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Generation Y and super: the story isn't all bad

Recent research commissioned by the **Australian Institute of Superannuation Trustees (AIST)** has revealed that Generation Y may not be as disinterested in their superannuation as previously thought.

The research – *“Gen Y & Superannuation: Why won't they engage?”* conducted by **Colmar Brunton** late last year, to be launched at **AIST's Conference of Major Superannuation Funds** – suggests that many Gen Y's have a realistic idea of how much money they need to retire, what the Age Pension will supplement and how they want to use their money at retirement time. However, they lack the knowledge and education to understand more.

AIST CEO Tom Garcia said Gen Y was often portrayed as disengaged but the story isn't all negative. Gen Y understand that super is important but the challenge for super funds is clear communication, including the frequency and language used, he said.

“Encouragingly, Gen Y are thinking about their super at an early age,” Mr Garcia said. “This research is telling us that young people understand the importance of thinking about superannuation now rather than waiting until closer to retirement.”

Mr Garcia said that Gen Y is first considering superannuation around the age of 24, around the time of their first ‘real’ job. “This is an encouraging sign as it will give them more time to plan for an adequate retirement,” said Mr Garcia, “whether they let their fund know when they change addresses is a different story.”

Comments in the qualitative study from Gen Y participants suggested that watching parents go through retirement without enough funds could be a big factor in this evolution of superannuation.

“Funds need to be mindful of their demographics, and present material that is in the language of that demographic, keeping in mind the best avenue to use and how deeply they need to engage,” said Mr Garcia.

The research showed that 63 per cent of Gen Y participants plan to use their super as a retirement income stream. “It's good to see that Gen Y understands the importance of using their super to provide income in retirement and shows that as an industry we must reframe the language from account balance to income stream,” said Mr Garcia.

The research also shows some surprising similarities in attitudes between over 55's and Generation Y when it comes to superannuation. Growing the personal nest egg was the most important priority for both groups surveyed. Education also ranked as very important, with both groups wanting to be educated on the best options and choices of investments. Gen Y believes they will need between \$30,000 and \$60,000 a year for retirement, while the 55+ group believes they need between \$18,000 and \$40,000 a year in retirement.

The full research was examined at AIST's flagship conference on the Gold Coast today, which attracts more than 1,100 representatives of the not-for-profit super sector.

About the research:

There were two main stages to the research including qualitative exploration and quantitative measurement. Focus group participants will also take part in a panel discussion at CMSF 2014.

This data is reflective of what is known as an ABS Australian population within a sampling error of 5%. The sample of Gen Ys and plus 55 were drawn from an omnibus online survey of 1000 plus people conducted late last year. The quantitative study involved 344 “Gen Y” participants and 278 “55 and over” participants, asking them eight questions each.

Both groups were asked a series of questions about contact with funds, priorities when looking at a fund, interest in superannuation and perceptions around how much they think they need and how they intend to use their superannuation.

Key Findings:

- Gen Y first consider super at 24
- 55+ first consider super at 42
- Both groups listed “to grow my super through smart investment” as the most important priority in Super
- Education ranked highly for both groups with wanting to be educated on the best options and choices of investments as Gen Y’s second highest priority, or the third priority for the over 55s
- Gen Y believe they will need between \$30,000 and \$60,000 a year in retirement higher expectations
- 55+ group believe they need between \$18,000 and \$40,000 a year in retirement
- Gen Y believe super will supplement 39.9% of their total income
- 55+ believe super will supplement 50.5% of their total income
- Both groups would contact their fund to check their balance, but Gen Y are more likely to ask about rollover of their funds, whereas the over 55 group want to know about access to their super

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AIST is the peak industry body for the \$600 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.