Wollongong, jglynn@uow.edu.au

Follow this and additional works at: <https://ro.uow.edu.au/commpapers>



Part of the [Business Commons](#), and the [Social and Behavioral Sciences Commons](#)

Recommended Citation

Cortese, C. L.; Aylward, D. K.; and Glynn, J.: Our retirement in their hands: a user perspective 2005.
<https://ro.uow.edu.au/commpapers/54>

Our retirement in their hands: a user perspective

Abstract

Superannuation has become a key policy issue for the Australian government as the population continues to age at an increasing rate. Government policy has focussed on shifting the major financial burden retirement back on individuals with legislation and schemes aimed at encouraging self-funded retirement. The Financial Services Reform Act 2001 is the most recent legislative reform to affect the booming superannuation industry, with the objective of enhancing consumer confidence in the financial services markets, thereby increasing reliance on financial advisors and boosting superannuation savings. This paper reports on the results of a survey which demonstrate that despite government initiatives, most retirees continue to feel either dissatisfied with, or lack confidence in, the services provided by their financial advisors.

Keywords

retirement, superannuation, tax

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Cortese, C., Aylward, D. & Glynn, J. (2005). Our retirement in their hands: a user perspective. Proceedings of the Accounting and Finance Association of Australia and New Zealand (AFAANZ) Annual Conference (pp. 1-30). Australia: AFAANZ.

Our retirement in their hands: A user perspective

Corinne Cortese
Research Officer
(Corresponding author)
Faculty of Commerce
University of Wollongong
NSW 2522
(02) 4221 5297
corinne@uow.edu.au

David Aylward
Research Manager
Faculty of Commerce
University of Wollongong

Professor John Glynn
Dean
Faculty of Commerce
University of Wollongong

Abstract

Superannuation has become a key policy issue for the Australian government as the population continues to age at an increasing rate. Government policy has focussed on shifting the major financial burden retirement back on individuals with legislation and schemes aimed at encouraging self-funded retirement. The *Financial Services Reform Act 2001* is the most recent legislative reform to affect the booming superannuation industry, with the objective of enhancing consumer confidence in the financial services markets, thereby increasing reliance on financial advisors and boosting superannuation savings. This paper reports on the results of a survey which demonstrate that despite government initiatives, most retirees continue to feel either dissatisfied with, or lack confidence in, the services provided by their financial advisors.

Key words: superannuation, retirement, Financial Services Reform Act

i. Introduction

Population aging, which is defined as the “process by which older individuals become a proportionally larger share of the total population” (UN, 2001, p.1), is becoming a major issue in many OECD countries, including Australia, as the number of aged dependents and individuals reaching the age of retirement continues to grow. An important social and economic consequence that arises from population aging is how to support individuals upon their retirement. In 1994, the World Bank addressed this issue in a report which recommended a “three pillar” model for national superannuation policy (World Bank, 1994, p.12). Broadly representative of Australia’s superannuation system, the three pillar model advocates a policy of government funding supplemented by compulsory, employer-sponsored superannuation contributions, and voluntary, individual contributions.

The regulatory structure that supports Australia’s superannuation system has developed in an ad hoc manner and largely in response to various public demands for regulation. Arrangements for superannuation at present are complex and constantly evolving (Stanford, 2003, p.80). The most recent reform, the *Financial Services Reform Act* 2001, was intended to boost consumer confidence in the Australian superannuation and financial services industries by increasing disclosure requirements and enhancing the transparency and reliability of information made available.

In light of these recent reforms, a survey was conducted by the authors to discern the perceptions of Australian retirees with respect to their understanding and

expectations of, and their confidence in, the management of their superannuation entitlements and retirement incomes.

ii. Background

1. Population aging

Australia's population has been ageing for the last thirty years (Hugo, 2003, p.109). In the last 20 years, the number of people aged 65 and over has increased by sixty five percent and those over 85 have increased by over one hundred and fifty percent (Beal and Delpachitra, p.2003, p.1). Hugo (2003, p.111) reported projections that within the next 20 years, the number of aged dependents (those aged 65 and over) will outnumber the number of children (aged less than 15 years) for the first time in Australia's history. As with many OECD nations, Australia's aging population is strongly influenced by the post-war "baby boom" generation and the trend towards population aging will continue as more baby boomers reach the age of retirement in the coming decade (Hugo, 2003, p.109). The aging population, along with lifestyle preferences and medical advances, means that Australians are increasingly retiring younger and living longer (Barrett and Chapman, 2000, p.2). This trend has meant that social, economic and political planning has become a central focus and one of the many issues of importance is superannuation (Bishop, 2002, p.135).

2. Superannuation: the three pillars

To assist countries in dealing with the adverse socio-economic and political consequences of population aging, the World Bank published a recommendation

in 1994, which advocated a model for national superannuation policy known as the “three-pillar model” (Cortese and Glynn, 2004, p.3; Gavrilou and Heuveline, 2003; Knox, 1996; World Bank, 1994).

The first pillar, common revenue, is a type of safety net, which provides social security retirement benefits that are not conditional upon past employment (Bateman and Piggott, 1997; Gollier, 2000). These pension systems are typically government funded and administered, and are subject to a means test with the aim of assisting lower income retirees (Barrett and Chapman, 2000; Bateman and Piggott, 1997). Deferred revenue comprises (often compulsory) employment related superannuation contributions which are accumulated during a retiree’s working life (Gallery, 2003; Gollier, 2000). Under the compulsory arrangements, a minimum level of employer contribution must be paid on behalf of all employees. The third pillar relates to saved income, that is voluntary retirement savings contributed to a superannuation or pension fund (Bateman and Piggott, 1997; Gallery, 2003). These voluntary retirement savings may be amounts contributed by an employer over and above that required under the compulsory arrangements (Barrett and Chapman, 2000). Additionally, employees may elect to sacrifice a portion of their pre-tax salary as voluntary superannuation savings (Barrett and Chapman, 2000).

3. Superannuation in Australia

The World Bank’s (1994) recommendation is broadly representative of Australia’s superannuation system, which also has three pillars and emphasises a

move away from public pension arrangements and towards self-funded retirement (OECD, 1998).

The first pillar of the Australian superannuation system is known as the “old age pension” (Bateman and Champman, 2000). This is a publicly provided social security benefit that is funded by the federal government and is subject to a means test (Bateman and Chapman, 2000; Khan, 1999). The old age pension currently supports the majority of the population with over eighty percent of Australians receiving either a partial or full rate pension (Khan, 1999). The second pillar of the Australian superannuation system is regulated by the Superannuation Guarantee (SG) scheme, which is a compulsory retirement savings scheme (Williams, 1996). The SG requires companies to contribute a percentage, currently nine percent, of their employees’ wages to a superannuation fund for their benefit on retirement (Khan, 1999).¹ The third pillar comprises voluntary superannuation and retirement savings (Khan, 1999). Many employers and employees contribute voluntarily to their superannuation fund in excess of the mandatory level prescribed by the SG (Khan, 1999). For example, employees may elect to sacrifice a portion of their pre-tax income and instead contribute this amount to their superannuation fund as a voluntary payment. This has the dual benefit for increasing retirement savings and lowering the taxable income of the employee. It is estimated that over fifty percent of full time employees and over twenty-five percent of part time employees make voluntary superannuation contributions (Khan, 1999).

¹ The Superannuation Guarantee (SG) scheme will be discussed in more detail in the following section

In order to encourage people to save for their retirement, concessional tax treatments are typically applied to superannuation savings. In terms of the taxation structure that supports the second and third pillars of the superannuation system, Australia is the only OECD country that taxes superannuation at three points – when contributions are made to the fund, when earnings are made on the funds invested, and when benefits are paid out of the fund (Bateman and Piggott, 1997; Gollier, 2000; Koch, 2004). Contributions made to an Australian superannuation fund are tax deductible (Barrett and Chapman, 2000). This means that the amount contributed to an employee's superannuation fund may be deducted from pre-tax income, which in effect lowers the taxable income of the employee thereby lowering the income tax burden. However, the Australia government then taxes these superannuation contributions at the rate of 15% per annum. In addition, a surcharge is also applied to contributions where the employee's income is greater than \$94,691. Phased in at income levels over this amount, the surcharge increases until income reaches \$114,981.² At this point the full 15% surcharge is applied to contributions made to the fund (<http://www.ato.gov.au>).³ Earnings on amounts contributed to Australian pension funds are also taxed at 15% per annum. When the pension is eventually paid out of the fund as income, the Australian individual income tax rates are applied to the benefits, although the tax applied to these benefits is concessional with a 15% rebate received on the amount of tax paid.

² The amount of the surcharge increases at the rate of 0.001% of adjusted taxable income for every dollar earned above the lower threshold (\$94,691) until income reaches the upper threshold (\$114,981) (<http://www.ato.gov.au>).

³ These figures are correct for the 2003/04 financial year.

4. The regulatory structure of superannuation in

Australia

The Australian superannuation industry was largely self-regulated prior to the mid-1990s (Bateman, 2003, p.121). Superannuation was primarily an employment benefit for public servants and “white collar” workers and less than forty percent of the workforce was covered by superannuation (Barrett and Chapman, date, p.1). There was no specific industry regulator and the few regulations that did exist related to the taxation of superannuation and were incorporated in the *Income Tax Assessment Act* (Bateman, 2003, p.121). The first superannuation legislation, the *Occupational Superannuation Standards Act* was enacted in 1987 and established a legislative requirement for superannuation funds to prepare financial reports and have the reports audited (Bateman, 2003, p.122; Gallery and Gallery, 2003, p.89).

The major policy decision for the superannuation industry came in 1992. As noted, Australia’s population has experienced demographic aging over recent decades with the pace of population aging to continue rapidly in coming years (Hugo, 2003, p.109). The response to the problem of population aging, and the inability of Australia’s social security system to support the aging population, was the introduction of a compulsory superannuation scheme known as the Superannuation Guarantee (SG) (Piggott, 2004, p.70). Made compulsory by the *Superannuation Guarantee (Administration) Act* 1992, this legislation required employers to provide a guaranteed level of superannuation contributions on behalf of their employees. The SG reached the prescribed and current percentage contribution of nine percent of each employee’s wage in 2002 (Drew and

Stanford, 2003, p.154; Barrett and Chapman, date, p.1). The superannuation industry in Australia has since developed dramatically with around \$50 billion in assets currently under management and over ninety percent of employees covered by the superannuation system (Barrett and Chapman, 2000, p. 2; McDonald et al, 2003, p.13).

The Australian superannuation system that has developed is characterised by compulsion: deductions from income under the SG are compulsory; the direction of superannuation contributions to a particular fund and fund manager are compulsory; and it is compulsory to retain the accumulated balances of an individual's superannuation until the age of retirement (Drew and Stanford, 2004, p.185). Furthermore, individuals have little control over decisions relating to their superannuation with these made on their behalf by agents over whom they also have little influence (Drew and Stanford, 2003, p.98). Given this compulsion and the individual's lack of control, it is unsurprising that there is much anxiety about the performance of superannuation funds and concerns about the safety of entitlements (Drew and Stanford, 2003, p.98). This anxiety has been exacerbated by the recent downturn in superannuation investment returns and superannuation fund and corporate failures, which sparked a crisis of public confidence on the Australian superannuation system and provided impetus for investigations into the system (Gallery and Gallery, 2003, p.89; Gallery, 2003, p.144). For example, concerns about the management and regulation of superannuation funds motivated reviews by the Productivity Commission, the Senate Select Committee on Superannuation and Financial Services and the Superannuation Working Group during 2001 (Gallery and Gallery, 2003, p.144). The result was increased

demands for further regulation, particularly for regulation aimed at improving superannuation fund disclosure (Gallery and Gallery, 2003, p.89).

The response to the demand for increased regulation for the superannuation industry was the *Financial Services Reform (FSR) Act* 2001. The primary objectives of the reform were to “promote:

- (a) confident and informed decision making by consumers of financial products and services while facilitating efficiency, flexibility and innovation in the provision of those products and services; and
- (b) fairness, honesty and professionalism by those who provide financial services; and
- (c) fair, orderly and transparent markets for financial products; and
- (d) the reduction of systemic risk and the provision of fair and effective services by clearing and settlement facilities” (Financial Services Reform Act, 2001, p.3).

Hence, the *FSR Act* brought about more stringent disclosure rules and licensing requirements. These were aimed at making it easier for investors to understand the financial products and advice offered by their financial planners (Bowerman, 2004, p.6). The reforms were expected to promote consumer confidence in the financial services industry with the enhanced disclosure regime designed to improve the quality and transparency of information made available to consumers (Dagge, 2004, p.6).

Under this *FSR Act*, financial planners are now required to provide investors with three documents before any advice is given. These documents include a financial services guide, which outlines the nature of the financial services being offered, how fees are charged, how the advisor or institution gets paid and how complaints can be resolved (Dagge, 2004, p.6). Second, a statement of advice must be

provided which details the recommendations made by the financial planner and explains the basis for the advice. It also details how the advisor is paid and any other interests, associations or relationships that could influence the advice provided. Finally, a product disclosure statement is issued once the client has invested in a financial product. This document details the mechanisms by which the investment operates, its fees and significant taxation implications as well as the risks and benefits associated with the investment (Dagge, 2004, p.6).

The disclosure of fees and charges in the documents provided by financial advisors to their clients was expected to be one of the key improvements resulting from the *FSR Act*. There are many types of fees that may be charged on a superannuation fund including establishment fees, contribution fees, withdrawal fees, termination fees, ongoing fees, switching fees, and adviser service fees (ASFA, 2004, p.3). In response to the 2002 Ramsey Report, the Australian Securities and Investments Commission (ASIC) released its initial version of a fee disclosure model in August 2003 (ASIC, 2004). This model aimed to provide a benchmark for ‘good practice’ in relation to the fee information disclosed to consumers in product disclosure statements (ASIC, 2004). A revised version of the fee disclosure model was released in June 2004 as a result of consumer test studies which found that consumers continued to have difficulties understanding the fees and charges applied to their superannuating funds and the differences between the types of fees that may be charged (ASFA, 2004, p.2).

In response to these initiatives, a sample of Australian retirees was surveyed by the authors to gauge levels of understanding, confidence and expectations among

superannuation fund participants. The next section details the method used and is followed by a demographic analysis of the sample and a discussion of the survey findings.

iii. Method

The survey instrument, which is presented in Appendix 1, was developed and administered to a sample of Australian retirees in July 2004. The survey was administered via About Seniors, an organization that provides advice and information to senior citizens, retirees, those about to retire, veterans, pensioners and carers (<http://www.aboutseniors.com.au>). The organization manages a website and also distributes a fortnightly email newsletter to an Australia-wide web list of subscribers. The survey was available on the website for a period of six weeks and was featured in the email newsletter on three occasions during this period.

In total, 331 responses were received. Demographic data including gender, retirement status, pre-retirement salary and current retirement income were collected and are presented and analysed in the following sections.

1. Demographics

Demographic information was collected from respondents in order to contextualise the survey responses. As noted, 331 responses were received. The demographic data, which related to gender, status, and pre- and post-retirement income, is summarised and presented in Table 1. Sixty two percent of

respondents were male and thirty eight percent were female. In terms of retirement status, sixty one percent of respondents received a pension, which formed all or part of their retirement income. Those respondents for whom the pension comprised only part of their retirement income, the balance was self-funded. Thirty nine percent of respondents were fully self-funded retirees. Respondents were asked to disclose their income immediately prior to retirement. Pre-retirement incomes were fairly evenly spread across the income brackets. Post-retirement average annual incomes were concentrated in the middle- to lower-income brackets.

Table 1
Demographics of respondents

Gender	
Male	62%
Female	38%
Retirement status	
Pensioner (full or part)	61%
Self-funded retiree	39%
Salary on retirement	
\$80,000 and over	19%
\$50,000 - \$79,999	34%
\$33,000 - \$49,999	26%
\$20,000 - \$32,999	11%
Under \$20,000	10%
Average yearly retirement income	
\$80,000 and over	2%
\$50,000 - \$79,999	11%
\$33,000 - \$49,999	32%
\$20,000 - \$32,999	34%
Under \$20,000	21%

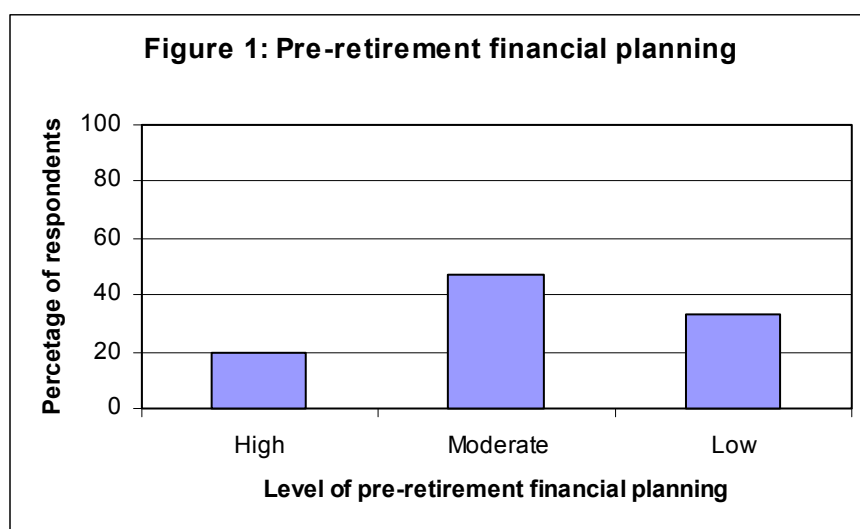
iv. Discussion and results

1. Pre-retirement financial planning

There are concerns that many Australians will be unable to support their retirement, instead continuing to rely on the government funded pension (ACCI, 2000). Therefore, the focus of Australian government policies has been on increasing measures that promote the self-funding of retirees to ensure that the retirement income system in Australia is viable in the long term (ACCI, 2000). However, despite these government policies, it is estimated that “most people within 25 years of retirement have grossly inadequate super” (Wyatt, 2004, cited in Lawrence, 2004, p.12). Thus, it is likely that those Australians who have not actively planned for their retirement, and who have not voluntarily contributed to their superannuation fund over and above the amounts required under the Superannuation Guarantee, will risk a drop in their living standards once they retire (Barrett, 2003, p.35).

To assess the effectiveness of these government policies aimed at increasing retirement savings, one of our survey questions required participants to indicate the level at which they engaged in pre-retirement financial planning. Approximately twenty percent of respondents indicated that their pre-retirement financial planning activity had been high. Almost half of the respondents indicated that they had engaged in pre-retirement financial planning to only a moderate degree, with over thirty percent reporting a low level of pre-retirement financial planning activity. These results, presented in Figure 1, are consistent

with reports on the inadequacy of retirement savings and planning, and highlight the importance of government policies aimed at encouraging a greater level of superannuation saving and planning prior to retirement.

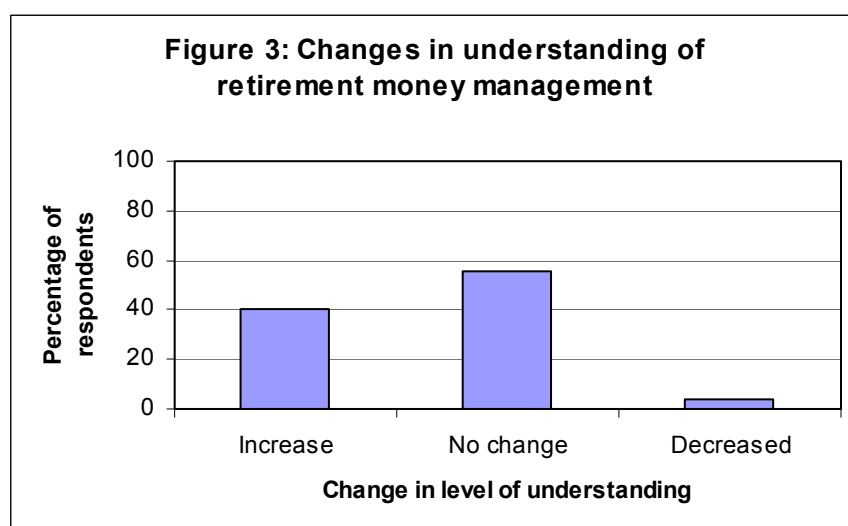
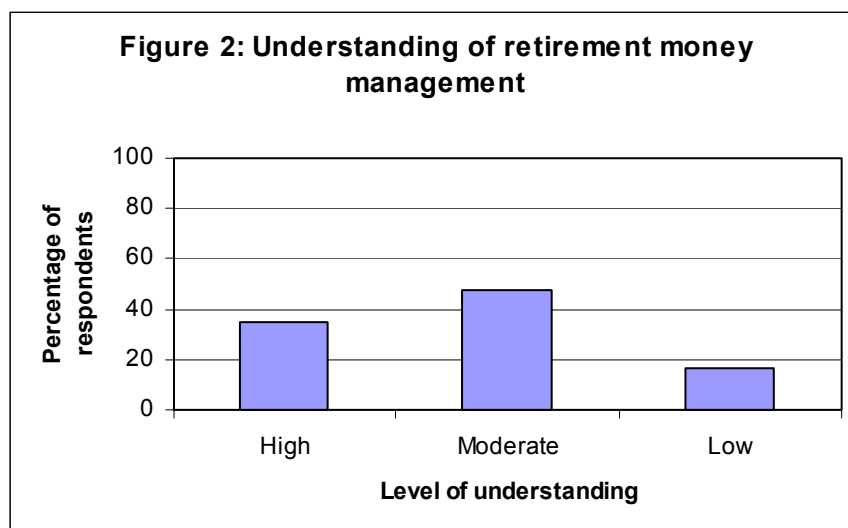


2. Understanding the management of retirement money

The *FSR Act* was intended to promote consumer confidence in the financial services industry by enhancing the quality and transparency of information provided regarding financial products and advice (Bowerman, 2004, p.6; Dagge, 2004, p.6). However, despite these reforms, a recent report indicated that forty-two percent of Australians still do not understand how their superannuation works (Koch, 2004, p.4).

Our survey, by specifically targeting Australian retirees, supplements this report and provides some additional insights into the level of understanding of retirees with respect to the management of superannuation savings. Survey participants were asked to rank their level of understanding of how their retirement money was

managed. These results are reported in Figures 2 and 3. As indicated in Figure 2, thirty-five percent of respondents felt that they had a high level of understanding with regard to the management of their money. Forty-eight percent reported a moderate level of understanding, with seventeen percent indicating that their understanding was of a low level. These results suggest a higher level of understanding concerning the management of superannuation funds than that reported by Koch (2004). However, because our survey specifically targets retirees, it can be argued that the respondents of our sample have more time and inclination to understand how their money is being managed since they depend on it for their livelihood. Indeed, as shown in Figure 3, when asked to comment on whether the level of understanding had increased, decreased, or remained the same over the prior three year period, only four percent indicated that their understanding had decreased. The majority of respondents indicated that their understanding had remained constant, with the balance, almost forty-percent, believing that their understanding of their retirement money management had increased. Most often, this increase in understanding was reported to be the result of additional time to investigate and take an interest in financial issues, and more extensive consultation with financial planners.



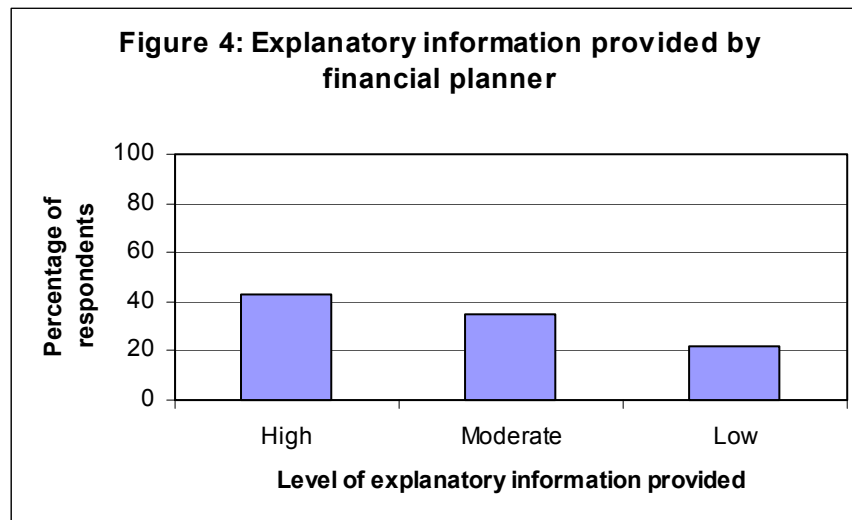
3. Explanatory information

The increased disclosure obligations required by the *FSR Act* were considered a fundamental improvement to Australia's investment and superannuation arrangements. The three disclosure documents – the financial services guide, the statement of advice, and the product disclosure statement – were expected to

increase the amount of information available to consumers and assist them in understanding the products and services being offered.

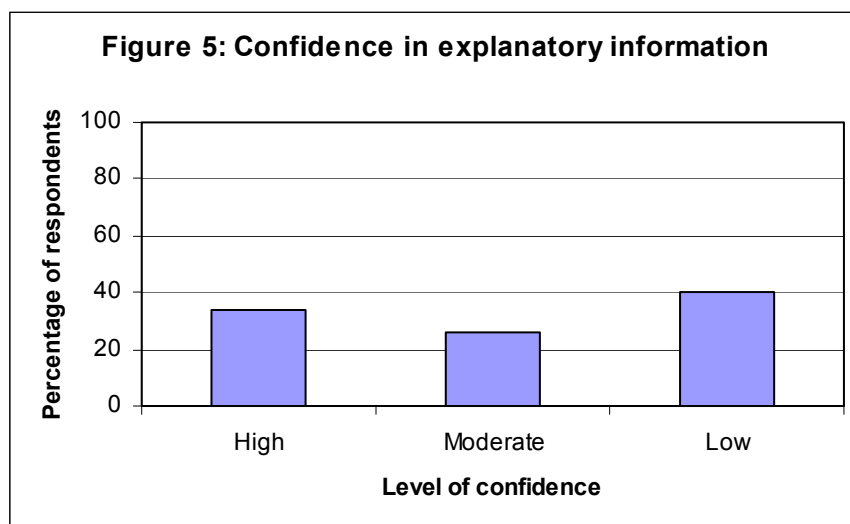
Given the aims and requirements our survey participants were asked to comment on the adequacy of the explanatory information provided to them by their financial planner, in terms of both its volume and usefulness. In terms of the level of explanatory information provided to them, forty-three percent of respondents reported that a high level of explanatory information was provided to them. The balance, fifty-seven percent, indicated that either a moderate or low level of information was provided to them (see Figure 4).

Hence, despite legislative efforts to increase the amount of information provided by financial planners to their clients the majority of our respondents do not feel that this level is particularly high. Alternatively, another explanation is that an expectation gap exists between the level of explanatory information that consumers expect and the level that is legally required to be provided to them by their financial planner.



Following on from this question, respondents were asked to comment on the reliability and usefulness of this explanatory information. As shown in Figure 5, thirty-four percent of respondents indicated that they felt confident in the reliability and usefulness of this information, with the remainder, sixty-six percent, indicating only a moderate to low level of confidence in the reliability and usefulness of the explanatory information.

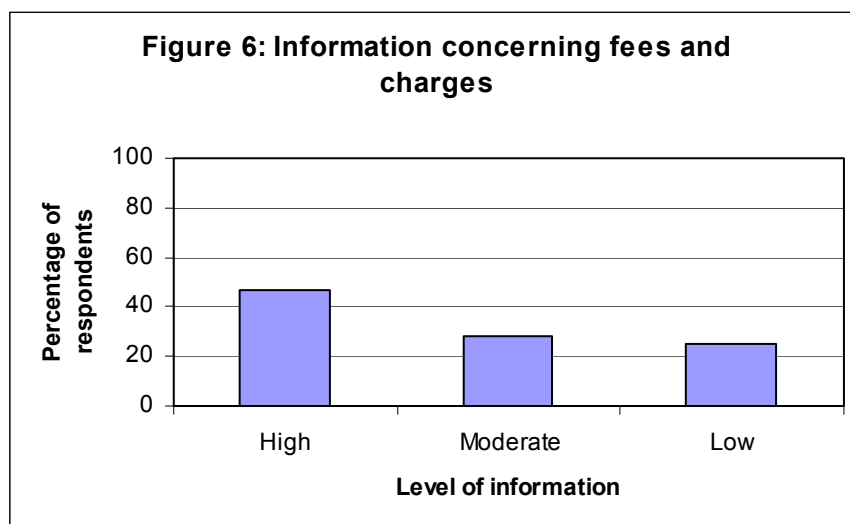
These results suggest that further investigation by legislators into the quality of explanatory information provided by financial planners may be warranted. While an increase in the required level of disclosure is a positive step towards holding financial planners more accountable to their clients, an increase in the amount of explanatory information is of little benefit if the users of this information are not confident of its reliability and usefulness.



4. Fees and charges

The fees and charges applied to a superannuation or investment product must be disclosed under the requirements of the *FSR Act* and, as noted, was expected to be a key improvement resulting from the reforms. However, industry and consumer groups have suggested that, even with the revised fee disclosure model in place, consumers will continue to remain confused about how fees and charges may erode retirement savings in the long term (Sampson, 2004).

The results of our survey support this suggestion. As presented in Figure 6, less than fifty percent of respondents felt satisfied with the level of information provided to them concerning fees and charges, while the remaining respondents indicated that the level of information was moderate or low.

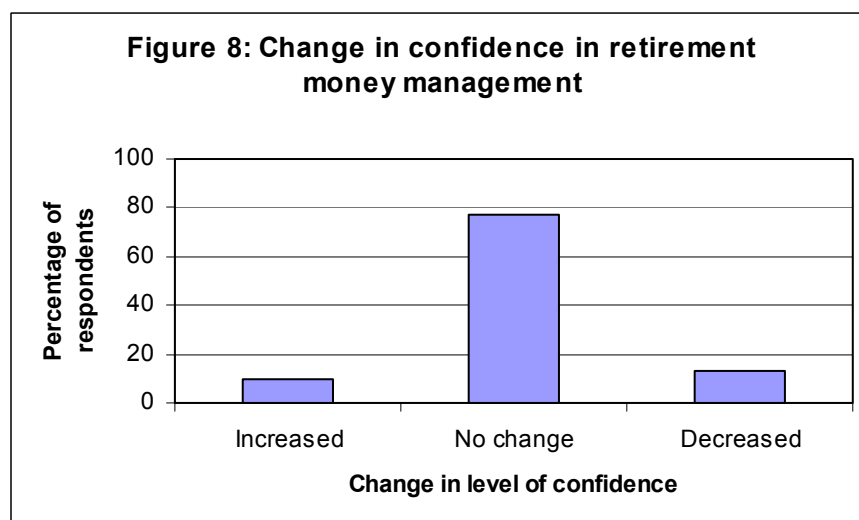
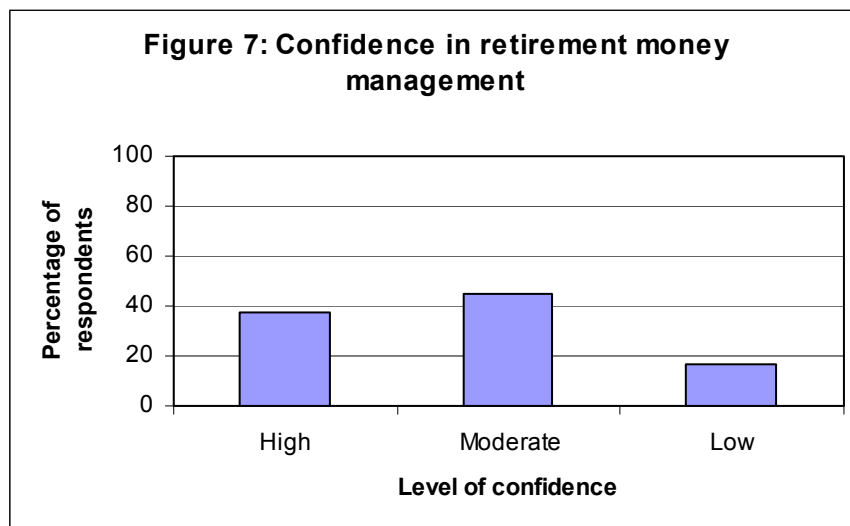


5. Confidence in the management of retirement money

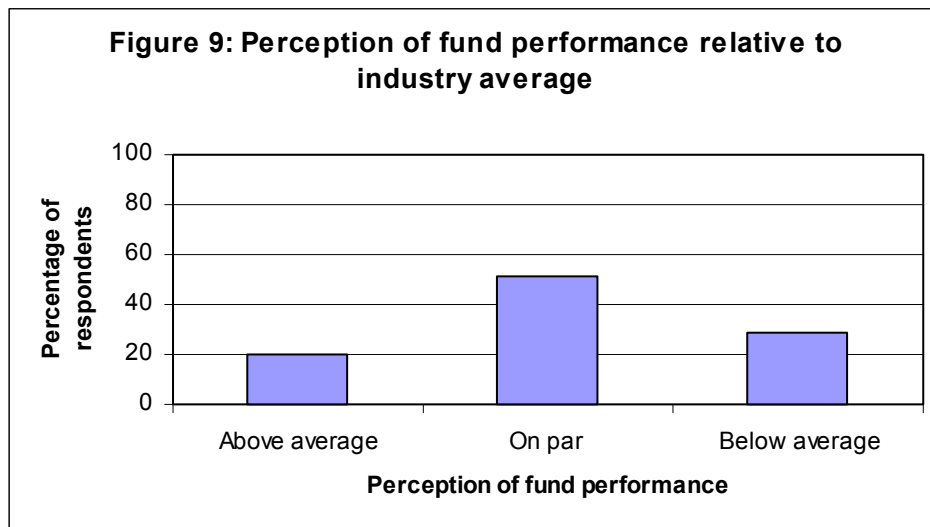
As noted, the Australian superannuation system is characterised by a number of aspects of compulsion and a lack of control by employees as to how their superannuation entitlements are invested and managed. In order to gain some understanding of retiree's confidence levels with respect to the management of their superannuation fund and retirement income, our survey asked participants a series of targeted questions.

Firstly, respondents were asked to rank their level of confidence in the services provided by their financial advisor concerning the management of their retirement money. As shown in Figure 7, thirty-eight percent of respondents reported a high level of confidence. Forty-five percent of respondents had a moderate level of confidence in the way their retirement money is managed, and seventeen percent indicated a low level of confidence.

Respondents were also asked to comment on whether their level of confidence had increased, decreased or remained the same over the past 3 years. Only ten percent of respondents reported an increase in their confidence concerning the management of their retirement money. Seventy-seven percent of respondents reported no change in their level of confidence over the past 3 years, while thirteen percent indicated that their level of confidence in the management of their retirement income had decreased over the past 3 years (see Figure 8).



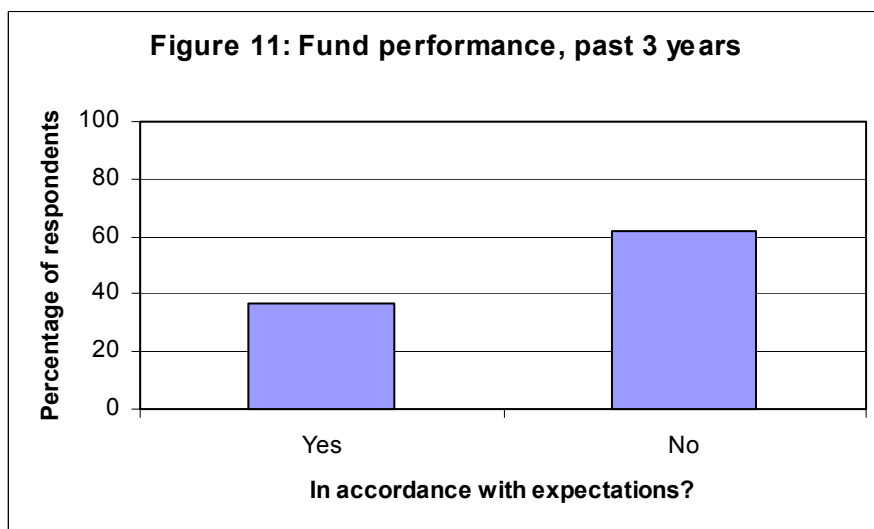
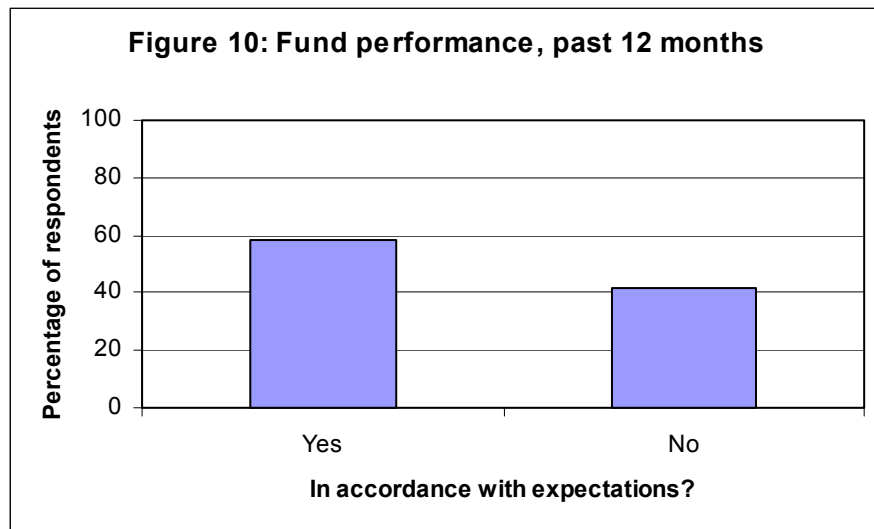
Anecdotal evidence from survey respondents suggests that changes in the level of confidence are a direct result of the superannuation fund's performance. For example, one dissatisfied respondent reported that their level of confidence in their financial advisor wouldn't be so low if "the fund had performed better over the past few years". As such, respondents were asked questions concerning their perceptions of fund performance. The results are presented in Figure 9. The majority of respondents, fifty-one percent, believed that their retirement fund had performed "on par" with the industry average. Twenty percent of respondents felt that their retirement fund had performed well compared to the industry average, with the balance, almost thirty percent, reporting that they believed their fund had performed below the industry average.



In addition, respondents were asked to comment on whether the performance of their superannuation fund had met expectations over the past 12 months, and over the past 3 years. As shown in Figure 10, over the past 12 months most respondents, fifty-eight percent, reported that the performance was in line with

their expectations. The remaining forty-two percent indicated their expectations had not been met. Interestingly, these responses were reversed when the participants were asked whether the performance of their retirement fund had met their expectations in the past 3 years (see Figure 11). Sixty-two percent of respondents reported that fund performance was below expectations over the past 3 years while only thirty-seven percent of respondents felt that fund performance had been in line with their expectations over this same period.

These survey results, which highlight the dissatisfaction with superannuation fund returns, are unsurprising given that over the last 3 years superannuation funds have averaged just a one percent return per annum (Potts, 2004, p.6). This trend reflects, to some extent, the state of the share market generally over this period, which suffered as a result of global economic and political uncertainties, the Asian economic crisis and the collapse of the dot com sector (Adamson, 2003, p.48; Huntly, 2002, p.28; Mead, 2003, p.52; Rees, 2003, p.18). Furthermore, during this 3 year period inflation has increased to almost three percent per annum meaning that, in real terms, the average superannuation fund member has received a negative return for the past 3 years (Potts, 2004, p.6)



v. Conclusion

Over the last two decades, the superannuation industry in Australia has undergone dramatic growth. Projections indicate that assets held in superannuation funds will reach a trillion dollars by mid-2010 (Nicholson, 2000). The industry has been boosted by government initiatives which have made superannuation contributions compulsory and encouraged voluntary savings above the mandatory level.

Given the enormity of the industry, the elements of compulsion in the superannuation system, and the relative lack of control of superannuation participants over their investments, ensuring consumer protection and satisfaction should be high on the list of priorities of both the government and the superannuation industry. The *Financial Services Reform Act* was introduced in 2001 to enhance investor confidence in the financial services industry, and thus promote superannuation savings, with increased disclosure and improved understanding and confidence key goals of the reforms.

However, despite the extensive and elaborate regulatory framework, which is designed to offer both protection and satisfaction, concerns over the adequacy of superannuation savings, performance, disclosure, understanding, and confidence persist. This paper, which has reported on the perceptions of Australian retirees with respect to levels of understanding and confidence in superannuation fund information and performance, indicates that the Act has fallen short of its goal with the majority of retirees reporting only low to moderate levels of understanding and explanatory information as well as a low level of confidence in the information provided to them. Furthermore, fund performance over the last three years did not meet the expectations of retirees, however this trend reversed over the past 12 months as domestic and overseas markets have improved.

This paper highlights the need for not only additional information, but for additional information that is also understandable and useful to users. Despite the government rhetoric of a superannuation industry that delivers transparent and high quality information, the low levels of satisfaction and confidence reported in

this paper suggest that further significant improvements will be necessary before Australians feel comfortable enough to support a system that encourages voluntary contributions and eases the burden on government funding.

References

- About Seniors, Available: <http://www.aboutseniors.com.au> (Accessed: 2004, 3 April).
- Adamson, G., 2003, Blue chip battleground, Personal Investor, 1 January, 48.
- Association of Superannuation Funds of Australia (ASFA), 2003, Fees research, Available:
http://www.asfa.asn.au/policy/ChantWest&ASFA_FeesResearch_Nov03.pdf
(Accessed: 2004, November 20).
- Association of Superannuation Funds of Australia (ASFA), 2004, Superannuation Fees Disclosure – Consumer Testing Report, Available:
http://www.asfa.asn.au/policy/AgeingAgendas&ASFA_SuperFeesDisclosure.pdf
(Accessed: 2004, November 21).
- Australian Chamber of Commerce and Industry (ACCI), 2000, Retirement incomes: a large problem getting larger, Available:
<http://www.acci.asn.au/IssuesPapersMain.htm> (Accessed: 2004, December 15).
- Australian Securities and Investments Commission (ASIC), 2004, ASIC releases revised fee disclosure model, Available: http://www.asic.gov.au/asic/asic_pub.nsf
(Accessed 2004, 15 September).
- Australian Taxation Office, Available: <http://www.ato.gov.au> (Accessed: 2004, 3 April).
- Barrett, J., 2003, Retire in comfort, Australian CPA, 73, 1, 35-37.
- Barrett, J., and K. Chapman, 2000, The Australian superannuation system, Australian Prudential Regulation Authority, 1-11.
- Bateman, H., 2003, Regulation of Australian superannuation, The Australian Economic Review, 36, 1, 118-127.
- Bateman, H. and J. Piggott, 1997, Private pensions in OECD countries – Australia, OECD Occasional Papers, 23, 1-89.
- Beal, D. J. and S. Delpachitra, 2003, Defying the clock' - a profile of Australians who ignore retirement planning, Journal of Economic and Social Policy, 7, 2, 1-14.
- Bishop, B., 2002, Australia's aging population - some answers, The Sydney Papers, Spring, 135-139.
- Bowerman, R., 2004, How to judge the new financial services laws. The Sun Herald, 3 February.

Cortese, C. and J. Glynn, 2004, Taxing our future: the burden of the Australian superannuation system, Paper to be presented at the Fourth Global Conference of Business and Economics, Oxford University, UK.

Dagge, J., 2004, Advisers caged but not tamed, *The Sun Herald*, 21 March, 6.

Drew, M. E. and J. D. Stanford, 2004, Why is superannuation compulsory?, *The Australian Economic Review*, 37, 2, 184-190.

Drew, M.E., and J.D. Stanford, J.D., 2003, Principal and agent problems in superannuation funds, *The Australian Economic Review*, 36, 1, 98-107.

Gallery, N., 2003, Forced saving: mandating private retirement incomes, *Economic Record*, 79, 244, 144-146.

Gallery, N., and G. Gallery, 2003, Inadequacies and inconsistencies in superannuation fund financial disclosure: the need for a principles-based approach, *The Australian Economic Review*, 36, 1, 89-97.

Gavrilov, L. A. and P. Heuveline, 2003, Aging of population, in P. Demeny and G. McNicoll (eds), *The Encyclopaedia of Population*, (Macmillan Reference, New York).

Gollier, J., 2000, Private pensions: regulatory issues, *Insurance and private pensions compendium for emerging economies*, OECD, 2, 1-95.

Hugo, G., 2003, Australia's aging population, *Australian Planner*, 40, 2, 109-118.

Huntly, I., 2002, The great Aussie stock, *Weekly Shares*, 1 December, 28.

Khan, Q, 1999, Australia's retirement income system: an example of sustainable cost-effective coverage, Paper presented at the Policy Implications of the Ageing of Australia's Population Conference, Melbourne.

Knox, D.M., 1996, Contemporary issues in the ongoing reform of the Australian retirement income system, *The Australian Economic Review*, 114, 199-211.

Koch, D., 2004, It's time to sort out this super mess, *The Sun-Herald*, 1 February, 4.

Lawrence, M., 2004, The fatal flaws in super, *Business Review Weekly*, March 25-31, 12-14.

McDonald, H., J. Viece, J., and P. Darbyshire, 2003, An analysis of the antecedents of satisfaction for superannuation fund members, *Journal of Financial Services Marketing*, 8, 1, 11-21.

Mead, J., 2003, Cycle on the up, *Business Review Weekly*, 30 January, 52.

Nicholson, A., 2000, Self-Managed Superannuation Funds, Available <http://www.taxinstitute.com.au> (Accessed: 2004, August 15)

Organisation for Economic Cooperation and Development, 1998, Retirement income systems: the reform process across OECD countries, Aging Working Papers, 3.4, 1-83.

Piggott, J., 2004, Super reform needs some serious action, Australian Financial Review, 22 May, 70.

Potts, D., 2004, Working on sweet returns, The Sun Herald, 25 January, 6.

Randall, J., R. Higgins, R., and L. Goddard, 1996, Superannuation, (Australian Tax Practice, North Ryde).

Rees, D., 2003, Australian shares outlook, Weekly Shares, 1 February, 18.

Sampson, A., 2004, Super fee disclosure still has its critics, The Sydney Morning Herald, 17 June.

Stanford, J. D., 2004, Long-term issues in superannuation: an overview, The Australian Economic Review, 37, 2, 180-183.

Stanford, J. D., 2003, Is superannuation safe? The background and the issues, The Australian Economic Review, 36, 1, 79-88.

United Nations, 2001, World population aging: 1950-2050, Available: <http://www.un.org/esa/population/publications/worldageing19502050> (Accessed: 2004, June 10).

Williams, G., 1996, Comparative accountability, Charter, 67, 10, 50-51.

World Bank, 1994, Averting the old age crisis (Oxford University Press: USA).