

Looking at super wealth

...at the household level

FEAL Strategy Seminars

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Introduction

Four big issues for super

- Data – what do our member ‘household balance sheets’ look like; what are their financial goals?
- Advice model and delivery – how is the fund going to deliver high quality retirement income advice
- What is the role of the super fund in retirement? What should the directors be doing?
- What to make of the recent Fintech-inspired super disruptors? Do they have an engagement model that is worth emulating? Are they a threat?

Future Fund can do it

Maybe he is right...at least as far as retirement phase goes



Looking at super wealth

Average system-wide super account balance from APRA



But that is not the whole story

Need to consolidate multiple accounts

ATO says that 14.8m people have super

They have been consolidating accounts in recent years, but 40% of them have more than one account:

Average consolidated superannuation wealth (on a multiple-account basis) is \$157,000

The goal is retirement income

Average balances don't tell the whole story

Your biggest balance will be at or near retirement

Retirement is a joint project for the majority

66% of people are married at retirement¹

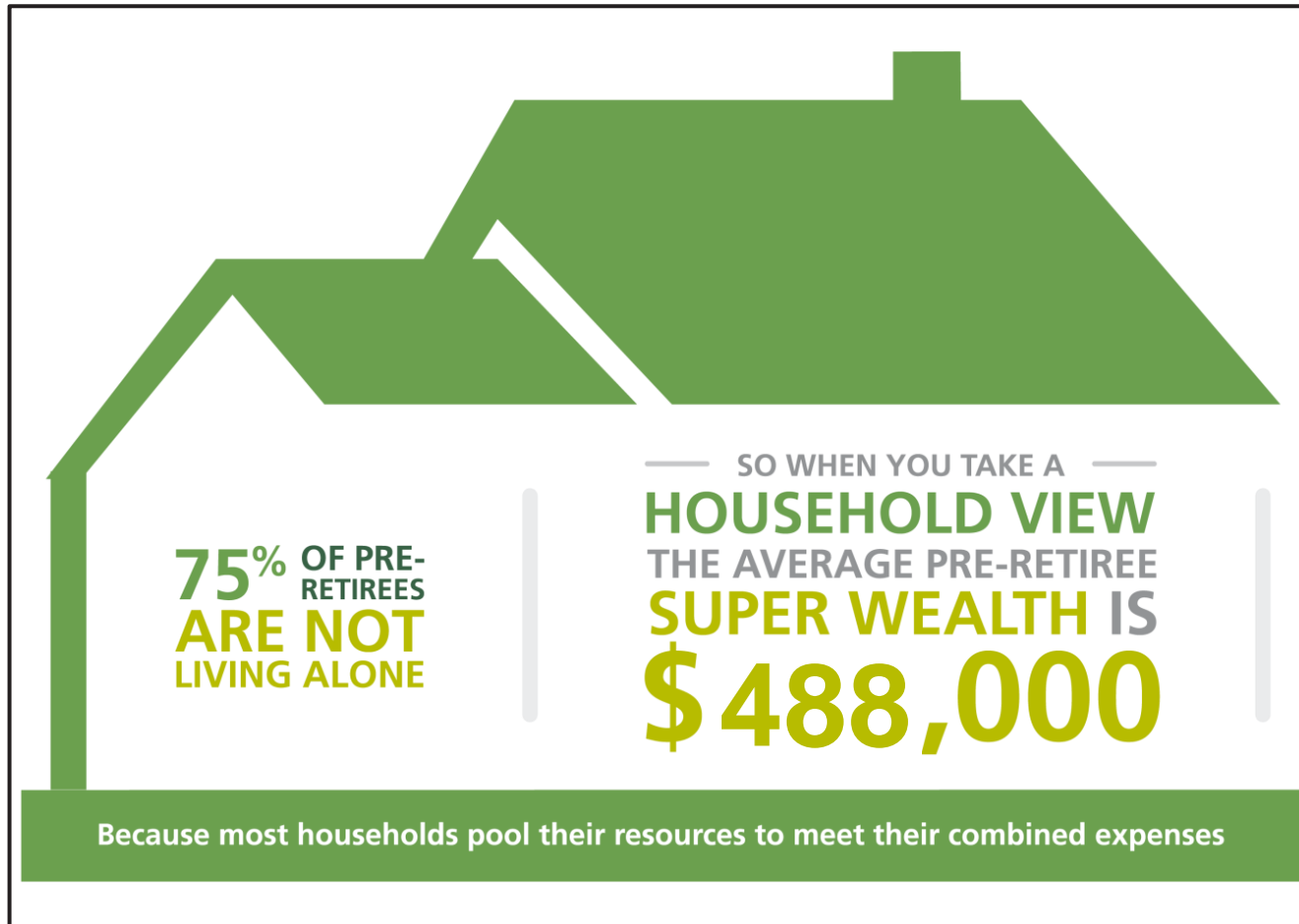
- Average balance for a couple aged 55-64 is \$488,000

But 25% are living alone

- Average balance for a single aged 55-64 is only \$143,000

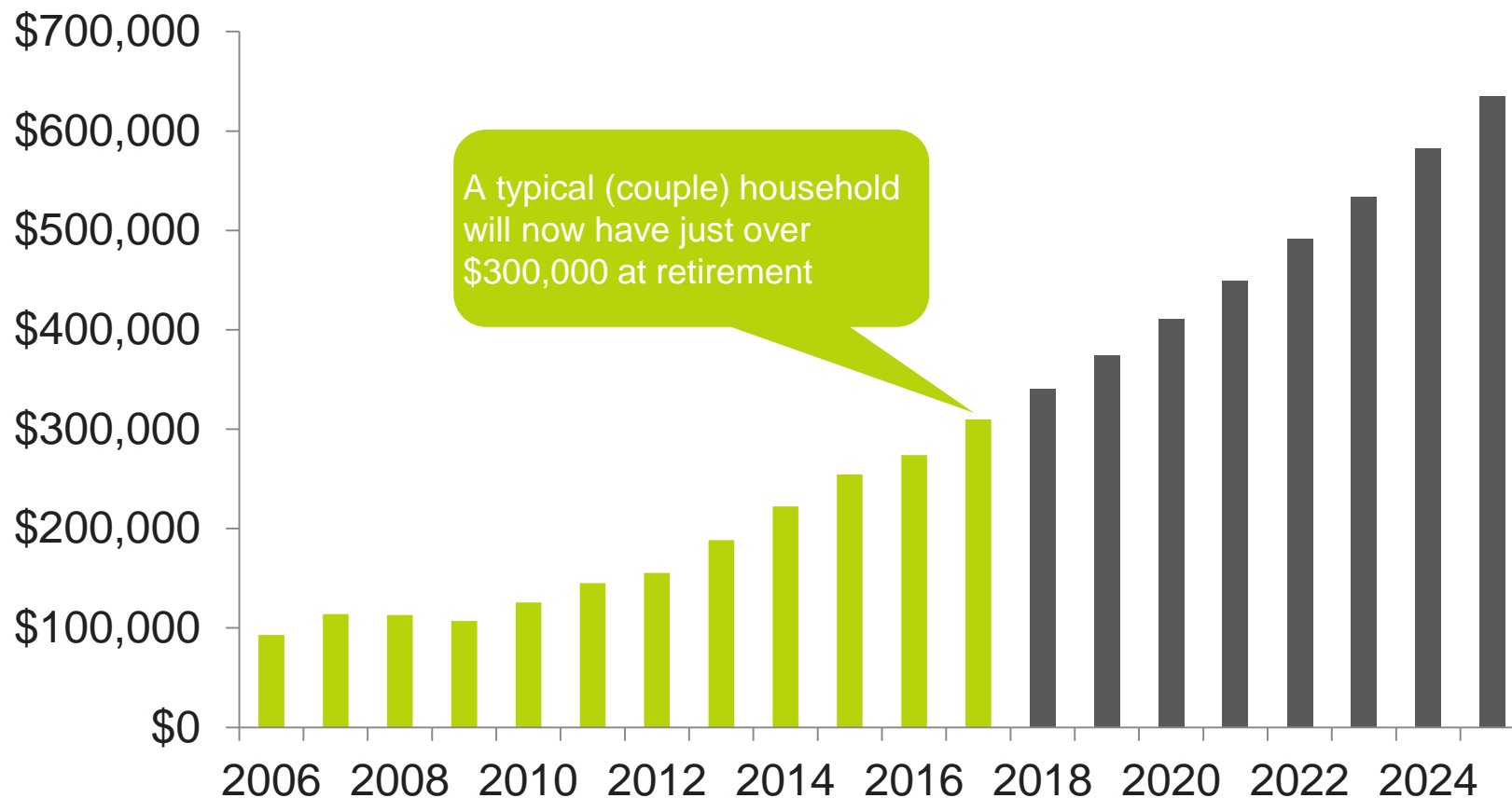
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Combining super wealth at the household level



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What do today's median balances look like?

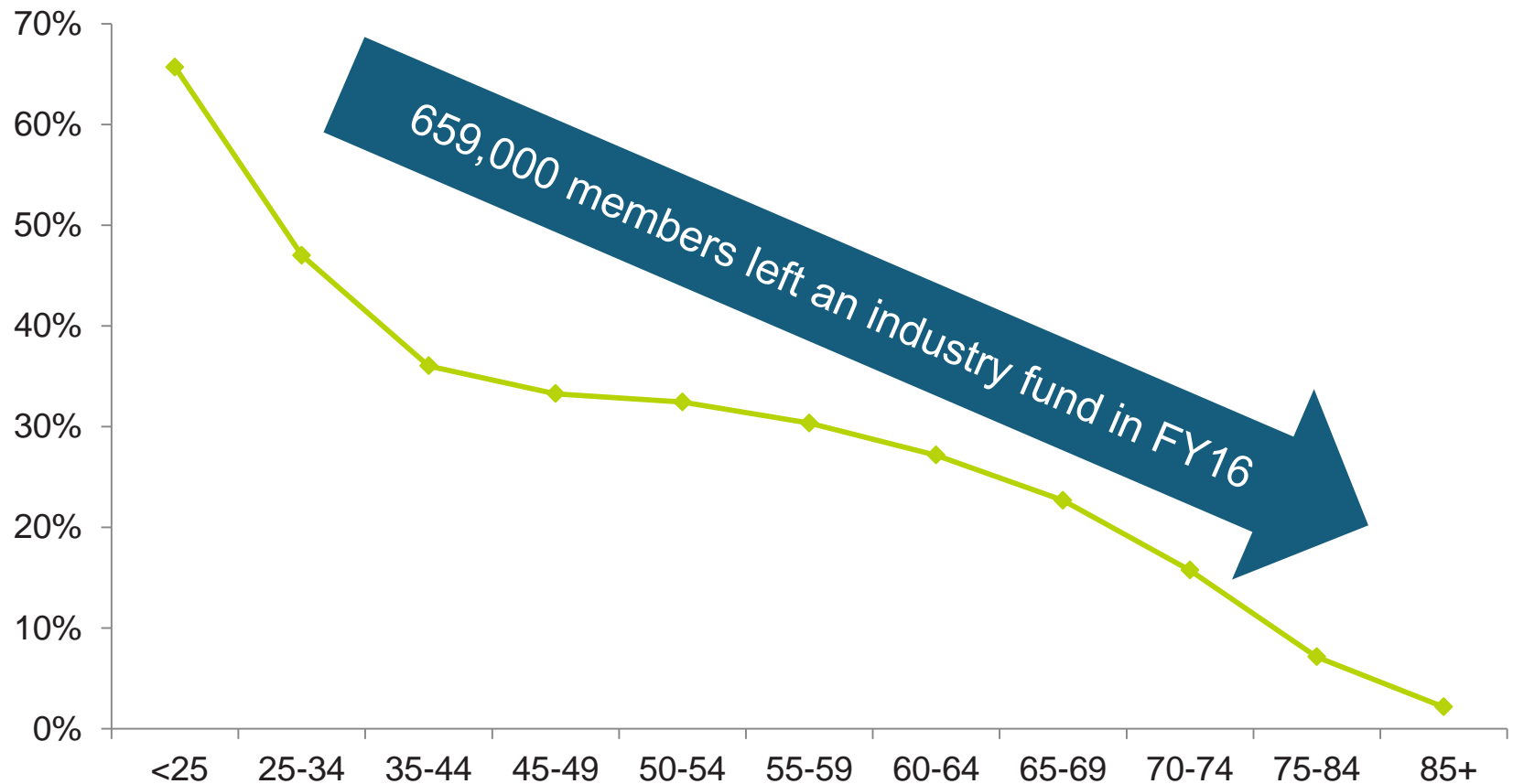


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Source, ABS, APRA
Projections assumed 6% p.a. investment returns and 3.5% p.a. wages growth

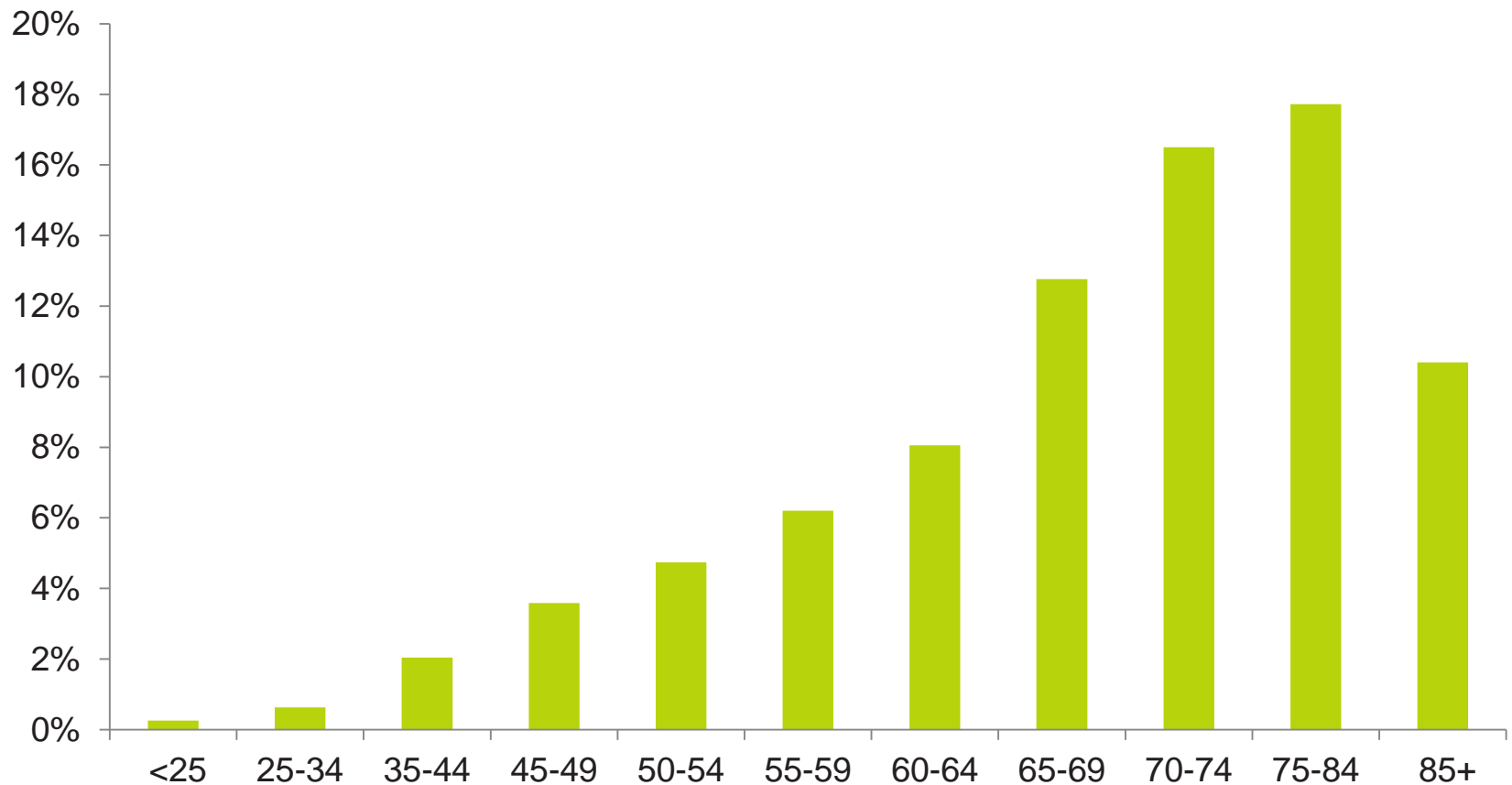
Where do the fund members go?

Proportion of accounts in industry funds (by age)



Rise of the SMSFs

Older members seeking control



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As at June 2016, source APRA

The Fintech super disruptors

Can funds learn from their engagement models?

- ATO SMSF data June 2017 – new SMSF members aged 35-44 made up 26% of all SMSF establishments. Same cohort the disruptors are targeting.
- Spaceship – millennial tech-oriented investing
- Human Super – the fund for women
- Grow Super – members can choose a 15% ‘tilt’, rest is managed by Dimensional; built their own ‘Grow’ top-ups app; mainly engagement tools
- Acorns has \$120m in FUM and Link has sponsored Moneysoft ‘Round-ups’

Super wealth data

Conclusions

- Industry-wide (and whole of fund) average balances are not meaningful
- Need to understand household retirement wealth and income in retirement
- There is variation in balances and outcomes across members
- Older members are moving to SMSFs where they are in control and decisions use their actual data and goals

The end