

# Written Submission in Response to Productivity Commission Draft Report – How to Assess the Competitiveness and Efficiency of the Superannuation System

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## Introduction

This paper has been prepared in response to the opportunity for further comment and input offered by the Productivity Commission relative to their draft report on How to Assess the Competitiveness and Efficiency of the Superannuation System.

## Scope

The comments made within this paper relate to Tier 2 of the Sparrow Tiered Performance Framework (i.e. Behavioural Outcomes) and specifically cover points relative to:

- a. Sufficient Member Engagement
- b. Informed Member Decisions (including decisions by intermediaries)

Within this paper, the term "consumers" refers to individuals who fall within the accumulation phase of the superannuation lifecycle.

## Lack of Public Awareness

Consumer disengagement is considered a significant contributing factor limiting demand driven competition within the superannuation industry. Reasons attributed to high consumer disengagement figures have been covered extensively within section 5 Assessing Competitiveness and Appendix B Member Decision Making.

Super in general is not well understood by the everyday consumer and therefore consumer engagement with their super and understanding of the impact an optimisation strategy can have on the sort of lifestyle they will have the ability to lead in retirement is low. This statement aligns with the evidence already put forth within the draft report. **If superannuation is a critical component to help Australia meet the economic and fiscal challenges of an ageing population, why are there are no public awareness campaigns targeted at the everyday consumer advising them of the importance of being actively engaged to optimise their superannuation asset?**

It is safe to say that the majority of everyday consumers have a limited understanding of the role they could or should be playing when it comes to their super. **Super Simpler is of the view that consumers are disengaged because they are unaware there are options available to them to actively engaged with and optimise their super, they are unaware of the consequences that being disengaged with their super brings with it** (e.g. not having enough super to support a comfortable lifestyle in retirement, not having an option to retire earlier than the Government prescribed age which qualifies for the Age Pension).

**Super Simpler's view is that more needs be done to raise the public's general awareness around superannuation** and the role they can and should be playing in ensuring their super asset is optimised and well managed to meet their long term retirement goals and objectives. **There should be demographically targeted awareness campaigns** especially to new entrants into the work force that clearly and simply explains the importance of engaging with super as soon as they enter the workforce so maximum advantage can be taken of compounding interest over the course of their working life. There needs to be public awareness of the opportunity loss incurred by not engaging with their super. The public needs to be made aware of how they can become engaged with their

super, what they should expect from a super provider and how they can determine if the super provider is actually performing well or not.

## The Objective of Superannuation

Super Simpler agrees whole heartedly with the Commission's views on the importance of demand side pressure relative to improving market competitiveness. Super Simpler observes that **consumers are kept in a weak position by the industry and are rarely able to hold superannuation product providers accountable for their performance, or lack thereof, due to a lack of visibility into and understanding of product performance based on a tangible, universally understood measure.**

If the objective of superannuation is to provide consumers with income in retirement then the question should be asked, why is there is no comparison mechanism available for consumers to cross compare their superannuation arrangement against others in the industry, using this easily understood measure (i.e. income in retirement)? It is with this question in mind that Super Simpler embarked on an ambitious project to create an accessible and affordable cloud based application that will provide consumers with such a comparison mechanism (prototype application due for completion first quarter of 2017). The application seeks to simplify the complexities of super allowing every day consumers within the Industry, Corporate and Retail market segments who are in the accumulation phase of the superannuation lifecycle to actively engage with their super, set long term super goals and objectives, implement an optimisation strategy and obtain ongoing performance monitoring of their super strategy at an accessible and affordable price.

Although there are a number of ratings websites currently operating in the market there does not appear to be any players who are wholly independent that are providing a tangible, universally understood measure for super comparison and subsequent service offering of that which Super Simpler aims to deliver to consumers. Measures utilised by current rating websites tend to be non-transparent, intangible measures such as apples, road signs and cats.

## Addressing Key Inhibitors (Demand-Side Competitiveness)

Super Simpler's prototype application is aiming to be the first of its kind within the Superannuation Industry. Utilising a bespoke, mathematical algorithm, it is seeking to calculate a tangible, universal measure of projected annual retirement income across a range of superannuation products within a selection of defined service models. The application also seeks to demonstrate to consumers the importance of an actively engaged superannuation strategy compared to the industry accepted default/set and forget super strategy.

The application will offer consumers a personalised, secure account, accessible via a web based interface through which Super Simpler will deliver a unique and innovative approach to scaled advice and ongoing superannuation strategy performance monitoring. **The application has been developed to act not only as a mechanism for consumers to derive improved performance of their super asset but also as a mechanism to apply demand-side competitive pressure on super providers within the industry.**

In essence, the application seeks to address a key inhibitor of demand-side competitiveness, that being, a lack of easily accessible, affordable, understandable, useful information a consumer requires in order to make informed decisions that are in their best interest. It is hypothesised that through a combination of complex algorithms and software, a consumer will be able to quickly and easily determine which superannuation product best suit them, from a broad spectrum of differing products and service options, to suit their specific circumstances, without bias or the need for costly, specialist advisor involvement.

Super Simpler has targeted the application to have mass appeal to the everyday consumer, to help assist them in taking control of their super, aid them in making strategic decisions, setting goals and objectives and providing them with a mechanism to regularly review their super's performance towards meeting those goals and objectives and where required assist them making tactical adjustments along the way. **The aim of the application is to disrupt the super industry's currently accepted disengagement model which promotes consumer complacency toward their super and transform it into one of active engagement and control over their super outcomes.**

## Conclusion

Super Simpler, through the release of its market leading application to be released early 2017, is seeking to fulfil a highly ambitious agenda to disrupt the super industry and force market change. To evolve the industry from being one that acts as record keepers, who escape accountability due to a lack of public awareness and a non-existent mechanism for relative performance comparison into an true service industry that offers consumers a mechanism to hold providers to account.

**Super Simpler invites a representative of the Productivity Commission to come and meet with us to discuss the approach and methodologies utilised to execute such an agenda.**