



**ASIC**

Australian Securities & Investments Commission

**REPORT 66**

# **Monitoring advertising in superannuation**

January 2006

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## Copyright

Information we have drawn on for this report is within the public domain.

## Examples of advertisements

Advertisements used in this report are for illustrative purposes only and are in no way intended to act as an approval, endorsement, criticism or an indication of any particular concern by ASIC.

# Executive summary

## Why we monitored advertising

From March 2005, the Australian Securities and Investments Commission (ASIC) monitored mainstream media advertising and direct marketing for superannuation in the context of the introduction of the Choice of Funds legislation (Super Choice) in 1 July 2005.

Because the superannuation sector is highly competitive, we expected a considerable increase in new advertising when choice of fund was introduced. Given intense competition and the complexity of the products involved, we were concerned about the possibility of some advertising misleading consumers. We also wanted to understand how super was being promoted to consumers in the context of Super Choice.

We looked at in excess of 850 advertisements across print, radio and television. This included general promotions of superannuation fund providers and advertising that had a particular focus, such as choice of fund, fees, past performance or other fund features. Our monitoring covered both an historical and a current block of advertising. This report covers advertising from 1 July 2004 through to 26 November 2005.

As well as monitoring mainstream media advertisements, we also tracked a small section of the superannuation direct mail through the participation of ASIC staff and their families.

This report summarises some of the findings from seven individual internal ASIC reports that form part of an ongoing series of reports on trends and findings from monitoring advertisements.

## Compliance issues

This report does not seek to deal with the compliance issues we identified as part of our monitoring or through complaints made to us. Concerns arose only in a small number of instances and have been or are being followed up. Media releases for those matters that have now been publicly resolved are included at the end of this report: see Appendix A.

However, we remind all those considering superannuation advertising to take particular care:

- when using past performance information (see ASIC's *Guide on the use of past performance in promotional material*, July 2003),
- when making statements/projections about future matters (see ASIC Policy Statement 170 *Prospective financial information* [PS 170]),
- with comparative advertising (see ASIC's *Guide on the use of past performance in promotional material*, July 2003), and

- with price advertising to ensure that claims take account of all fees and charges or that any qualifications are prominent and clear.

The bottom line is that the overall impression given by the advertisement shouldn't give a misleading or false impression to the intended audience and small print and rapid voice-overs won't fix everything.

In 2006, we will continue to monitor new and revised superannuation advertising.

## **Our methodology**

Our project involved:

- monitoring superannuation advertisements and promotions,
- producing internal reports about the trends in advertising identified from our tracking efforts, and
- monitoring some of the direct marketing with the participation of ASIC staff and their families.

### **External service provider**

To monitor mainstream media ads, we engaged the services of an external service provider. The monitored media included TV (free-to-air and some pay TV), radio, daily press (*Financial Review*, *Sydney Morning Herald*, *Sun Herald*, *Courier Mail* etc.), the main national consumer and business magazines and internet content from major ISP/portals and business websites.

The focus was on radio, TV and print (dailies and suburban) in the capital cities and generally did not extend to cover regional areas outside the capital cities. Therefore some local and regional content may not be captured.

### **The advertisements**

The numbers presented within this report are of 'new' or 'newly revised' advertisements. The report does not record or measure the repeated playing of existing ones. This means that we have measured the amount of new advertising each month rather than the intensity of advertising using repetition of existing advertisements.

We divided them into 14 different categories based on the broad type of claim they sought to make. The categories are not intended to be exhaustive and were selected to provide a standard range of headings to group advertisements into categories that are of interest.

## Findings in brief

Following are some of our findings for the period between March and November 2005 across print, TV and radio (the following numbers exclude direct mail):

- The main medium used for superannuation campaigns was print. Overall:
  - 76% of ads were promoted by print.
  - Only 9% of promotions were on television.
  - Radio also represented a smaller proportion with 15% of overall advertising.
- In the months leading up to super choice we saw a shift away from more generalist promotions to more specific or targeted promotions. We also saw a significant increase in the number of new superannuation advertisements in the three months leading up to and during the commencement of Super Choice.
- Advertising promoting general awareness of *Super Choice* was dominated mainly by the government and industry fund advertisements.
- In relation to direct mail, we reviewed 75 different types of direct mail promotions with some of the promoters being BT Financial, Onlinesuper, Westscheme, CARE Super and Virgin.
- *Self-managed super funds (SMSFs)* accounted for a small share (6%) of overall advertising. The main focus was the promotion of SMSF seminars or services that promise to show you how to set-up, manage and comply with setting up your own SMSF.
- *Financial advisory services* accounted for 29% of overall advertising and dominated the TV slots.
- There was a low incidence of advertising by *accountants*, generally (1% of our overall advertising numbers).
- *Promotions based on awards/ratings* increased significantly in the later part of the year, representing a 4% share. A number of organisations have been emphasising the awards they have won. For example, Colonial First State, HSBC, ING and Vanguard Investments
- *Promotions based on fee levels* despite representing a small proportion of overall ads (4%) included high profile ad campaigns by Virgin, Industry Fund Services and more recently by Max Super.

# Advertising snapshot

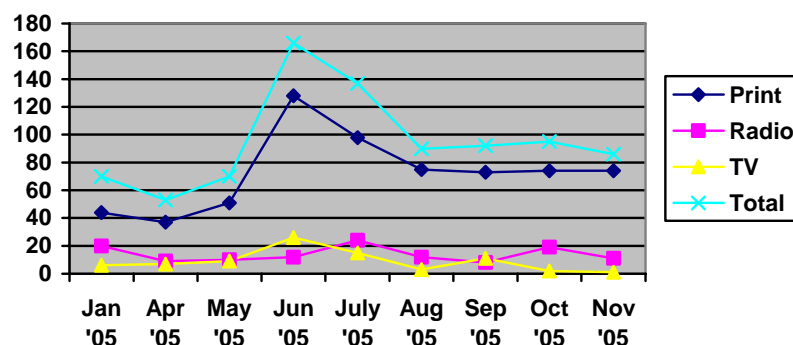
The following tables and charts show the volume and dissemination of new or revised mainstream advertising from 1 July 2004 to 26 November 2005.

## Monthly trends

**Table 1: Month-by-month trends in the number of mainstream advertisements (excludes any direct mail)**

	Jul 04– Jan 05	Jan 05– Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Total
Print	44	37	51	128	98	75	73	74	74	654
Radio	20	9	10	12	24	12	8	19	11	125
TV	6	7	9	26	15	3	11	2	1	80
<b>Total</b>	<b>70</b>	<b>53</b>	<b>70</b>	<b>166</b>	<b>137</b>	<b>90</b>	<b>92</b>	<b>95</b>	<b>86</b>	<b>859</b>

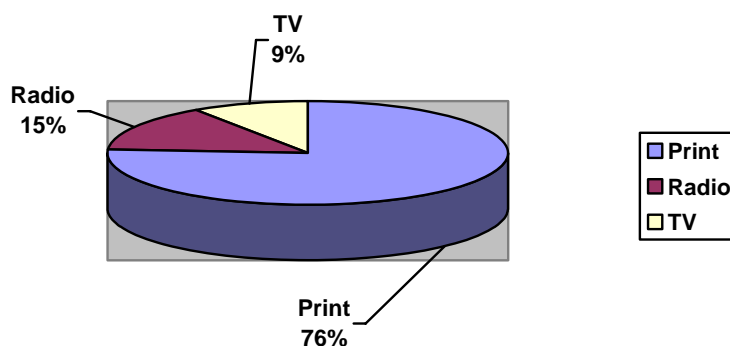
**Chart 1: Month-by-month trends in the number of mainstream advertisements (excludes any direct mail)**



## Distribution by medium

The following chart shows the proportions of print, radio and TV (but not direct mail) in relation to each other. Overwhelmingly the majority of advertising (by number of new or revised ads) was in print.

**Chart 2: Aggregate distribution of print, TV and radio advertising**



## Distribution by sector

**Table 2: Distribution of advertising broken down by sector and medium (i.e. is the advertising by an industry, corporate or retail super fund, financial planner or accountant?)**

	Corporate funds	Industry funds	Retail funds	Financial planners	Accountants	Ancillary service providers <sup>1</sup>	Other financial product providers	Total
<b>Print</b>	23	33	149	230	4	34	181	<b>654</b>
<b>Radio</b>	0	4	21	71	0	9	20	<b>125</b>
<b>TV</b>	3	23	16	22	0	8	8	<b>80</b>
<b>Total</b>	<b>26</b>	<b>60</b>	<b>186</b>	<b>323</b>	<b>4</b>	<b>51</b>	<b>209</b>	<b>859</b>

- Financial planners dominated advertising with a 38% overall share. This category includes independent financial advisers, financial planning groups, financial advisers employed by banks, insurance companies, investment managers and stockbrokers.
- Our broadest category ‘Other financial product providers’ held a 24% share of overall advertising. This category includes entities offering life insurance for your super or bank deposit accounts that are promoted as suitable for your superannuation, particularly for SMSFs. Much of the advertising in this category related to term deposits or high interest bank accounts.
- Retail superannuation funds were the next most prominent advertising group with a 22% share.

<sup>1</sup> Classification includes stockbrokers, custodians and super administrators (i.e. those that provide trustee or legal services particularly to DIY funds). Category includes rating agencies that provide (for a fee) an independent comparison of selected funds to consumers and any Government advertising.

# Types of promotion

We categorised 859 advertisements into 14 categories according to the thrust of main message of the advertisement. The categories are set out below.

## General promotion

(This category covers the provision of general information about a product provider or the broad promotion of their services.)

- We saw a decline in general promotions each month leading up to Super Choice and a shift towards ‘specific’ or ‘targeted’ promotions—for example, messages about choice of funds (i.e. choose us because of fees or performance) as opposed to a generic promotion of a fund or investment manager that we saw in our earlier monitoring.
- In July 2005, there was a rise in the number of sponsorship related advertisements. We saw financial services and Rugby married together as a result of sponsorship advertisements revolving around major international Rugby Union matches. The advertisements promoted investment and superannuation products and services more generally, and were largely incidental to Super Choice.
- Advertising by medium was also interesting as the main medium used for the general promotion of superannuation campaigns was print. Overall, for general promotions, our review showed:
  - 86% of general promotion advertising was by print.
  - Only 6% of general promotions were on radio.
  - Television also represented a smaller proportion with 8% of general promotion advertising.

## Super Choice

- Many of the advertisements reviewed which mentioned choices were principally about choice within a fund (e.g. of investment options), rather than choice between funds.
- Advertising around Super Choice ‘awareness’ was dominated mainly by the Government. For example, in April 2005, the Federal Government launched a major advertising campaign spanning print, radio and TV to raise community awareness to ‘think’ about your super, ‘your future’, and ‘choice’.

In conjunction with the launch of the advertising campaign, a new booklet prepared by ASIC, *Super Choices*, was released. It is aimed at helping Australians understand more about their retirement nest



egg, how to make informed financial decisions, and how to maximise their superannuation savings. The booklet, written in easy to understand terms, is a key part of the community education campaign for employees faced with Super Choice, many for the first time.

- Apart from the concentrated Government advertising, in the months leading up to 1 July 2005 and immediately following, we saw very little in the way of advertising focussed on conveying the message to consumers that they would soon or did now have a choice of fund.

### **Promotion by reference to fees**

- Superannuation advertising around fees and overall returns tended to suggest that consumers were tired of high fees and overwhelmed by the complexity of superannuation choice. For example, Richard Branson announced a \$30 million campaign to bring Virgin Superannuation into the Australian market place as an alternative low fee based provider. The campaign relied extensively on mainstream advertising to promote Virgin's offering.
- Industry Fund Services (CBus, Australian Retirement Fund, HESTA, HostPlus and others) launched its \$17 million advertising campaign. The ads sought to promote industry funds as having better rates of return and lower fees than other super funds, particularly when compared to retail master trusts. The ads relied on research suggesting that, on a basis of differences in fees and costs (but not performance), workers could retire with 20 or 30 per cent more in retirement benefits if they chose an industry fund rather than a retail fund.
- In September 2005, we saw the launch of Max Super also promoting itself as another alternative 'low fee/low cost' retail super fund provider.

### **Self-managed super funds (SMSFs)**

(This category includes advertisements that promoted do-it-yourself (DIY) super).

- Ads promoting SMSFs accounted for 6% of overall advertising.
- Most of the advertisements about SMSFs promoted seminars that show you how to set-up, manage and comply with setting up your own SMSF.

## Promotion of 'financial advice' services

- Advertising promoting financial advisory services dominated throughout the monitoring period, often accounting for a third of all new or revised advertisements.
- 31% of the overall advertising promoted financial advice services by five firms. The dominant firm was ClearView Retirement Solutions (accounting for around 60% of these new/revised advertisements).
- Interestingly, while print advertising was disbursed across many different players, electronic advertising tended to be dominated by a small number of advertisers. ClearView Retirement Solutions and AMP Financial Planning are two examples, with Clearview often holding a good number of the radio spots and AMP holding a good portion of the TV spots.
- In late September 2005, the Financial Planning Association (FPA) announced its \$3million advertising 'value of advice' campaign. The advertisements—to appear on TV, internet and print over a three-year period—started in October.
- When reviewing what direct mail was received from financial planning firms, we found that within the material there were warnings about care being needed with Super Choice and that any decision should not be taken lightly and should be made carefully.

## Promotions based on special offers

- In the lead up to Super Choice, Chiefly Financial Services (promoting FuturePlus Super) were offering to pay their quarterly rates instalment for a lucky few if they switched to FuturePlus Super.
- In December 2005, our direct mail campaign initiative netted a Christmas card to Virgin credit card holders from Virgin Money offering you a \$50 credit to your credit card account if you make the switch to Virgin Super by December 25.

## Promotions by accountants

- We reviewed a number of direct mail advertisements for services by accounting firms leading up to Super Choice. For example, we saw newsletters from accounting firms advising business clients of the Super Choice changes and what it means both to employers and employees.
- In later newsletters issued in a post Super Choice environment, there were feature articles that discussed switching and new product releases such as reverse mortgages.

## Promotions based on awards

- The Association of Super Funds Australia (ASFA) handed out Advertising & Communication Awards for excellence at the end of August. The awards are granted in three categories: Report Communication, Investor Communication and Purpose Communication.

Telstra Super and REST Superannuation were awarded the top prize spots. Finance commentator David Koch presented the award in 'Report Communication' to Telstra Super for its annual report to members for the 2003/04 and REST Superannuation won the 'Excellence Award in Purpose Communication' for its member rollover campaign and brochure.

- During August and September 2005, there was a rise in advertisements promoting awards won. This was on the back of the awards handed out by Personal Investor Magazine and Money Management. Subsequently super funds, fund managers, brokers etc. heralded their successes in advertisements.
- While awards and rankings convey a potentially powerful message to consumers, the advertising generally promoted the awards won in a fairly straightforward way by citing the award and its category, and often including a logotype of the magazine that made the award.
- One area we reviewed is the way rankings are represented. Often funds rank highly within a particular sub-sector of a group. For example, ING was named 'Fund Manager of the Year' in the multi-sector category by *Money Management* and properly represented this fact. However, sometimes these rankings are presented somewhat ambiguously and it is not until you read the advertisement more closely that you find out that the ranking actually relates to a sub-category.

## Other categories

Other categories we grouped ads under included:

- Centrelink,
- promotions based on specific past performance,
- promotions based on brand name or brand position,
- advertisements that may elicit fear or anxiety,
- consolidation of super, and
- seminars.

## **Appendix A: ASIC media releases**

### **05-148 Industry Fund Services agrees to change advertising**

*Friday 3 June 2005*

Industry Funds Services (IFS) agreed to an enforceable undertaking in relation to its Super Choice advertising campaigns ‘Compare the pair’ and ‘A lifetime of difference’.

Mr Jeremy Cooper, Deputy Chairman of ASIC, said:

‘ASIC was concerned that consumers might have been confused by the advertisements as previously published, and is pleased that IFS has changed its advertising in response to our concerns.’

IFS has, without accepting ASIC’s views, undertaken to refrain from:

- using projections of retirement payouts or future fund balances applying comparisons of current or past fees or average fees, unless these projections were properly qualified, and
- representing that the only relevant factor for comparisons of different super funds, in the context of projections of retirement payouts or future fund balances, is the fees charged by the operator of the fund.

On 27 May 2005, IFS suspended its advertising campaign, which involved both television and print media, pending the outcome of discussions with ASIC.

### **05-263 Trustee of superannuation fund agrees to take corrective action**

*Monday 5 September 2005*

HOSTPLUS (Industry Super Fund for Hospitality), in a mail-out to members, represented that membership of HOSTPLUS could be worth up to \$212,000, with no disclaimers about projections. ASIC was successful in obtaining an enforceable undertaking, which addressed concerns that members and contributing employers of HOSTPLUS could be misled.

ASIC’s concerns related to statements made in the record of contributions sent to each member and employer as well as the introduction of the PDS and application forms published in March and April this year.

## **05-311 Superannuation advertising continues to attract ASIC's attention**

*Thursday 13 October 2005*

ASIC moved to stop Forsythes Financial Services from publishing an advertisement promoting self managed, or so-called DIY, superannuation that ASIC considered may have been misleading.

ASIC considered that the Forsythes advertisement might have been misleading or likely to mislead because it included:

- representations about future matters without Forsythes having reasonable grounds for making those representations,
- representations about fund returns based on projections and assumptions that were not stated and, in some cases, likely to be unreliable, and
- claims that Forsythes was 'independent and impartial' despite the fact that Forsythes receives commissions.