



The Future of Super and Digital Advice Myths

Presented by

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kpmg Agenda

Key Drivers changing the Super Landscape

Future of Super Funds

The key drivers changing the super landscape are...



Persistent Regulatory Change and Scrutiny



Demographic Shifts



Increasing Consolidation Activity



Shifting Customer Expectations

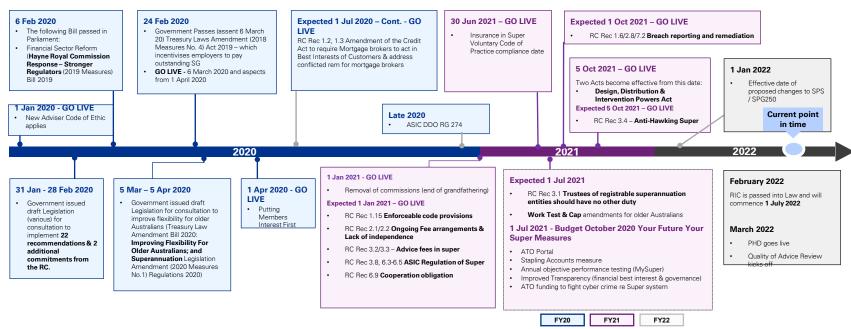


Digital & Value Chain Disruption



1. Persistent (and significant) regulatory change

- Over 180 recommendations were made in the Murray Review and Haynes Reports post enacted in the last 2-3 years which impact for example:
 - · Decision making frameworks
 - · Trustee and management accountability to members, the regulator and markets
 - Transparency regarding the operation and management of funds
 - · How products are designed, assessed and distributed
 - · Where SG monies flow
 - Who can hold a product (eg insurance)
- · Regulators have great powers than previously and ASIC is now more actively "in the super space".





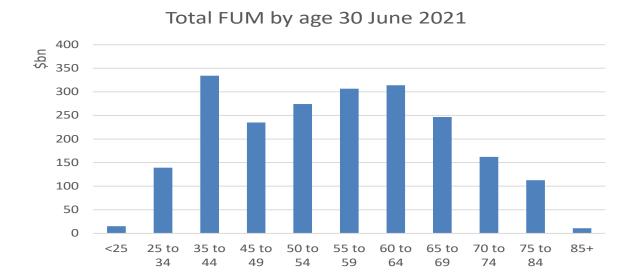
2. Australia's aging population is a driver for development in retirement

"Over the next 10 years, an estimated 3.6 million Australians will move from the accumulation phase to the retirement phase of superannuation, with somewhere in the region of \$750 billion in aggregate retirement savings"

Helen Rowell, APRA, November 2021.

Source: KPMG analysis

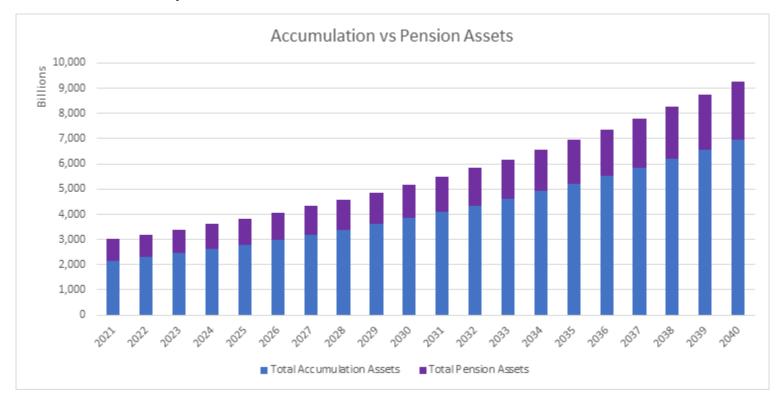
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2. 2040: \$100 billion will be paid out in pensions each year

- Total pension payments will be around \$100bn, compared to \$30bn in FY21
- Pensions will make up 25% of total FUM (22% in 2021), i.e. proportionally the same
- Successful funds unlikely to be in net outflow



Source: KPMG analysis



2. The key to harnessing RIC is data

The RIS Covenant requires Trustees to formulate, regularly review and give effect to a Retirement Incomes Strategy.

Trustees needs to:

- Understand and segment member by retirement income needs (ie cohorts)
- Address how the trustee will achieve and balance the following objectives:
 - maximising the retiree's expected income
 - ensuring flexible access to capital
 - managing risks to the sustainability and stability of retirement income, including longevity, investment, inflation and any other risks.
- Consider different sources of retirement income, net of tax, including income paid from the fund, the age pension and any other sources the trustee determines
- · Determine the "period of retirement"
- Consider how existing and potential product offering(s) benefit the different member cohorts and achieve and balance the above objectives.

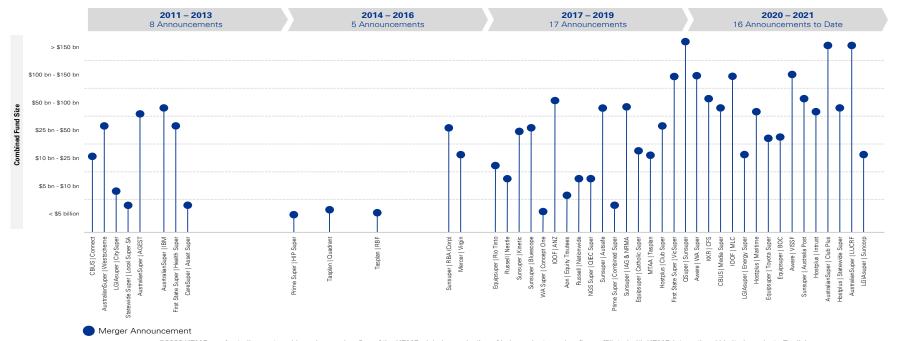


Calls for a new approach



3. The Sector is consolidating and will continue to accelerate...

- In the 6 years between 2011 and 2016 there were 13 'material' (above \$500m) SFTs announced;
- In the 3 years between 2017 and 2019 there were 17 announcements
- 16 announcements in 2020 and 2021
- 4 announced in the first 3 months of 2022
- Week of 1 April 22: APRA announced research regarding sustainability of 78 RSEs (24/47 small; 11/18 medium and 3/13 large funds had declining sustainability metrics).

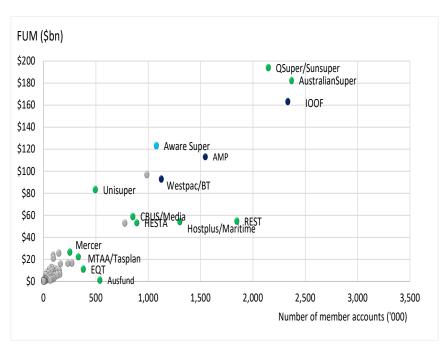


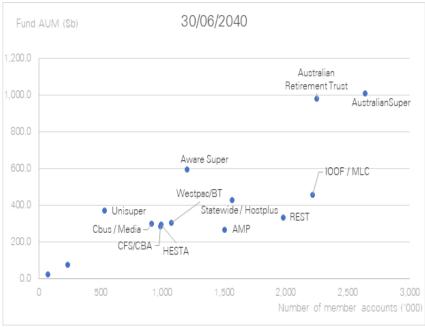


3. 2040: The Sector is likely to have \$1T Super funds...

Excluding any further potential mergers

- AustralianSuper and the Australian Retirement Trust are expected to continue to dominate the industry, each growing from ~\$200Bn to approximately \$1Tr in FUM and over 2m member accounts
- Aware Super may grow from sub \$200Bn to \$600Bn in FUM; IOOF may grow from sub \$200Bn to \$500Bn in FUM



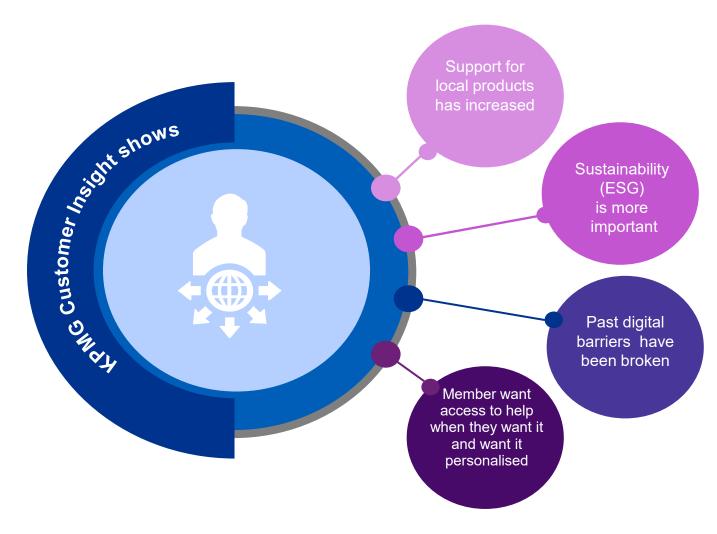


Source: KPMG Super Insights Dashboard using APRA data



Source: KPMG analysis

4. A new consumer has emerged





5. Digital and value chain disruption will see a different looking Sector in the next 10 + years....

Digital transformation agendas have accelerated. Consumers who traditionally haven't engaged digitally are now doing so. However.....

41%

Organisations do not have a clear digital business vision and strategy

50%

Do not have a view of all customer interactions

49%

Do not use customer data for personalised experiences



Super funds of the future will be data driven and whether it be for advice or other services, will likely partner with third party organisations across a much broader eco-system



Super Fund of the Future will harness factors such as these to deliver better member outcomes

Low Cost IT & Operations

- Blockchain, cloud, open source software, Quantum computing
- Step-change in cost base
- Process simplification and standardisation

Emerging Technology

Platform-Based

- Multi-sided platforms
- Eco-system development
- End to end member journey
- New forms of value

New Business Models

Growth & Scale

- Ability to manage ongoing operational efficiency remains key determinant of long-term sustainability
- Scale through net positive inflows, membership and FUM growth allow for investment in new products and services

Sustainable

Trusted

- Cognitive trust (competence) versus associative trust (aligned to member values)
- Restoring and/or maintaining trust with members, society, regulators and government
- Enhanced Governance & Decision making frameworks
- Transparency and flexibility in investments

Social License

Data-Powered

- Data driven ex-ante product outcome testing (RIS)
- Data driven product reviews (proactive and reactive) (DDO)
- Open data regime
- Data aggregation capabilities
- Data-driven decision-making
- Proprietary and third party
- New adjacencies

Insights

Member-Obsessed

CX

- Seamless user experience
- Removing friction/pain points
- Highly personalised
- Context relevant
- Mobile first

Agile

- Integration of machine learning and Intelligent Automation to the workforce
- Rise of the 'gig economy' will result in fusing full time FTE (traditional model) with hybrid labour, e.g. specialist skills and digital labour

Intelligent Automation

Partnership-Orientated

- A range of Fintech and third-party partnerships
- Range from more traditional sourcing relationships to strategic
- Will require different types of capabilities and competencies
- New commercial constructs

Build/Buy/Partner



Thank you. —

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